

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

Enterprise Funds of the
City of Whitewater, Wisconsin

FINANCIAL STATEMENTS

December 31, 2009 and 2008

Johnson Block & Co., Inc.
49 Kessel Court Suite 210
Madison, Wisconsin

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

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INDEPENDENT AUDITOR'S REPORT

May 6, 2010

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

We have audited the accompanying financial statements of Whitewater Municipal Water, Wastewater, and Stormwater Utilities, enterprise funds of the City of Whitewater, Wisconsin as of December 31, 2009 and 2008 and for the years then ended as listed in the table of contents. These financial statements are the responsibility of utility management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Whitewater Municipal Water, Wastewater, and Stormwater Utilities as of December 31, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Whitewater Municipal Water, Wastewater, and Stormwater Utilities has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the financial statements. We note the significant financial events of the Whitewater Municipal Water, Wastewater, and Stormwater Utilities are included in the Management's Discussion and Analysis of the City of Whitewater financial statements.



The supplemental information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Johnson Block & Company, Inc.

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

WATER UTILITY

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Net Assets
December 31, 2009 and 2008

	2009	2008
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 470,500	\$ 623,573
Receivables		
Accounts	329,084	304,219
Interest	3,075	3,075
Due from Other Funds	71,162	60,389
Inventories	11,170	13,014
Total Current Assets	884,991	1,004,270
Restricted:		
Restricted Cash	555,533	681,810
Total Restricted Assets	555,533	681,810
Capital Assets:		
Land and Improvements	15,726,858	15,591,899
Less Accumulated Depreciation	(4,440,533)	(4,090,718)
Net Capital Assets	11,286,325	11,501,181
Noncurrent Assets		
Unamortized Debt Discount	17,364	24,376
Special Assessments	3,327	3,802
Other Deferred Debits	18,638	26,188
Total Noncurrent Assets	39,329	54,366
Total Assets	\$ 12,766,178	\$ 13,241,627

See accompanying notes to the financial statements

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Net Assets
December 31, 2009 and 2008

	2009	2008
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 13,859	\$ 5,334
Accrued Liabilities	9,353	7,396
Accrued Interest Payable	29,492	33,303
Due to Other Funds	28,468	48,500
Compensated Absences	23,003	22,449
Current Portion of Long-Term Debt:	297,953	280,677
Total Current Liabilities	402,128	397,659
Non-Current Liabilities:		
Long-Term Debt		
Notes and Bonds Payable	1,791,417	2,089,379
Total Long-Term Debt	1,791,417	2,089,379
Other Liabilities		
Compensated Absences	46,371	45,190
Total Other Liabilities	46,371	45,190
Total Non-Current Liabilities	1,837,788	2,134,569
Total Liabilities	2,239,916	2,532,228
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	9,564,937	9,513,669
Restricted Assets	194,061	316,027
Unrestricted	767,264	879,703
Total Net Assets	10,526,262	10,709,399
Total Liabilities and Net Assets	\$ 12,766,178	\$ 13,241,627

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Revenues, Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Charges for Services	\$ 1,383,801	\$ 1,406,445
Total Operating Revenues	<u>1,383,801</u>	<u>1,406,445</u>
OPERATING EXPENSES		
Operation and Maintenance	894,799	750,042
Depreciation	347,647	344,789
Total Operating Expenses	<u>1,242,446</u>	<u>1,094,831</u>
Operating Income (Loss)	<u>141,355</u>	<u>311,614</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	12,324	44,963
Miscellaneous Non-Operating Revenue	1,530	210
Interest Expense	(113,823)	(127,089)
Amortization Expense	(14,562)	(16,163)
Total Non-Operating Revenue (Expenses)	<u>(114,531)</u>	<u>(98,079)</u>
Income (Loss) Before Contributions and Transfers	26,824	213,535
Capital Contributions	3,995	-
Capital Contributions transferred in from City	-	107,120
Transfers Out (Tax Equivalent)	(213,956)	(222,435)
Change in Net Assets	<u>(183,137)</u>	<u>98,220</u>
Total Net Assets - Beginning	10,709,399	10,611,179
Total Net Assets - Ending	<u>\$ 10,526,262</u>	<u>\$ 10,709,399</u>

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008

	2009	2008
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 1,358,936	\$ 1,407,844
Payments to suppliers	(457,238)	(263,964)
Payments to employees	(443,370)	(442,345)
Taxes paid	(213,956)	(222,435)
Net cash provided (used) by operating activities	244,372	479,100
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Proceeds of special assessments	475	475
Acquisition and construction of plant assets	(138,201)	(81,393)
Principal payments on long-term debt	(280,686)	(268,512)
Interest paid	(117,634)	(130,464)
Net cash used for capital and related financing activities	(536,046)	(479,894)
<u>Cash Flows From Investing Activities:</u>		
Interest on investments	12,324	44,963
Purchase of non-cash equivalents	(328,349)	(188,349)
Sale of non-cash equivalents	188,349	215,048
Net cash provided from investing activities	(127,676)	71,662
Net increase (decrease) in cash and equivalents	(419,350)	70,868
Cash and equivalents - beginning of year	1,117,034	1,046,166
Cash and equivalents - end of year	\$ 697,684	\$ 1,117,034
<u>Noncash Capital and Related Financing Activities:</u>		
Developer financed additions to utility plant	\$ 3,995	\$ 107,120

See accompanying notes to the basic financial statements

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	2009	2008
Operating income	\$ 141,355	\$ 415,008
Joint meter	9,405	8,953
Cash Provided by Operating Activities:		
Depreciation	347,647	326,181
Transfer out (tax equivalent)	(213,956)	(192,067)
Changes in Assets and Liabilities:		
Customer accounts receivable	(24,865)	(12,003)
Due from/to other funds	(30,805)	25,965
Material & supplies	1,844	754
Other	1,530	21,589
Accounts payable	8,525	11,954
Accrued liabilities	3,692	10,035
Net cash provided (used) by operating activities	\$ 244,372	\$ 616,369

Reconciliation of cash and cash equivalents to statements of net assets accounts		
Cash and cash equivalents	\$ 470,500	\$ 623,573
Restricted Cash	555,533	681,810
Total cash and investments	1,026,033	1,305,383
Less: Noncash equivalents	(328,349)	(188,349)
Cash and Cash Equivalents	\$ 697,684	\$ 1,117,034

See accompanying notes to the basic financial statements

WASTEWATER UTILITY

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Net Assets
December 31, 2009 and 2008

	2009	2008
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 32,845	\$ 215,504
Receivables		
Accounts	474,092	471,182
Current Portion of Advances	155,000	155,000
Interest	14,548	14,548
Due from Other Governments	100,495	2,188
Due from Other Funds	20,301	4,620
Total Current Assets	797,281	863,042
Restricted:		
Restricted Cash and Cash Equivalents	1,856,819	1,520,160
Total Restricted Assets	1,856,819	1,520,160
Capital Assets:		
Land and Improvements	32,929,086	32,348,467
Less Accumulated Depreciation	(18,930,199)	(18,067,865)
Net Capital Assets	13,998,887	14,280,602
Noncurrent Assets		
Advances Receivable	-	155,000
Unamortized Debt Discount	28,582	33,503
Total Noncurrent Assets	28,582	188,503
Total Assets	\$ 16,681,569	\$ 16,852,307

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Net Assets
December 31, 2009 and 2008

	2009	2008
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 35,223	\$ 16,038
Accrued Liabilities	14,183	10,358
Accrued Interest Payable	21,495	23,931
Due to Other Funds	68,293	60,612
Compensated Absences	32,714	31,881
Current Portion of Long-Term Debt:	307,831	288,678
Total Current Liabilities	479,739	431,498
Non-Current Liabilities:		
Long-Term Debt		
Capital Lease Obligation	30,606	33,696
Compensated Absences	48,366	53,046
Notes Payable	179,207	204,745
Bonds and Loans Payable	2,015,912	2,245,107
Total Long-Term Debt	2,274,091	2,536,594
Total Liabilities	2,753,830	2,968,092
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	11,763,033	11,810,999
Restricted Assets	1,566,204	1,227,109
Unrestricted	598,502	846,107
Total Net Assets	13,927,739	13,884,215
Total Liabilities and Net Assets	\$ 16,681,569	\$ 16,852,307

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Revenues, Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Charges for Services	\$ 1,723,087	\$ 1,726,802
Total Operating Revenues	1,723,087	1,726,802
OPERATING EXPENSES		
Operation and Maintenance	1,262,456	1,325,899
Depreciation	871,739	866,198
Total Operating Expenses	2,134,195	2,192,097
Operating Income (Loss)	(411,108)	(465,295)
NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	49,839	80,720
Interest Expense	(120,302)	(130,776)
Amortization Expense	(10,921)	(5,420)
Total Non-Operating Revenue (Expenses)	(81,384)	(55,476)
Income (Loss) Before Contributions and Transfers	(492,492)	(520,771)
Capital Contributions	122,952	127,184
Capital Grants	413,064	
Capital Contributions transferred in from City	-	79,270
Change in Net Assets	43,524	(314,317)
Total Net Assets - Beginning	13,884,215	14,198,532
Total Net Assets - Ending	\$ 13,927,739	\$ 13,884,215

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008

	2009	2008
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 1,720,177	\$ 1,643,697
Payments to suppliers	(636,507)	(609,981)
Payments to employees	(728,499)	(756,731)
Net cash provided (used) by operating activities	355,171	276,985
<u>Cash Flows from Noncapital Financing Activities:</u>		
Received on long-term advances	155,000	80,000
Net cash provided by noncapital financing activities	155,000	80,000
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of plant assets	(44,603)	(339,644)
Principal payments on long-term debt	(238,670)	(280,678)
Interest paid	(122,737)	(133,031)
Contributions of plant	-	127,184
Net cash used for capital and related financing activities	(406,010)	(626,169)
<u>Cash Flows From Investing Activities:</u>		
Interest on investments	49,839	80,720
Purchase of non-cash equivalents	(865,007)	(696,803)
Sale of non-cash equivalents	696,803	700,852
Net cash provided from (used by) investing activities	(118,365)	84,769
Net increase (decrease) in cash and equivalents	(14,204)	(184,415)
Cash and equivalents - beginning of year	1,038,861	1,223,276
Cash and equivalents - end of year	\$ 1,024,657	\$ 1,038,861
<u>Noncash capital and related Financing Activities:</u>		
Developer and City financed additions to utility plant	\$ 536,016	\$ 79,270

See accompanying notes to the financial statements

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	2009	2008
Operating income (loss)	\$ (411,108)	\$ (465,295)
Joint meter	(9,405)	(9,298)
Cash Provided by Operating Activities:		
Amortization	(6,000)	-
Depreciation	871,739	866,198
Changes in Assets and Liabilities:		
Customer accounts receivable	(2,910)	(83,105)
Due from/to other governmental units	(98,307)	(2,188)
Due from/to other funds	(8,000)	4,600
Accounts payable	19,185	(6,419)
Accrued liabilities	(23)	(27,508)
Net cash provided (used) by operating activities	355,171	276,985
 Reconciliation of cash and cash equivalents to statements of net assets accounts		
Cash and cash equivalents	\$ 32,845	\$ 215,504
Restricted Cash	1,856,819	1,520,160
Total cash and investments	1,889,664	1,735,664
Less: Noncash equipvalents	(865,007)	(696,803)
Cash and Cash Equivalents	\$ 1,024,657	\$ 1,038,861

See accompanying notes to the financial statemetns

STORMWATER UTILITY

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statements of Net Assets
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 29,961	\$ 44,256
Receivables		
Accounts	73,302	68,285
Total Current Assets	<u>103,263</u>	<u>112,541</u>
Capital Assets:		
Utility Plant	2,264,713	2,141,648
Less Accumulated Depreciation	<u>(99,371)</u>	<u>(73,716)</u>
Net Capital Assets	<u>2,165,342</u>	<u>2,067,932</u>
Total Assets	<u>\$ 2,268,605</u>	<u>\$ 2,180,473</u>

See accompanying notes to the
financial statements

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statements of Net Assets
December 31, 2009 and 2008

	2009	2008
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 7,584	\$ 894
Due to Other Funds	34,867	2,701
Compensated Absences	8,308	7,524
Total Current Liabilities	50,759	11,119
Other Liabilities:		
Compensated Absences	19,014	15,712
Total Other Liabilities	19,014	15,712
Total Liabilities	69,773	26,831
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	2,165,342	2,067,932
Unrestricted	33,490	85,710
Total Net Assets	2,198,832	2,153,642
Total Liabilities and Net Assets	\$ 2,268,605	\$ 2,180,473

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Charges for Services	290,358	288,967
Total Operating Revenues	290,358	288,967
OPERATING EXPENSES		
Operation and Maintenance	235,400	256,879
Depreciation	29,743	28,300
Total Operating Expenses	265,143	285,179
Operating Income (Loss)	25,215	3,788
NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	574	2,008
Miscellaneous Revenues	-	10,603
Total Non-Operating Revenue (Expenses)	574	12,611
Income (Loss) Before Contributions and Transfers	25,789	16,399
Capital Contributions	61,551	51,132
Capital Contributions transferred in from City	-	409,728
Transfers Out	(42,150)	(19,000)
Change in Net Assets	45,190	458,259
Total Net Assets - Beginning	2,153,642	1,695,383
Total Net Assets - Ending	\$ 2,198,832	\$ 2,153,642

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008

	2009	2008
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 285,341	\$ 288,028
Payments to suppliers	(59,292)	(133,667)
Payments to employees	(175,316)	(133,155)
Net cash provided (used) by operating activities	50,733	21,206
 <u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of plant assets	(65,602)	-
Contributions of plant	-	982
Net cash provided for (used by) for capital and related financing activities	(65,602)	982
 <u>Cash Flows From Investing Activities:</u>		
Interest on investments	574	2,008
Net cash provided from investing activities	574	2,008
Net increase (decrease) in cash and equivalents	(14,295)	24,196
Cash and equivalents - beginning of year	44,256	20,060
Cash and equivalents - end of year	\$ 29,961	\$ 44,256
 <u>Noncash capital and related Financing Activities:</u>		
Developer financed additions to utility plant	\$ 61,551	\$ -

See accompanying notes to the financial statements

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	<u>2009</u>	<u>2008</u>
Operating income (loss)	\$ 25,215	\$ 3,788
Adjustments to Reconcile Operating Income to Net Assets		
Cash Provided by Operating Activities:		
Depreciation	29,743	28,300
Transfer out	(42,150)	(19,000)
Changes in Assets and Liabilities:		
Customer accounts receivable	(5,017)	(939)
Due from/to other funds	32,166	9,909
Accounts payable	6,690	(10,473)
Accrued liabilities	4,086	(982)
Net cash provided for (used by) by operating activities	<u>50,733</u>	<u>10,603</u>
 Reconciliation of cash and cash equivalents to statements of net assets accounts		
Cash and cash equivalents	<u>29,961</u>	<u>\$ 44,256</u>
Total cash and investments	29,961	44,256
 Cash and Cash Equivalents	<u>\$ 29,961</u>	<u>\$ 44,256</u>

See accompanying notes to the financial statements

WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

Notes to Financial Statements December 31, 2009 and 2008

1. Summary of Significant Accounting Policies

The financial statements of Whitewater Municipal Water, Stormwater, and Wastewater Utilities (utilities) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

A. Reporting Entity

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

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

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

The utilities are presented as enterprise funds of the municipality. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and net income is necessary for management accountability.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

Notes to Financial Statements December 31, 2009 and 2008

C. Assets, Liabilities and Net Assets

1) Deposits and Investments

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

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

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

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

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. 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.

2) Receivables/Payables

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

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

3) Materials and Supplies

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

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

**Notes to Financial Statements
December 31, 2009 and 2008**

C. Assets, Liabilities and Net Assets (Continued)

4) Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

5) Special Assessments Receivable

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

6) Capital Assets

Capital assets are generally defined by the utilities as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year.

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

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

Stormwater Plant

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

7) Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. Vested vacation and sick leave pay is accrued when earned in the financial statements. The liability is liquidated from general operating revenues of the utilities.

WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

Notes to Financial Statements December 31, 2009 and 2008

Assets, Liabilities and Net Assets (Continued)

8) Long-Term Obligations

Long-term debt and other obligations are reported as utility liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

9) Revenues and Expenses

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

10) Charges for Services

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

Current water rates were approved by the PSCW on December 1, 2009. This was a simplified rate increase that increased rates by 3.8%.

Current wastewater rates were approved by the city council on August 7, 2008.

Current stormwater rates were approved by the council.

11) Capital Contributions

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

12) Connection Fees

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

13) Transfers

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

WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

Notes to Financial Statements December 31, 2009 and 2008

2. Deposits and Investments

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.

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, recover of material principal losses may not be significant to individual municipalities.

Investments in the Local Government Investment Pool (LGIP) were covered under a surety bond issued by Financial Security Assurance, Inc. The bond insured against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. However, the LGIP was no longer insured as of February 15, 2009.

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

Investment insurance coverage of the FDIC, local government investment pool and SDGF applies to the municipality's total investments. Therefore, coverage for the utilities may be reduced.

The Wisconsin 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, 2009 and 2008, the fair value of the LGIP's assets were substantially equal to the utilities' share.

The CLASS investment (Cooperative Liquid Assets Securities System) is an investment pool established by the intergovernmental agreement dated March 1, 1996. CLASS is available for investment by Wisconsin governmental entities except school districts. Standard and Poor's assigns an investment pool rating of 'AAAm for CLASS. CLASS operates consistent with the provision 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.

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

**Notes to Financial Statements
December 31, 2009 and 2008**

2. Deposits and Investments (Continued)

Custodial Credit Risk

Deposits:

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

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

	<u>2009</u> Carrying Value
Deposits in local financial institutions	<u>\$ 2,229,541</u>
Deposits exposed to custodial credit risk	<u>\$ 2,229,541</u>

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

Investments:

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

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

The utilities' investment policy does not address this risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The utilities held investments in the LGIP which was not rated. The CLASS investments were rate AAAM by Standard and Poors.

Interest Rate Risk

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

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

**Notes to Financial Statements
December 31, 2009 and 2008**

2. Deposits and Investments (Continued)

As of December 31, 2009 the utilities' investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (days)
External investment pool - LGIP	\$ 552,408	90
External investment pool - CLASS	163,709	50
Total	\$ 716,117	

The utilities' investment policy does not address this risk.

Required Disclosure of Prior Year Data

A comparison of bank balances and carrying value at December 31, 2008 are shown below.

	2008 Carrying Value
Deposits in local financial institutions	\$ 1,307,040
Deposits exposed to custodial credit risk	\$ 1,307,040

Reconciliation to the Financial Statements

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

	2009	2008
Carrying value of deposits	\$ 2,229,541	\$ 1,307,040
Carrying value of investments	716,117	1,778,263
	\$ 2,945,658	\$ 3,085,303
Cash and cash equivalents water	470,500	623,573
Cash and cash equivalents wastewater	32,845	215,504
Restricted cash water	555,533	681,810
Restricted cash wastewater	1,856,819	1,520,160
Cash and cash equivalents stormwater	29,961	44,256
	\$ 2,945,658	\$ 3,085,303

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

**Notes to Financial Statements
December 31, 2009 and 2008**

3. Interfund Receivables/Payables and Transfers

The following is a schedule of interfund balances for the years ending December 31, 2009 and 2008.

Due To	Due From	2009		2008	
		Amount	Principal Purpose	Amount	Principal Purpose
Water	Municipality	\$ 11,757	General operations	\$ 743	General operations
Water	Wastewater	59,405	Joint metering	59,646	Joint metering
Wastewater	Water	20,301	General operations	-	
Municipality	Water	8,167	General operations	48,500	General operations
Wastewater	Municipality	4,620	General operations	4,620	General operations
Municipality	Wastewater	8,888	General operations	966	General operations
Municipality	Stormwater	34,867	Operations equipment	2,682	General operations

The following is a schedule of transfer balances for the years ending December 31, 2009 and 2008:

Transfer to	Transfer from	2009		2008	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water	\$ 213,956	Tax equivalent	\$222,435	Tax equivalent
Municipality	Stormwater	\$ 42,150	Operations equipment	\$ 19,000	General operations

4. Restricted Assets

Revenue Bond Accounts

Certain proceeds of the utilities' revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. The following revenue bond accounts are reported as restricted assets:

- Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

Replacement Account

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

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

**Notes to Financial Statements
December 31, 2009 and 2008**

4. Restricted Assets (Continued)

Restricted Net Assets

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

	2009	2008
Restricted Assets		
Redemption account	\$ 7,608	\$ 39,385
Reserve account	331,980	331,980
Depreciation account	25,000	25,000
Construction account	190,945	285,445
Total Restricted Assets	555,533	681,810
Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	(331,980)	(331,980)
Current Liabilities Payable From Restricted Assets	(29,492)	(33,803)
Total Restricted Net Assets as Calculated	\$ 194,061	\$ 316,027

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

	2009	2008
Restricted Assets		
Redemption account	\$ 136,029	\$ 88,521
Reserve account	269,120	269,120
Depreciation account	25,000	25,000
Connection account	309,937	258,540
Replacement account	1,116,733	878,979
Total Restricted Assets	1,856,819	1,520,160
Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	(269,120)	(269,120)
Current Liabilities Payable From Restricted Assets	(21,495)	(23,931)
Total Restricted Net Assets as Calculated	\$ 1,566,204	\$ 1,227,109

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

**Notes to Financial Statements
December 31, 2009 and 2008**

5. Advances to Other Funds

The advances from the wastewater utility to the general fund are being repaid as determined by the annual budget.

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
12/29/2004	Unfunded pension liability	December 2010	3.00%	\$ 480,000	\$ 155,000

Repayment requirements to maturity follow:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 155,000	\$ 4,650	\$ 159,650
	<u>\$ 155,000</u>	<u>\$ 4,650</u>	<u>\$ 159,650</u>

6. Changes in Capital Assets

Water Utility

A summary of changes in water capital assets for 2009 follows:

<u>Water</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land and land rights	\$ 6,727	\$ -	\$ -	\$ 6,727
Total Capital Assets Not Being Depreciated	<u>6,727</u>	<u>-</u>	<u>-</u>	<u>6,727</u>
Capital Assets Being Depreciated				
Source of supply	633,563	-	-	633,563
Pumping	1,185,927	-	-	1,185,927
Water treatment	1,458,742	-	-	1,458,742
Transmission and distribution	11,911,021	132,196	7,237	12,035,980
Administrative and general assets	395,919	10,000	-	405,919
Total Capital Assets Being Depreciated	<u>15,585,172</u>	<u>142,196</u>	<u>7,237</u>	<u>15,720,131</u>
Total Capital Assets	<u>15,591,899</u>	<u>142,196</u>	<u>7,237</u>	<u>15,726,858</u>
Less: Accumulated depreciation	<u>4,090,718</u>	<u>357,209</u>	<u>7,394</u>	<u>4,440,533</u>
Net Capital Assets	<u>\$ 11,501,181</u>	<u>\$ (215,013)</u>	<u>\$ (157)</u>	<u>\$ 11,286,325</u>

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

**Notes to Financial Statements
December 31, 2009 and 2008**

6. Changes in Capital Assets (Continued)

A summary of changes in water capital assets for 2008 follows:

<u>Water</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land and land rights	\$ 6,727	\$ -	\$ -	\$ 6,727
Total Capital Assets Not Being Depreciated	<u>6,727</u>	<u>-</u>	<u>-</u>	<u>6,727</u>
Capital assets being depreciated				
Source of supply	633,563		-	633,563
Pumping	1,185,927	-	-	1,185,927
Water treatment	1,458,742	-	-	1,458,742
Transmission and distribution	11,727,457	188,513	4,949	11,911,021
Administrative and general assets	395,919		-	395,919
Total Capital Assets Being Depreciated	<u>15,401,608</u>	<u>188,513</u>	<u>4,949</u>	<u>15,585,172</u>
Total Capital Assets	<u>15,408,335</u>	<u>188,513</u>	<u>4,949</u>	<u>15,591,899</u>
Less: Accumulated depreciation	<u>3,741,580</u>	<u>354,087</u>	<u>4,949</u>	<u>4,090,718</u>
Net Capital Assets	<u>\$ 11,666,755</u>	<u>\$ (165,574)</u>	<u>\$ -</u>	<u>\$ 11,501,181</u>

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

**Notes to Financial Statements
December 31, 2009 and 2008**

6. Changes in Capital Assets (Continued)

Wastewater Utility

A summary of changes in wastewater capital assets for 2009 follows:

<u>Wastewater</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Construction in progress	\$ 265,032	\$ 409,065	\$ 265,032	\$ 409,065
Land and land rights	168,179	-	-	168,179
Total Capital Assets Not Being Depreciated	<u>433,211</u>	<u>409,065</u>	<u>265,032</u>	<u>577,244</u>
Capital Assets Being Depreciated				
Collection system	11,305,803	396,124	-	11,701,927
Treatment and disposal	19,845,332	16,712	-	19,862,044
General	764,121	23,750	-	787,871
Total Capital Assets Being Depreciated	<u>31,915,256</u>	<u>436,586</u>	<u>-</u>	<u>32,351,842</u>
Total Capital Assets	32,348,467	845,651	265,032	32,929,086
Less: Accumulated depreciation	<u>18,067,865</u>	<u>862,334</u>	<u>-</u>	<u>18,930,199</u>
Net Capital Assets	<u>\$ 14,280,602</u>	<u>\$ (16,683)</u>	<u>\$ 265,032</u>	<u>\$ 13,998,887</u>

A summary of changes in wastewater capital assets for 2008 follows:

<u>Wastewater</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Construction in progress	\$ -	\$ 265,032	\$ -	\$ 265,032
Land and land rights	168,179	-	-	168,179
Total Capital Assets Not Being Depreciated	<u>168,179</u>	<u>265,032</u>	<u>-</u>	<u>433,211</u>
Capital Assets Being Depreciated				
Collection system	11,151,920	153,883	-	11,305,803
Treatment and disposal	19,845,332	-	-	19,845,332
General	764,121	-	-	764,121
Total Capital Assets Being Depreciated	<u>31,761,373</u>	<u>153,883</u>	<u>-</u>	<u>31,915,256</u>
Total Capital Assets	31,929,552	418,915	-	32,348,467
Less: Accumulated Depreciation	<u>17,210,965</u>	<u>856,900</u>	<u>-</u>	<u>18,067,865</u>
Net Capital Assets	<u>\$ 14,718,587</u>	<u>\$(437,985)</u>	<u>\$ -</u>	<u>\$ 14,280,602</u>

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

**Notes to Financial Statements
December 31, 2009 and 2008**

6. Changes in Capital Asset (Continued)

Stormwater Utility

A summary of changes in stormwater capital assets for 2009 follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Stormwater</u>				
Capital Assets Being Depreciated				
Infrastructure	\$ 2,141,648	\$ 127,153	\$ 4,088	\$ 2,264,713
Less: Accumulated depreciation	73,716	29,743	4,088	99,371
Net Capital Assets	<u>\$ 2,067,932</u>	<u>\$ 97,410</u>	<u>\$ -</u>	<u>\$ 2,165,342</u>

A summary of activity for 2008 follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Stormwater</u>				
Capital Assets Being Depreciated				
Infrastructure	\$ 1,681,770	\$ 459,878	\$ -	\$ 2,141,648
Less: Accumulated depreciation	45,416	28,300	-	73,716
Net Capital Assets	<u>\$ 1,636,354</u>	<u>\$ 431,578</u>	<u>\$ -</u>	<u>\$ 2,067,932</u>

7. Long-Term Obligations

Long-term Debt – Water

The following are water debt issues outstanding:

	Date of Issuance	Final Maturity	Interest Rates	Original Indebtedness	Balance 12-31-09
<u>Water Utility</u>					
2000 Mortgage revenue bonds	9/15/2000	9/15/2015	4.75-5.2%	\$ 3,395,000	\$ 1,665,000
2006 Promissory Note	8/1/2006	8/1/2016	4.48%	570,000	424,370
			Total Water Utility		<u>\$ 2,089,370</u>

Water debt service requirements to maturity follows:

Year	Water Totals		
	Principal	Interest	Total
2010	\$ 297,953	\$ 104,061	\$ 402,014
2011	310,325	89,651	399,976
2012	327,804	74,427	402,231
2013	340,393	57,992	398,385
2014	363,099	40,969	404,068
2015-16	449,796	25,640	475,436
Totals	<u>\$ 2,089,370</u>	<u>\$ 392,740</u>	<u>\$ 2,482,110</u>

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

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

**Notes to Financial Statements
December 31, 2009 and 2008**

7. Long-Term Obligations (Continued)

Long-term Debt – Wastewater

The following wastewater debt issues are outstanding:

	<u>Date of Issuance</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12-31-09</u>
<u>Wastewater Utility</u>					
1996 Clean Water fund loan	7/24/1996	5/1/2016	3.08%	\$ 1,563,900	\$ 685,106
2000 Revenue bonds	5/1/2000	5/1/2016	5.1-5.5%	2,850,000	1,560,000
2006 Promissory Note	8/1/2006	8/1/2016	4.48%	275,000	204,754
Capital Lease	12/1/2005	1/1/2017	3.90%	39,721	33,696
2009 Clean Water Fund Loan	12/9/2009	5/1/2029	2.91%	50,000	50,000
			Total Wastewater Utility		<u><u>\$ 2,533,556</u></u>

Wastewater debt service requirements (excluding the capital lease) to maturity follows:

<u>Year</u>	Wastewater Totals		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 304,742	\$ 109,344	\$ 414,086
2011	320,642	95,279	415,921
2012	334,728	80,285	415,013
2013	348,956	64,470	413,426
2014	368,332	47,743	416,075
2015-19	792,785	44,403	837,188
2020-24	13,775	3,339	17,114
2025-29	15,900	1,183	17,083
	<u>\$ 2,499,860</u>	<u>\$ 446,046</u>	<u>\$ 2,945,906</u>

The capital lease is payable semi-annually with interest at 3.9%. The schedule to retire the capital lease is listed below.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 3,090	\$ 1,281	\$ 4,371
2011	3,524	1,156	4,680
2012	4,001	1,015	5,016
2013	4,520	854	5,374
2014	5,085	673	5,758
2015-2017	13,476	738	14,214
Total	<u>\$ 33,696</u>	<u>\$ 5,717</u>	<u>\$ 39,413</u>

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

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

**Notes to Financial Statements
December 31, 2009 and 2008**

7. Long-Term Obligations (Continued)

Long-Term Obligations Summary – Water

Long term debt activity for the year ended December 31, 2009 for the water is as follows:

	Balance 1/01/2009	Additions	Reductions	Balance 12/31/2009	Due Within One Year
Revenue Bonds and GO	\$ 2,370,056	\$ -	\$ 280,686	\$ 2,089,370	\$ 297,953
Refundings - Gains/(Losses)	(26,188)		(7,550)	(18,638)	-
Vested Compensated Absences	45,190	1,181		46,371	-
Total Other Liabilities	\$ 2,389,058	\$ 1,181	\$ 273,136	\$ 2,117,103	\$ 297,953

Long-term debt activity for the year ended December 31, 2008 for the water is as follows:

	Balance 1/01/2008	Additions	Reductions	Balance 12/31/2008	Due Within One Year
Revenue Bonds	\$ 2,638,568	\$ -	\$ 268,512	\$ 2,370,056	\$ 280,677
Refundings - Gains/(Losses)	(34,568)		(8,380)	(26,188)	-
Vested Compensated Absences	45,491		301	45,190	-
Total Other Liabilities	\$ 2,649,491	\$ -	\$ 260,433	\$ 2,389,058	\$ 280,677

Long-Term Obligations Summary – Wastewater

Long-term debt activity for the year ended December 31, 2009 for the wastewater utility is as follows:

	Balance 1/01/2009	Additions	Reductions	Balance 12/31/2009	Due Within One Year
Revenue Bonds and GO	\$ 2,772,226	\$ -	\$ 272,366	\$ 2,499,860	\$ 304,742
Capital Lease	36,387		2,691	33,696	3,090
Vested compensated Absences	53,046	-	4,680	48,366	-
Total Other Liabilities	\$ 2,861,659	\$ -	\$ 279,737	\$ 2,581,922	\$ 307,832

Long-term obligation activity for the year ended December 31, 2008 is as follows:

	Balance 1/01/2008	Additions	Reductions	Balance 12/31/2008	Due Within One Year
Revenue Bonds	\$ 3,013,180	\$ -	\$ 240,954	\$ 2,772,226	\$ 285,987
Capital Lease	39,721	-	3,334	36,387	2,691
Vested Compensated Absences	68,982	-	15,936	53,046	-
Total Other Liabilities	\$ 3,121,883	\$ -	\$ 260,224	\$ 2,861,659	\$ 288,678

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

**Notes to Financial Statements
December 31, 2009 and 2008**

7. Long-Term Obligations (Continued)

Bond Covenant Disclosures

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

Insurance

The utilities are exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

The utilities are covered under the following insurance policies at December 31, 2009:

Type	Coverage	
R&R Insurance Services, Inc.		
General Liability	\$ 3,000,000	BI & PD
Automobile	3,000,000	BI & PD
Workers Compensation	2,000,000	
Law Enforcement	3,000,000	
Public Officials	3,000,000	
Motor Vehicle Comprehensive –		
Replacement Cost	5,162,148	
Motor Vehicle Collision	5,162,148	
Uninsured Motorist	25,000	
Prior Acts	50,000	
Prior Errors & Omission	3,000,000	
Local Government Insurance Fund		
Building/Personal Property/Inland Marine	56,466,696	
Contractors Equipment	2,042,544	
Monies and Securities	10,000	
Employee Tools	34,629	

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

**Notes to Financial Statements
December 31, 2009 and 2008**

7. Long-Term Obligations (Continued)

Debt Coverage – Water

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

	2009	2008
Operating revenues	1,383,801	\$ 1,406,445
Investment income	12,324	44,963
Less: Operation and maintenance expenses	(894,799)	(750,042)
 Net Defined Earnings	 501,326	 701,366
 Minimum Required Earnings per Resolution:		
Highest annual debt services	404,068	404,068
Coverage factor	1.20	1.20
 Minimum Required Earnings	 \$ 484,882	 \$ 484,882

Debt Coverage – Wastewater

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

	2009	2008
Operating revenues	\$ 1,723,087	\$ 1,726,802
Investment income	49,839	80,721
Connection fees	122,952	100,400
Less: Operation and maintenance expenses	(1,262,456)	(1,325,899)
 Net Defined Earnings	 \$ 633,422	 \$ 582,024
 Minimum Required Earnings per Resolution:		
Highest annual debt services	416,075	412,785
Coverage factor	1.20	1.20
 Minimum Required Earnings	 \$ 499,290	 \$ 495,342

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

**Notes to Financial Statements
December 31, 2009 and 2008**

7. Long-Term Obligations (Continued)

Number of Customers – Water

The utility has the following number of customers and billed volumes for 2009 and 2008:

	Customers		Sales (000 gals)	
	2009	2008	2009	2008
Residential	3,063	2,995	130,721	132,481
Commercial	456	447	92,773	94,046
Industrial	39	39	275,492	282,094
Public Authority	105	100	65,878	87,150
Totals	<u>3,663</u>	<u>3,581</u>	<u>564,864</u>	<u>595,771</u>

Number of Customers – Wastewater

The utility has the following number of customers and billed volumes for 2009 and 2008:

	Customers		Sales (000 gals)	
	2009	2008	2009	2008
Residential	3,063	2,995	130,311	132,066
Commercial	456	447	78,906	79,989
Industrial	39	39	16,383	21,586
Public Authority	105	100	51,664	68,347
Totals	<u>3,663</u>	<u>3,581</u>	<u>277,264</u>	<u>301,988</u>

The wastewater utility increased rates on December 1, 2007 and September 1, 2008 in order to meet the debt coverage requirement in the future.

8. Net Assets

Governmental accounting standards require the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

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

WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

Notes to Financial Statements December 31, 2009 and 2008

8. Net Assets (Continued)

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

Unrestricted net assets – The component of net asset consist of 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 utilities’ policy to use restricted resources first, then unrestricted resources as they are needed.

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

	2009	2008
Water Utility		
Capital Assets net of depreciation	\$ 11,286,325	\$ 11,501,181
Less: related long-term debt outstanding	(2,089,370)	(2,370,056)
Total Invested in Capital Assets	9,196,955	9,131,125
Unamortized loss on advancing refunding	18,638	26,188
Unamortized debt issuance costs	17,364	24,376
Sub-Total	36,002	50,564
Reserve from borrowing	331,980	331,980
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 9,564,937	\$ 9,513,669

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

	2009	2008
Wastewater Utility		
Capital Assets net of depreciation	\$ 13,998,887	\$ 14,280,602
Less: related long-term debt outstanding	(2,533,556)	(2,772,226)
Total Invested in Capital Assets	11,465,331	11,508,376
Unamortized debt issuance costs	28,582	33,503
Sub-Total	28,582	33,503
Reserve from borrowing	269,120	269,120
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 11,763,033	\$ 11,810,999

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

**Notes to Financial Statements
December 31, 2009 and 2008**

8. Net Assets (Continued)

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

	2009	2008
Stormwater Utility		
Capital Assets net of depreciation	\$ 2,165,342	\$ 2,067,932
Total Invested in Capital Assets	2,165,342	2,067,932
 Total Net Assets Invested in Capital Assets, Net of Related Debt	 \$ 2,165,342	 \$ 2,067,932

9. Employees Retirement System

All eligible employees of the utilities participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.0% and 5.6% of their salary to the plan in 2009 and 2008, respectively. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits. Covered payroll listed below is substantially the same as total payroll.

Water Utility

	Year Ended December 31		
	2009	2008	2007
Total Covered Employee Payroll	\$ 321,903	\$ 325,113	\$ 305,655
Total Required Contributions	\$ 33,156	\$ 34,363	\$ 32,261
Total Required Contribution %	10.3%	10.6%	10.6%

Wastewater Utility

	Year Ended December 31		
	2009	2008	2007
Total Covered Employee Payroll	\$ 507,974	\$ 540,950	\$ 492,629
Total Required Contributions	\$ 52,321	\$ 56,739	\$ 57,382
Total Required Contribution %	10.3%	10.5%	11.6%

Stormwater Utility

	Year Ended December 31		
	2009	2008	2007
Total Covered Employee Payroll	\$ 124,479	\$ 106,927	\$ -
Total Required Contributions	\$ 12,821	\$ 11,334	
Total Required Contribution %	10.3%	10.6%	NA

Details of the plan are disclosed in the basic financial statement of the City of Whitewater.

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

**Notes to Financial Statements
December 31, 2009 and 2008**

10. Significant Customers

Water Utility

The utility has one significant customer who was responsible for approximately 19% of operating revenues.

11. Net Asset Restatement

The water and sewer net assets were restated as follows:

	<u>Water</u>	<u>Sewer</u>
Net Assets 12/31/07 as previously stated	\$ 10,641,034	\$14,277,300
Adjustment for special assessments that are deferred until future development occurs. Revenue was previously recognized	<u>(29,855)</u>	<u>(78,768)</u>
Net Assets 1/1/09 as restated	<u>\$ 10,611,179</u>	<u>\$14,198,532</u>

12. Commitments and Contingencies

Sewer Upgrade

The City is in the process of a sewer upgrade. Total costs are anticipated to be \$5,560,000. Of this half is anticipated to be funded through a clean water fund loan borrowing and half through grants. Through 2009, the City has accrued approximately \$463,000 in costs. A clean water fund loan draw of \$50,000 was made. The remaining amounts were paid in grants. The City anticipates completing the remainder of the project in 2011.

SUPPLEMENTAL INFORMATION

Whitewater Municipal Water Utility

**Water Utility Plant
December 31, 2009**

	Balance 1/01/2009	Additions	Retirements	Balance 12/31/2009
Source of Supply				
Land and land rights	\$ 3,603	\$ -	\$ -	\$ 3,603
Structures and improvements	30,984	-	-	30,984
Wells and springs	585,549	-	-	585,549
Supply mains	17,029	-	-	17,029
Total Source of Supply	<u>637,165</u>	<u>-</u>	<u>-</u>	<u>637,165</u>
Pumping				
Structures and improvements	463,697	-	-	463,697
Electric pumping equipment	659,052	-	-	659,052
Diesel pumping equipment	51,851	-	-	51,851
Other pumping equipment	11,327	-	-	11,327
Total Pumping	<u>1,185,927</u>	<u>-</u>	<u>-</u>	<u>1,185,927</u>
Water Treatment				
Structures and improvements	370,874	-	-	370,874
Water treatment equipment	1,087,868	-	-	1,087,868
Total Water Treatment	<u>1,458,742</u>	<u>-</u>	<u>-</u>	<u>1,458,742</u>
Transmission and Distribution				
Land and land rights	898	-	-	898
Distribution reservoirs and standpipes	504,482	-	-	504,482
Transmission and distribution mains	8,853,032	95,800	4,263	8,944,569
Services	1,245,607	13,734	1,320	1,258,021
Meters	342,001	10,612	750	351,863
Hydrants	965,900	12,050	904	977,046
Total Transmission and Distribution	<u>11,911,920</u>	<u>132,196</u>	<u>7,237</u>	<u>12,036,879</u>
General				
Land and land rights	2,226	-	-	2,226
Structures and improvements	92,182	-	-	92,182
Office furniture and equipment	19,334	-	-	19,334
Computer equipment	54,246	-	-	54,246
Transportation equipment	79,449	-	-	79,449
Stores equipment	392	-	-	392
Tools, shop and garage equipment	21,511	-	-	21,511
Laboratory equipment	1,371	-	-	1,371
Power-operated equipment	27,187	10,000	-	37,187
Communication equipment	15,082	-	-	15,082
SCADA equipment	79,700	-	-	79,700
Miscellaneous equipment	5,465	-	-	5,465
Total General	<u>398,145</u>	<u>10,000</u>	<u>-</u>	<u>408,145</u>
Construction Work In Progress				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Water Utility Plant	<u>\$ 15,591,899</u>	<u>\$ 142,196</u>	<u>\$ 7,237</u>	<u>\$ 15,726,858</u>

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

December 31, 2009 and 2008

	Water	
	2009	2008
Utility Plant in Service (excluding contributed plant)		
Beginning of year	\$ 7,862,518	\$ 7,678,954
End of year	7,875,893	7,862,518
Average	7,869,206	7,770,736
Accumulated Depreciation		
Beginning of year	(2,277,119)	(2,094,279)
End of year	(2,461,073)	(2,277,119)
Average	(2,369,096)	(2,185,699)
Materials and Supplies		
Beginning of year	13,014	15,584
End of year	11,170	13,014
Average	12,092	14,299
Regulatory Liability		
Beginning of year	(764,870)	(815,861)
End of year	(713,878)	(764,870)
Average	(739,374)	(790,366)
Average Net Rate Base	\$ 4,772,828	\$ 4,808,970
Operating Income - Regulatory Basis	\$ 95,268	\$ 255,685
Rate of Return (Percent)	2.00%	5.32%

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

Whitewater Municipal Wastewater Utility

Wastewater Utility Plant

December 31, 2009

	<u>Balance</u> <u>1/01/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2009</u>
Collecting System				
Lift stations	\$ 703,499	\$ 330,397	\$ -	\$ 1,033,896
Collecting mains	7,712,600	65,726	-	7,778,326
Interceptor mains	2,773,904	-	-	2,773,904
Force mains	115,800	-	-	115,800
Total Collecting System	<u>11,305,803</u>	<u>396,123</u>	<u>-</u>	<u>11,701,926</u>
Treatment and Disposal				
Land and improvements	168,179	-	-	168,179
Structures and improvements	7,293,097	-	-	7,293,097
Preliminary treatment equipment	1,361,072	2,813	-	1,363,885
Primary treatment equipment	313,958	-	-	313,958
Secondary treatment equipment	4,776,038	13,900	-	4,789,938
Advanced treatment equipment	955,910	-	-	955,910
Chlorination equipment	87,875	-	-	87,875
Sludge treatment and disposal equipment	2,983,263	-	-	2,983,263
Plant site piping	1,738,740	-	-	1,738,740
Flow metering and monitoring equipment	48,350	-	-	48,350
Flow metering and monitoring equipment	232,936	-	-	232,936
Flow metering and monitoring equipment	54,093	-	-	54,093
Total Treatment and Disposal	<u>20,013,511</u>	<u>16,713</u>	<u>-</u>	<u>20,030,224</u>
General				
Structures and improvements	61,637	-	-	61,637
Office furniture and equipment	62,557	-	-	62,557
Computer equipment	57,898	-	-	57,898
Transportation equipment	190,943	-	-	190,943
Communication equipment	186,132	-	-	186,132
Other general equipment	204,954	23,750	-	228,704
Total General	<u>764,121</u>	<u>23,750</u>	<u>-</u>	<u>787,871</u>
Construction Work In Progress				
	<u>265,032</u>	<u>409,065</u>	<u>265,032</u>	<u>409,065</u>
Total Wastewater Utility Plant	<u><u>\$ 32,348,467</u></u>	<u><u>\$ 845,651</u></u>	<u><u>\$ 265,032</u></u>	<u><u>\$ 32,929,086</u></u>