

**CITY OF WHITEWATER**  
**AUDITED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2009**

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**City of Whitewater**

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**December 31, 2009**

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**INDEPENDENT AUDITOR'S REPORT**

May 6, 2010

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, 2009, 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 6, 2010 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.



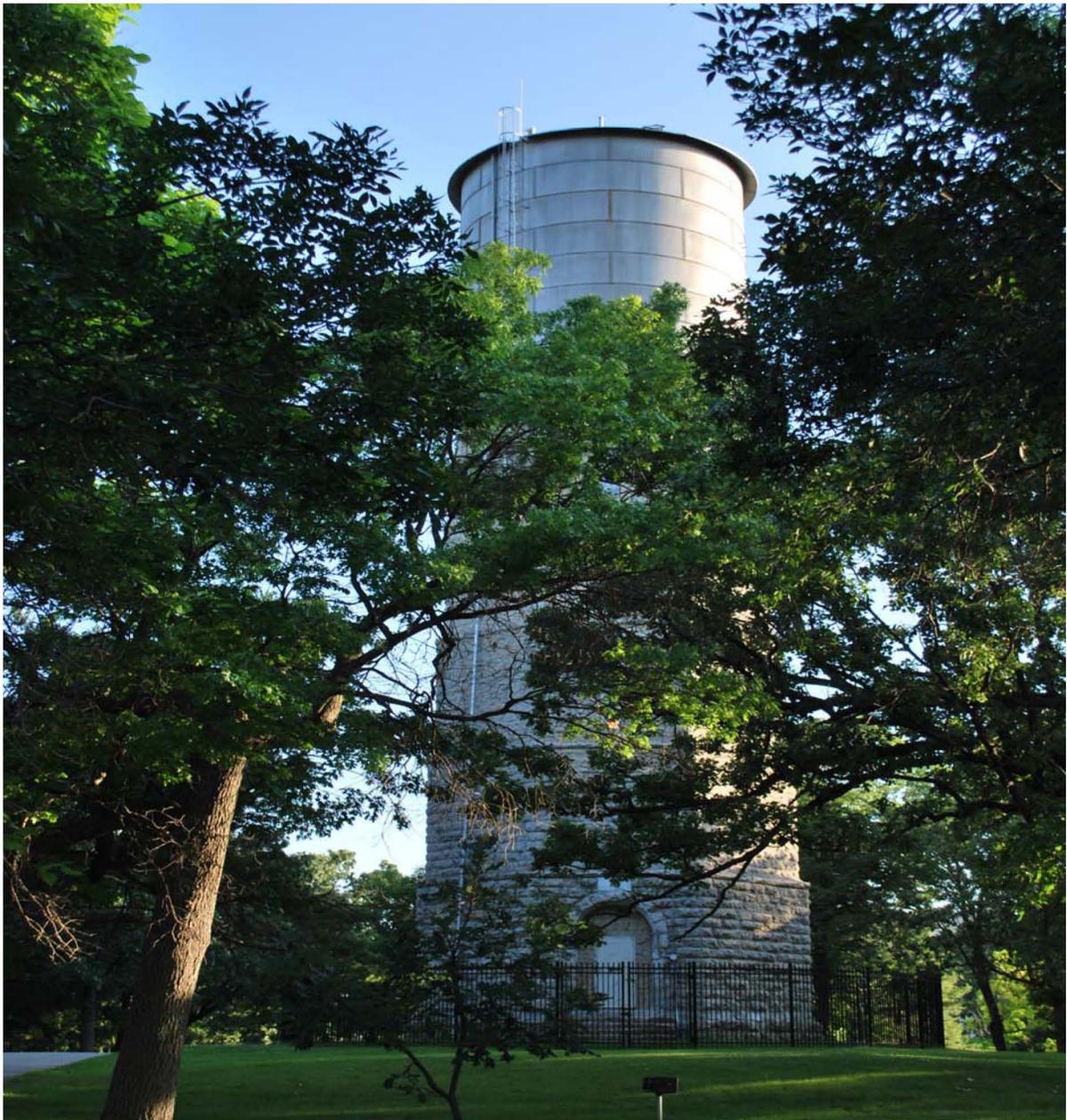
The management's discussion and analysis and budgetary comparison information on pages i through xi and 50 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 2009**



## CITY OF WHITEWATER

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2009

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, 2009. 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.

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#### FINANCIAL HIGHLIGHTS

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The City's total net assets increased \$384,896, or .80% from the prior year. The net assets for governmental activities increased \$479,319 while the net assets of the business-type activities decreased by \$94,423. The Community Development Authority-CDA-a component unit of the city, net assets increased by \$172,404.

The assets of the City of Whitewater exceeded its liabilities as of December 31, 2009 by \$48,429,986 (net assets). Of this amount, \$4,855,380 (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 \$3,456,123 and \$1,399,256 for governmental and business-type activities, respectively.

As of December 31, 2009, the City of Whitewater's governmental funds reported combined ending fund balances of \$7,205,551, a decrease of \$1,848,127 in comparison with the prior year. Approximately 50.5% of this total, or \$3,635,696 (unreserved/undesignated fund balance), is available for spending at the government's discretion. Of the \$3,635,696 unreserved/undesignated fund balance, the General Fund makes up \$2,031,393 (55.9%), while the Cable TV. Fund accounts for \$173,792 (4.8%), the Street Repair Fund-- \$124,431 (3.4%), the Fire/Rescue Equipment Fund--\$370,534 (10.2%), the Solid Waste/Recycling Fund-- \$107,450 (3.0%), Sick Leave Severance Fund-- \$306,114 (8.4%), other capital projects funds for \$306,010 (8.4%) and other special revenue funds \$215,972 (5.9%).

The city's water utility had an operating income in 2009 of \$141,355. Unrestricted net assets decreased by \$142,294. The water utility's total net assets decreased by \$183,137 to \$10,526,262. Water utility rates were adjusted by 3.8% effective on December 1, 2009. The Water utility can not seek a rate increase until the Average Rate of Return falls below 6.5%. The 2009 Average Rate of Return equaled 2.00%. It is anticipated that the water utility will be filing a formal rate case application in August 2010 in order to adjust rates to cover operational expenses and debt service for capital improvements.

The wastewater utility had an operating loss of \$411,108 in 2009. The utility's total net assets increased by \$43,524. 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.

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#### OVERVIEW OF THE FINANCIAL STATEMENTS

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- 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, 2009

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#### **OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)**

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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, 2009

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### OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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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 Storm water 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.

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### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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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 84.4%) 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, 2009 and 2008

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

**CITY OF WHITEWATER'S NET ASSETS**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and Other Assets	\$ 12,459,615	14,400,813	4,134,170	4,421,503	16,593,785	18,822,316
Capital Assets	<u>31,081,385</u>	<u>30,453,575</u>	<u>27,450,554</u>	<u>27,849,715</u>	<u>58,531,939</u>	<u>58,303,290</u>
<b>Total Assets</b>	<b><u>43,541,000</u></b>	<b><u>44,854,388</u></b>	<b><u>31,584,724</u></b>	<b><u>32,271,218</u></b>	<b><u>75,125,724</u></b>	<b><u>77,125,606</u></b>
Non-Current Liabilities	14,492,578	16,300,422	4,130,893	4,686,875	18,623,471	20,987,297
Other Liabilities	<u>7,271,269</u>	<u>7,078,952</u>	<u>800,998</u>	<u>728,464</u>	<u>8,072,267</u>	<u>7,807,416</u>
<b>Total Liabilities</b>	<b><u>21,763,847</u></b>	<b><u>23,379,374</u></b>	<b><u>4,931,891</u></b>	<b><u>5,415,339</u></b>	<b><u>26,695,738</u></b>	<b><u>28,794,713</u></b>
<b>Net Assets:</b>						
Invested in Capital Assets						
Net of Related Debt	17,364,370	12,652,000	23,493,312	23,392,600	40,857,682	36,044,600
Restricted	956,660	4,136,752	1,760,265	1,543,136	2,716,925	5,679,888
Unrestricted	<u>3,456,123</u>	<u>4,686,262</u>	<u>1,399,256</u>	<u>1,920,143</u>	<u>4,855,379</u>	<u>6,606,405</u>
<b>TOTAL NET ASSETS</b>	<b><u>21,777,153</u></b>	<b><u>21,475,014</u></b>	<b><u>26,652,833</u></b>	<b><u>26,855,879</u></b>	<b><u>48,429,986</u></b>	<b><u>48,330,893</u></b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b><u>43,541,000</u></b>	<b><u>44,854,388</u></b>	<b><u>31,584,724</u></b>	<b><u>32,271,218</u></b>	<b><u>75,125,724</u></b>	<b><u>77,125,606</u></b>

Net Assets: The City of Whitewater's combined net assets increased .21% between fiscal years 2008 and 2009 to \$48,429,986. 55.04% of the 2009 net assets are business-type activities of the City Water, Wastewater and Stormwater Utilities. The governmental activities had a slight increase in net assets throughout the year, while the business-type activities experienced a slight decrease. ASSETS: Governmental Activities: The decrease in Current and Other Assets can be attributed to the completion of capital improvement projects financed thru the borrowing made by TID #4. The remaining debt issue will be used to finance the construction of the Innovation Center, Starin Road extension, and the Tech Park infrastructure improvements which are within TID # 4 boundaries. Taxes Receivables increased by \$77,522. Special Assessment Receivable, Accounts Receivables, and Other Receivables decreased by \$206,644. The majority of the decline can be attributed to the restatement of the Special Assessment balance to deferred revenue(\$177,183). There were very few special assesment projects for 2009. LIABILITIES:Governmental Activities: Non-Current Liabilities decreased by \$1,807,844. The decline can be attributed to payments made on outstanding bond issues. Deferred re

**CITY OF WHITEWATER, WISCONSIN**

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
For Year Ended December 31, 2009 and 2008

**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	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 1,261,793	1,310,650	3,398,391	3,424,036	4,660,184	4,734,686
Operating grants and contributions	1,258,101	1,206,484	414,594	210	1,672,695	1,206,694
Capital grants and contributions	123,674	36,639	187,353	176,496	311,027	213,135
General Revenues:						
Property Taxes	4,210,373	4,079,802	-	-	4,210,373	4,079,802
Other Taxes	88,268	94,955	-	-	88,268	94,955
Intergovernmental	3,953,752	4,053,274	-	-	3,953,752	4,053,274
Investment Income	153,509	384,155	62,737	127,691	216,246	511,846
Miscellaneous	198,820	227,680	-	10,603	198,820	238,283
<b>Total Revenues</b>	<b>11,248,290</b>	<b>11,393,639</b>	<b>4,063,075</b>	<b>3,739,036</b>	<b>15,311,365</b>	<b>15,132,675</b>
<b>Expenses:</b>						
General government	2,008,162	1,950,425	-	-	2,008,162	1,950,425
Public Safety	3,779,930	4,025,252	-	-	3,779,930	4,025,252
Public Works	2,384,700	2,588,360	-	-	2,384,700	2,588,360
Leisure activities	1,381,863	1,351,565	-	-	1,381,863	1,351,565
Conservation and Development	523,775	279,862	-	-	523,775	279,862
Interest and fiscal charges	747,794	685,719	265,143	279,448	1,012,937	965,167
Water Utility	-	-	1,242,446	1,094,831	1,242,446	1,094,831
Sewer Utility	-	-	2,134,195	2,192,097	2,134,195	2,192,097
Storm water Utility	-	-	259,608	285,179	259,608	285,179
<b>Total Expenses</b>	<b>10,826,224</b>	<b>10,881,183</b>	<b>3,901,392</b>	<b>3,851,555</b>	<b>14,727,616</b>	<b>14,732,738</b>
Increases in net assets before transfers	422,066	512,456	161,683	(112,519)	583,749	399,937
Transfers	57,253	(414,033)	(256,106)	354,683	(198,853)	(59,350)
Increase in net assets	479,319	98,423	(94,423)	242,164	384,896	340,587
NET ASSETS-January 1	21,475,017	21,503,010	26,855,881	23,215,901	48,330,898	44,718,911
Change in Net Assets due to Restatement	(177,183)	(126,419)	(108,624)	(2)	(285,807)	(126,421)
<b>Net Assets-December 31</b>	<b>21,777,153</b>	<b>21,475,014</b>	<b>26,652,834</b>	<b>23,458,063</b>	<b>48,429,987</b>	<b>44,933,077</b>

Change in Net Assets: The City's 2009 revenues for both governmental and business-type activities total \$15,311,365 and expenses total \$14,727,616. These totals plus transfers resulted in an increase in net assets of \$384,896. Net assets increased by \$479,319 for **governmental activities** when compared to 2008. The primary cause of the increase was due to transfers which equaled a positive \$57,253. This was an decrease of \$471,286. Program revenues increased \$489,391 due to operating grants and contributions made in 2009; general revenues increased by \$301,701 while total expenses declined \$5,122. The **change in net assets due to restatement** is an adjustment to Special Assessments that are deferred until future development occurs. Previously revenues were recognized. Refer to footnote # 9, page 45.

**CITY OF WHITEWATER, WISCONSIN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)**  
 For Year Ended December 31, 2009 and 2008

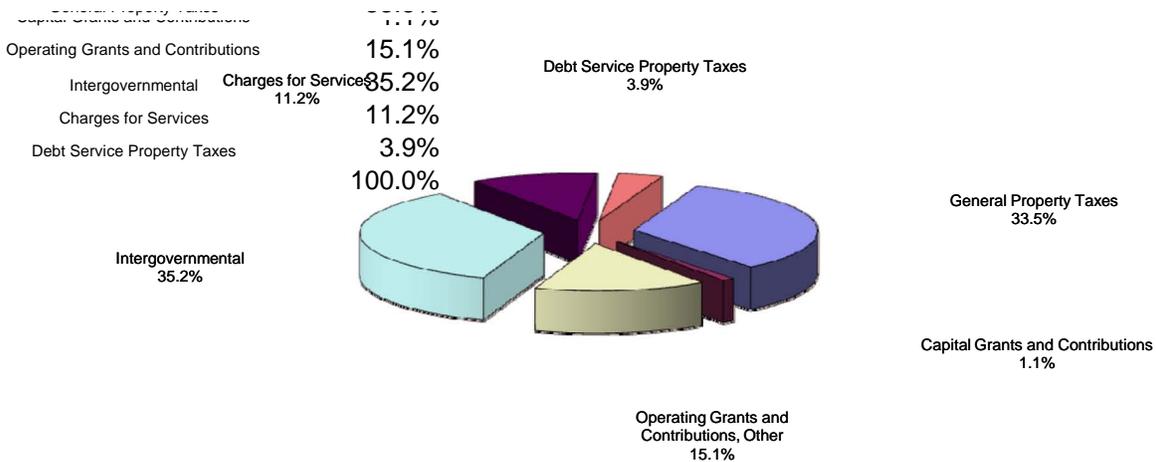
**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)**

*Governmental Activities:*

Revenues for the City of Whitewater's governmental activities total \$11,248,290 with intergovernmental revenues (*largely state shared-revenues*) being the largest revenue source for governmental activities, accounting for 35.2%(\$3,953,752) 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 3.9% (\$439,446) of total revenues, were collected to pay for the principal and interest due in 2009. General property taxes accounted for 33.5% (\$3,770,927) of governmental revenues in 2009. Charges for services contribute 11.2% (\$1,261,793); operating/capital grants, other taxes, interest income, misc., contributed 15.1% (\$1,698,698) of the total revenues. Capital grants (\$123,674) accounted for 1.1% of revenues.

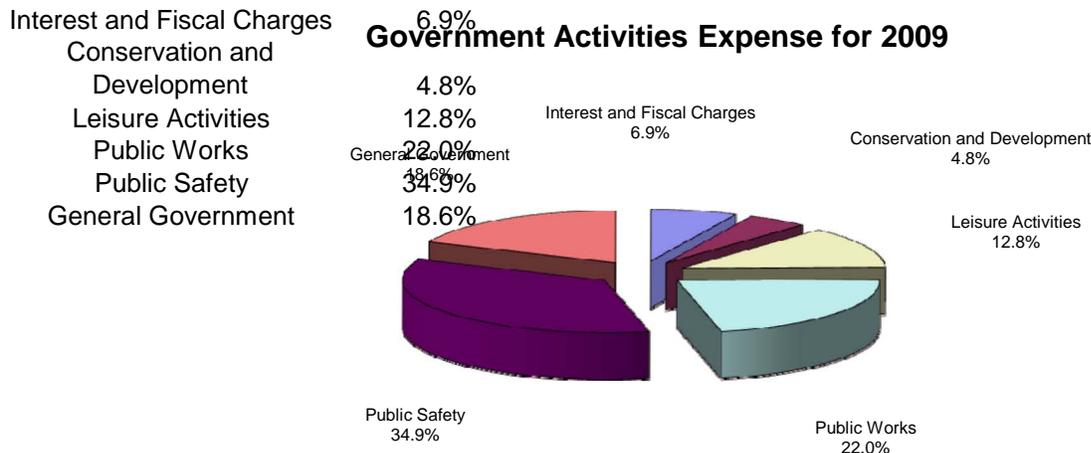
**Government Activities Revenues for 2009**

**Government Activities Revenues for 2009**



Total Revenues = \$11,248,290

Governmental activities expenditures total \$10,826,224. Public Safety activities amount for 34.9% (\$3,779,930), or the largest single portion of expenditures. Public Safety includes Police, Fire, Rescue, Crash and Building Inspections. Public Works, General Government and Leisure activities account for 22.0% (\$2,384,700), 18.6% (\$2,008,162), and 12.8%(\$1,381,863) respectively of total expenditures for 2009. Conservation/Development--4.8%(\$523,775); Interest/Fiscal Charges--6.9%(\$747,794).



Total Expenses = \$10,826,224

**CITY OF WHITEWATER, WISCONSIN**

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

For Year Ended December 31, 2009 and 2008

**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 2009 was \$10,826,224. However, the amount paid through the City's property tax was only \$4,210,373. The breakout of property taxes are \$2,315,169 (general properties), \$439,446 (debt service) and \$1,455,758 (TIF Districts). Some of the costs were paid by:

- Those directly benefiting from the programs-Charges for Service/Fees/Permits - (\$826,247)
- State of Wisconsin Shared Revenue-Aidable - (\$3,009,206)
- Utility Shared Revenues-State of Wisconsin - (\$611,378)
- State Aids-Roads/Highways - (\$508,967)
- Fines and Forfeitures - (\$429,262)

	<u>Cost of Services</u>	<u>Charges for Services, Operating &amp; Capital Grants, Contributions</u>	<u>Net Cost of Services</u>
General Government	2,008,162	254,344	1,753,818
Public Safety	3,779,930	909,472	2,870,458
Public Works	2,379,553	814,398	1,565,155
Leisure Activities	1,381,863	540,799	841,064
Conservation and Development	523,775	124,555	399,220
Interest and Fiscal Charges	747,794	-	747,794
Capital Outlays	5,147	-	5,147
<b>Total</b>	<b><u>10,826,224</u></b>	<b><u>2,643,568</u></b>	<b><u>8,182,656</u></b>

**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 declined \$62,702 to \$2,267,636 which represents 24.3% of the expenditures for calendar/budget year 2010 expenses. Of that amount, \$2,031,393, or 89.58% is unreserved and undesignated.

**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 \$1,161,290 due to funding of the planned capital improvements for 2009 thru 2011. Capital Improvements Projects completed in 2009 were North & First Street reconstruction, Whitewater Street Plaza and parking lot, and the design/engineering for the Innovation Center.

**CITY OF WHITEWATER, WISCONSIN**

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

For Year Ended December 31, 2009 and 2008

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

**WATER, WASTEWATER AND STORM WATER UTILITY**

The **Water Utility** earned a 2.00% return on its rate base in 2009 compared to 5.32% in 2008. Operating income-Regulatory Basis, decreased \$160,417 to \$95,268. The water utility's (GAAP Basis) operating revenues decreased \$22,644 to \$1,383,801 and operating expenses increased \$147,615 to \$1,242,446. The primary reason for the decrease in operating revenues was due to a decline in water usage by Commercial customers by 1,273,000 gallons. Residential water usage declined by 1,740,000 gallons. The Cogentrix power plant water usage declined 1,399,000 gallons. Total usage for the Cogentrix power plant was 259,109,000 gallons or 45.9% of water sold.

The **Wastewater Utility** operating loss declined from \$465,295 in 2008 to \$441,108 in 2009. Charges for service revenues decreased \$3,715. Wastewater rates were increased by 7% effective 9/1/08 & 5% on 12/1/09. The City established a **Storm water Utility** in the 4th quarter of 2007. The quarterly service charge is \$10.75 per ERU(Equivalent Runoff Unit). Most residential properties equal 1.0 ERU. The Storm water utility was established to provide a funding mechanism in order to comply with State and Federal mandates regarding storm water management.

	Operating Revenues		Operating Expenses		Operating Income (Loss)	
	2009	2008	2009	2008	2009	2008
Water Utility	\$ 1,383,801	1,406,445	1,242,446	1,094,831	141,355	311,614
Wastewater Utility	1,723,087	1,726,802	2,134,195	2,192,097	(411,108)	(465,295)
Storm water Utility	290,358	288,967	265,143	285,179	25,215	3,788

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Governmental Activities**

	2009	2008	Total Change
Land/Right of Way	4,479,756	4,479,756	-
Land Improvements	4,891,662	4,899,219	(7,557)
Construction in Progress	48,090	48,090	-
Traffic and street lights	494,782	# 505,699	(10,917)
Buildings and Improvements	7,019,438	6,987,951	31,487
Equipment	1,786,739	1,652,253	134,486
Streets/Sidewalks/Curb & Gutter	12,360,918	11,880,607	480,311
<b>Capital Assets, Net of Depreciation</b>	<b>31,081,385</b>	<b>30,453,575</b>	<b>627,810</b>

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 \$31,081,385 in the governmental activities and \$27,450,554 in the business-like activities for a total of \$58,531,939 at the end of 2009. 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 53.1% and the business-type activities total 46.9%. The business-type activities represent the water utility with 41.1%, the wastewater utility having 51.0%, and the storm water utility 7.9% of the capital assets.

**CITY OF WHITEWATER, WISCONSIN**

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

For Year Ended December 31, 2009 and 2008

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

<b>BUSINESS-TYPE ACTIVITIES</b>			
	2009	2008	Change
<b>Water</b>			
Land and Land Rights	\$ 6,727	6,727	-
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	12,035,980	11,911,021	124,959
General	405,919	395,919	10,000
Construction in Progress	-	-	-
Less: Accumulated Depreciation	<u>(4,440,533)</u>	<u>(4,090,718)</u>	<u>(349,815)</u>
<b>Net Assets-Water Utility Plant</b>	<b><u>11,286,325</u></b>	<b><u>11,501,181</u></b>	<b><u>(214,856)</u></b>
<b>Wastewater</b>			
Land and Land Rights	168,179	168,179	-
Collection System	11,701,927	11,305,803	396,124
Treatment and Disposal	19,862,044	19,845,332	16,712
General	787,871	764,122	23,749
Construction in Progress	409,065	265,032	144,033
Less: Accumulated Depreciation	<u>(18,930,199)</u>	<u>(18,067,865)</u>	<u>(862,334)</u>
<b>Net Assets-Wastewater Utility Plant</b>	<b><u>13,998,887</u></b>	<b><u>14,280,603</u></b>	<b><u>(281,716)</u></b>
<b>Storm water</b>			
Capital Assets	2,264,713	2,141,648	123,065
Less: Accumulated Depreciation	<u>(99,371)</u>	<u>(73,716)</u>	<u>(25,655)</u>
<b>Net Assets-Storm water Utility Plant</b>	<b><u>2,165,342</u></b>	<b><u>2,067,932</u></b>	<b><u>97,410</u></b>
<b>Total Utility's Capital Assets</b>	<b><u>27,450,554</u></b>	<b><u>27,849,716</u></b>	<b><u>(399,162)</u></b>

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, 2009 was \$31,952,395. Total general obligation debt outstanding at year end was \$16,179,954, which represents 50.6% of the allowable debt limit.

	<b>Comparison of Outstanding Debt by Activity</b>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>TOTAL</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General Obligation						
Bonds and Notes	15,550,830	17,286,640	629,124	704,258	16,179,954	17,990,898
Revenue Bond/Notes	-	-	3,960,106	4,401,637	3,960,106	4,401,637
<b>Total Outstanding</b>	<b><u>15,550,830</u></b>	<b><u>17,286,640</u></b>	<b><u>4,589,230</u></b>	<b><u>5,105,895</u></b>	<b><u>20,140,060</u></b>	<b><u>22,392,535</u></b>

The total outstanding **general obligation debt** of \$16,179,954 is distributed:

City	281,610
LSP-CIP	2,055,000
TID	13,214,220
Utility (Water/Wastewater)	629,124

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 \$4,752,917, made up of four issues.

**CITY OF WHITEWATER, WISCONSIN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)**

For Year Ended December 31, 2009 and 2008

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

	<b>AMOUNTS DUE WITHIN ONE YEAR</b>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Amounts Due Within One Year</u>
General Obligation			
Bonds and Notes	1,659,801	78,500	1,738,301
Capital Leases	43,719	3,090	46,809
Revenue Bond	-	524,195	524,195
<b>Totals</b>	<u>1,703,520</u>	<u>605,785</u>	<u>2,309,305</u>

The City maintained the Moody's Investors Service rating of A2, which was reconfirmed in 2009.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Budgets are adopted at the function level of expenditures. Supplemental appropriations during the year were \$15,987. General Fund revenues and transfers were lower than the final budget by \$292,192. The difference of \$292,192 can be attributed to lower investment income than anticipated of \$111,877; Parking Violations were by \$71,844; Ambulance & Crash Calls by \$92,457. Expenses, including transfers, were \$233,220 less than the amended budget of \$9,262,277. Net change in fund balance for 2009 decreased by \$62,702.

**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 \$638 million, has grown steadily over the last thirteen years, increasing 179% in value (\$229 million - 1996).

The 2010 General Fund-Operating Budget was balanced at \$9,318,019, a .08 percent increase over the 2009 budget. Total general government property tax contribution decreased \$1,843 to \$2,752,772. The \$1,843 decline is made up of \$28,497 increase in general property taxes, and a \$30,340 decrease of the debt service levy. The City in 2010 was limited to new construction(1.843%) or 3% 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 2010, the monthly cost for one household is \$13.10. The distribution of this cost is \$9.50 for Solid Waste and \$3.60 for Recycling. This represents a 5.3% increase on the solid waste portion. The recycling portion remained unchanged.

**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, 2009**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Primary Government</u>	<u>Component Unit</u>
<b>ASSETS</b>				
Cash and Equivalents	\$ 7,322,832	\$ 2,945,658	\$ 10,268,490	\$ 2,378,313
Receivables				
Taxes	4,290,867	-	4,290,867	-
Special Assesment	81,106	3,327	84,433	-
Accounts	130,528	876,478	1,007,006	-
Other	388,149	17,623	405,772	4,333
Due from Other Governmental Agencies	206,717	100,495	307,212	-
Loans	-	-	-	886,554
Internal Balances	(114,835)	114,835	-	-
Due From Agency Fund	68,261	-	68,261	-
Due From Component Unit	23	-	23	-
Due From City	-	-	-	107,427
Inventories	-	11,170	11,170	-
Other Assets	55,668	64,584	120,252	-
Property Held for Resale	30,299	-	30,299	-
Capital Assets				
Land, Improvements, and Construction in Progress	9,369,014	583,971	9,952,985	403,093
Other Capital Assets, net of depreciation	21,712,371	26,866,583	48,578,954	2,467
Total Capital Assets	<u>31,081,385</u>	<u>27,450,554</u>	<u>58,531,939</u>	<u>405,560</u>
Total Assets	<u>\$ 43,541,000</u>	<u>\$ 31,584,724</u>	<u>\$ 75,125,724</u>	<u>\$ 3,782,187</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 449,360	\$ 80,202	\$ 529,562	\$ 10,690
Due to City	-	-	-	23
Due to Component Unit	107,427	-	107,427	-
Due to Other Governmental Agencies	113	-	113	-
Accrued Interest	224,851	50,987	275,838	-
Deferred Revenues	4,507,566	-	4,507,566	-
Long-Term Liabilities				
Due within one year				
Bonds and Notes payable	1,703,520	605,784	2,309,304	-
Compensated absences	278,432	64,025	342,457	-
Due in more than one year				
Bonds and Notes payable	14,324,163	4,017,142	18,341,305	-
Compensated Absences	168,415	113,751	282,166	-
Total Liabilities	<u>21,763,847</u>	<u>4,931,891</u>	<u>26,695,738</u>	<u>10,713</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, net of related debt	17,364,370	23,493,312	40,857,682	405,560
Restricted for:				
CDA Programs	-	-	-	3,289,071
Debt Service	61,042	92,650	153,692	-
Capital	-	1,667,615	1,667,615	-
Special Revenue Activity	895,618	-	895,618	-
Unrestricted	3,456,123	1,399,256	4,855,379	76,843
Total Net Assets	<u>\$ 21,777,153</u>	<u>\$ 26,652,833</u>	<u>\$ 48,429,986</u>	<u>\$ 3,771,474</u>
Total Liabilities and Net Assets	<u>\$ 43,541,000</u>	<u>\$ 31,584,724</u>	<u>\$ 75,125,724</u>	<u>\$ 3,782,187</u>

See accompanying notes to the basic financial statements

City of Whitewater  
Whitewater, WI

Statement of Activities  
For the Year Ended December 31, 2009

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	
<b>Primary government</b>								
Governmental Activities								
General Government	\$ 2,008,162	\$ 208,319	\$ 46,025	\$ -	\$ (1,753,818)		\$ (1,753,818)	
Public Safety	3,779,930	814,847	94,625	-	(2,870,458)		(2,870,458)	
Public Works	2,379,553	6,067	764,014	44,317	(1,565,155)		(1,565,155)	
Culture and Recreation	1,381,863	226,159	235,283	79,357	(841,064)		(841,064)	
Conservation and Development	523,775	6,401	118,154	-	(399,220)		(399,220)	
Interest on Long-term debt	747,794	-	-	-	(747,794)		(747,794)	
Capital Outlay	5,147	-	-	-	(5,147)		(5,147)	
Total governmental activities	<u>10,826,224</u>	<u>1,261,793</u>	<u>1,258,101</u>	<u>123,674</u>	<u>(8,182,656)</u>		<u>(8,182,656)</u>	
Business-type activities								
Water	1,370,831	1,383,801	1,530	3,995	-	18,495	18,495	
Wastewater	2,265,418	1,724,232	413,064	121,807	-	(6,315)	(6,315)	
Storm Sewer	265,143	290,358	-	61,551	-	86,766	86,766	
Total business-type activities	<u>3,901,392</u>	<u>3,398,391</u>	<u>414,594</u>	<u>187,353</u>	<u>-</u>	<u>98,946</u>	<u>98,946</u>	
Total primary government	<u>14,727,616</u>	<u>4,660,184</u>	<u>1,672,695</u>	<u>311,027</u>	<u>(8,182,656)</u>	<u>98,946</u>	<u>(8,083,710)</u>	
<b>Component Unit</b>								
Community Development Authority	159,197	21,550	15,916	-				(121,731)
Total component units	<u>\$ 159,197</u>	<u>\$ 21,550</u>	<u>\$ 15,916</u>	<u>\$ -</u>				<u>\$ (121,731)</u>
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purposes					3,770,927	-	3,770,927	-
Property taxes, levied for debt service					439,446	-	439,446	-
Other taxes					88,268	-	88,268	-
Grants and contributions not restricted to specific programs					3,953,752	-	3,953,752	-
Unrestricted investment earnings					153,509	62,737	216,246	94,837
Public gifts and grants					43,352	-	43,352	-
Miscellaneous					161,385	-	161,385	445
Special item - gain (loss) on retirement of asset(s)					(5,917)	-	(5,917)	-
Transfer to CDA					(198,853)	-	(198,853)	198,853
Transfers					256,106	(256,106)	-	-
Total general revenues, special items, and transfers					<u>8,661,975</u>	<u>(193,369)</u>	<u>8,468,606</u>	<u>294,135</u>
Change in net assets					479,319	(94,423)	384,896	172,404
Net assets - beginning					21,297,834	26,747,256	48,045,090	3,599,070
Net assets - ending					<u>\$ 21,777,153</u>	<u>\$ 26,652,833</u>	<u>\$ 48,429,986</u>	<u>\$ 3,771,474</u>

See accompanying notes to the basic financial statements

**City of Whitewater  
Whitewater, WI**

**Balance Sheet  
Governmental Funds  
December 31, 2009**

	<u>General Fund</u>	<u>Debt Service</u>	<u>TIF 4</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,447,436	\$ 61,042	\$ 2,323,471	\$ 2,490,883	\$ 7,322,832
Receivables:					
Taxes	2,752,772	-	1,487,243	43,005	4,283,020
Delinquent Personal Property Taxes	7,847	-	-	-	7,847
Special Assessments	81,106	-	-	-	81,106
Accounts	130,528	-	-	-	130,528
Other	113,017	-	224,971	50,184	388,172
Due from Other Governments	26,999	-	-	179,718	206,717
Due from Other Funds	127,921	-	-	68,405	196,326
Prepaid Expenses	61,303	-	-	-	61,303
Total Assets	<u>\$ 5,748,929</u>	<u>\$ 61,042</u>	<u>\$ 4,035,685</u>	<u>\$ 2,832,195</u>	<u>\$ 12,677,851</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 127,608	\$ -	\$ 26,490	\$ 25,208	\$ 179,306
Accrued Liabilities	234,017	-	-	950	234,967
Due to Other Funds	12,482	-	10,258	65,159	87,899
Payable to Other Governments	50	-	-	-	50
Deferred Revenue	2,837,779	-	1,688,272	67,243	4,593,294
Deferred Special Assesments	79,206	-	-	-	79,206
Other Payables	35,151	-	-	-	35,151
Advance Payable to CDA	-	-	-	107,427	107,427
Advances Payable	155,000	-	-	-	155,000
Total Liabilities	<u>3,481,293</u>	<u>-</u>	<u>1,725,020</u>	<u>265,987</u>	<u>5,472,300</u>
Fund Balance:					
Reserved	69,150	61,042	2,310,665	961,905	3,402,762
Designated	167,093	-	-	-	167,093
Unreserved/Undesignated	2,031,393	-	-	1,604,303	3,635,696
Total Fund Balance	<u>2,267,636</u>	<u>61,042</u>	<u>2,310,665</u>	<u>2,566,208</u>	<u>7,205,551</u>
Total Liabilities and Fund Balance	<u>\$ 5,748,929</u>	<u>\$ 61,042</u>	<u>\$ 4,035,685</u>	<u>\$ 2,832,195</u>	<u>\$ 12,677,851</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, 2009**

Total fund balance, governmental funds	\$	7,205,551
<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>		
		31,081,385
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>		
		164,934
<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	1,703,520	
Long-term debt non-current portion	14,324,163	
unamortized discount on debt	5,635	
Compensated absences current portion	278,432	
Compensated absences long-term portion	168,415	
Accrued interest	224,851	(16,705,016)
Net Assets of Governmental Activities in the Statement of Net Assets	\$	<u>21,777,153</u>

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, 2009

	General Fund	Debt Service	TIF 4	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 2,403,251	\$ 439,446	\$ 1,417,587	\$ 38,170	\$ 4,298,454
Other Taxes	-	-	130,086	-	130,086
Special Assessment Revenue	34,454	-	-	-	34,454
Intergovernmental	4,543,438	-	31,877	538,788	5,114,103
License and Permits	95,988	-	-	37,000	132,988
Fines, Forfeits and Penalties	429,262	-	-	13,988	443,250
Public Charges for Services	545,512	-	-	147,747	693,259
Intergovernmental Charges for Services	23,241	-	-	268	23,509
Interest Income	8,844	1,490	113,162	26,337	149,833
Miscellaneous Income	65,543	-	15,631	182,952	264,126
Total Revenues	<u>8,149,533</u>	<u>440,936</u>	<u>1,708,343</u>	<u>985,250</u>	<u>11,284,062</u>
<b>EXPENDITURES</b>					
Current:					
General Government	1,685,780	-	-	235,564	1,921,344
Public Safety	3,587,158	-	-	139,875	3,727,033
Public Works	1,023,722	-	-	530,901	1,554,623
Culture, Recreation and Education	1,079,797	-	-	455,686	1,535,483
Conservation and Development	227,878	-	212,874	7,965	448,717
Capital Outlay	203,291	-	859,028	616,484	1,678,803
Debt Service					
Principal Repayment	-	1,740,810	-	-	1,740,810
Interest Expense	-	710,478	-	-	710,478
Total Expenditures	<u>7,807,626</u>	<u>2,451,288</u>	<u>1,071,902</u>	<u>1,986,475</u>	<u>13,317,291</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>341,907</u>	<u>(2,010,352)</u>	<u>636,441</u>	<u>(1,001,225)</u>	<u>(2,033,229)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Long-Term Debt	-	1,005,000	-	-	1,005,000
Payments on refunded debt	-	(1,000,000)	-	-	(1,000,000)
Premium on debt	-	17,108	-	-	17,108
Transfer to overlying taxing jurisdictions	-	-	-	(93,112)	(93,112)
Transfers In	360,126	2,011,844	15,000	1,136,782	3,523,752
Transfers Out	(764,735)	(19,900)	(1,812,731)	(670,280)	(3,267,646)
Total Other Financing Sources and Uses	<u>(404,609)</u>	<u>2,014,052</u>	<u>(1,797,731)</u>	<u>373,390</u>	<u>185,102</u>
Net Change in Fund Balances	(62,702)	3,700	(1,161,290)	(627,835)	(1,848,127)
Fund Balances - Beginning	2,330,338	57,342	3,471,955	3,194,043	9,053,678
Fund Balances- Ending	<u>\$ 2,267,636</u>	<u>\$ 61,042</u>	<u>\$ 2,310,665</u>	<u>\$ 2,566,208</u>	<u>\$ 7,205,551</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, 2009**

Net change in fund balances - total governmental funds: \$ (1,848,127)

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 \$1,513,321 exceeded depreciation \$877,482 in the current period. 635,839

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (8,029)

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. (49,631)

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. This is the amount by which repayments exceeded proceeds.

Proceed of general obligation debt	(1,005,000)	
Debt repayment - capital lease	38,082	
Debt repayment - general obligation	2,740,810	1,773,892

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	(35,952)
Adjustment for increase in compensated absences	29,810
Adjustment for amortization expense not reflected on Governmental Funds	(18,483)

Change in net assets of governmental activities \$ 479,319

See accompanying notes to the basic financial statements

**City of Whitewater  
Whitewater, WI**

**Statement of Net Assets  
Proprietary Funds  
December 31, 2009**

	<b>Enterprise Funds</b>			
	<b>Water</b>	<b>Wastewater</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 470,500	\$ 32,845	\$ 29,961	\$ 533,306
Receivables				
Accounts	329,084	474,092	73,302	876,478
Current Portion of Advances	-	155,000	-	155,000
Interest	3,075	14,548	-	17,623
Due from Other Governments	-	100,495	-	100,495
Due from Other Funds	71,162	20,301	-	91,463
Inventories	11,170	-	-	11,170
Total Current Assets	884,991	797,281	103,263	1,785,535
Restricted:				
Restricted Cash	555,533	1,856,819	-	2,412,352
Total Restricted Assets	555,533	1,856,819	-	2,412,352
Capital Assets:				
Utility Plant	15,726,858	32,929,086	2,264,713	50,920,657
Less Accumulated Depreciation	(4,440,533)	(18,930,199)	(99,371)	(23,470,103)
Net Capital Assets	11,286,325	13,998,887	2,165,342	27,450,554
Noncurrent Assets				
Unamortized Debt Discount	17,364	28,582	-	45,946
Special Assessments	3,327	-	-	3,327
Other Deferred Debits	18,638	-	-	18,638
Total Noncurrent Assets	39,329	28,582	-	67,911
Total Assets	\$ 12,766,178	\$ 16,681,569	\$ 2,268,605	\$ 31,716,352

See accompanying notes to the basic financial statements

**City of Whitewater  
Whitewater, WI**

**Statement of Net Assets  
Proprietary Funds  
December 31, 2009**

**Enterprise Funds**

	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater Fund</u>	<u>Total</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	\$ 13,859	\$ 35,223	\$ 7,584	\$ 56,666
Accrued Liabilities	9,353	14,183	-	23,536
Accrued Interest Payable	29,492	21,495	-	50,987
Due to Other Funds	28,468	68,293	34,867	131,628
Compensated Absences	23,003	32,714	8,308	64,025
Current Portion of Long-Term Debt:	297,953	307,831	-	605,784
<b>Total Current Liabilities</b>	<u>402,128</u>	<u>479,739</u>	<u>50,759</u>	<u>932,626</u>
<b>Non-Current Liabilities:</b>				
<b>Long-Term Debt</b>				
Capital Lease Obligation	-	30,606	-	30,606
Notes Payable	1,791,417	179,207	-	1,970,624
Bonds and Loans Payable	-	2,015,912	-	2,015,912
<b>Total Long-Term Debt</b>	<u>1,791,417</u>	<u>2,225,725</u>	<u>-</u>	<u>4,017,142</u>
<b>Other Liabilities</b>				
Compensated Absences	46,371	48,366	19,014	113,751
<b>Total Other Liabilities</b>	<u>46,371</u>	<u>48,366</u>	<u>19,014</u>	<u>113,751</u>
<b>Total Non-Current Liabilities</b>	<u>1,837,788</u>	<u>2,274,091</u>	<u>19,014</u>	<u>4,130,893</u>
<b>Total Liabilities</b>	<u>2,239,916</u>	<u>2,753,830</u>	<u>69,773</u>	<u>5,063,519</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	9,564,937	11,763,033	2,165,342	23,493,312
Restricted Assets	194,061	1,566,204	-	1,760,265
Unrestricted	767,264	598,502	33,490	1,399,256
<b>Total Net Assets</b>	<u>10,526,262</u>	<u>13,927,739</u>	<u>2,198,832</u>	<u>26,652,833</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 12,766,178</u>	<u>\$ 16,681,569</u>	<u>\$ 2,268,605</u>	<u>\$ 31,716,352</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, 2009**

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Water</b>	<b>Wastewater</b>	<b>Stormwater Fund</b>	
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 1,383,801	\$ 1,723,087	\$ 290,358	\$ 3,397,246
Total Operating Revenues	<u>1,383,801</u>	<u>1,723,087</u>	<u>290,358</u>	<u>3,397,246</u>
<b>OPERATING EXPENSES</b>				
Operation and Maintenance	894,799	1,262,456	235,400	2,392,655
Depreciation	347,647	871,739	29,743	1,249,129
Total Operating Expenses	<u>1,242,446</u>	<u>2,134,195</u>	<u>265,143</u>	<u>3,641,784</u>
Operating Income (Loss)	<u>141,355</u>	<u>(411,108)</u>	<u>25,215</u>	<u>(244,538)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and Investment Revenue	12,324	49,839	574	62,737
Grants and Contributions	1,530	-	-	1,530
Interest Expense	(113,823)	(120,302)	-	(234,125)
Amortization Expense	<u>(14,562)</u>	<u>(10,921)</u>	<u>-</u>	<u>(25,483)</u>
Total Non-Operating Revenue (Expenses)	<u>(114,531)</u>	<u>(81,384)</u>	<u>574</u>	<u>(195,341)</u>
Income (Loss) Before Contributions and Transfers	26,824	(492,492)	25,789	(439,879)
Capital Contributions	3,995	122,952	61,551	188,498
Capital Grants	-	413,064	-	413,064
Transfers Out	<u>(213,956)</u>	<u>-</u>	<u>(42,150)</u>	<u>(256,106)</u>
Change in Net Assets	<u>(183,137)</u>	<u>43,524</u>	<u>45,190</u>	<u>(94,423)</u>
Total Net Assets - Beginning	<u>10,709,399</u>	<u>13,884,215</u>	<u>2,153,642</u>	<u>26,747,256</u>
Total Net Assets - Ending	<u>\$ 10,526,262</u>	<u>\$ 13,927,739</u>	<u>\$ 2,198,832</u>	<u>\$ 26,652,833</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, 2009**

	Water	Wastewater	Stormwater	Totals 2009
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers	\$ 1,358,936	\$ 1,720,177	\$ 285,341	\$ 3,364,454
Payments to suppliers	(457,238)	(636,507)	(59,292)	(1,153,037)
Payments to employees	(443,370)	(728,499)	(175,316)	(1,347,185)
Taxes paid	(213,956)	-	-	(213,956)
Net cash provided (used) by operating activities	<u>244,372</u>	<u>355,171</u>	<u>50,733</u>	<u>650,276</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Received on long-term advances	-	155,000	-	155,000
Net cash provided by noncapital financing activities	<u>-</u>	<u>155,000</u>	<u>-</u>	<u>155,000</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Proceeds of special assessments	475	-	-	475
Acquisition and construction of plant assets	(138,201)	(44,603)	(65,602)	(248,406)
Principal payments on long-term debt	(280,686)	(238,670)	-	(519,356)
Interest paid	(117,634)	(122,737)	-	(240,371)
Net cash used for capital and related financing activities	<u>(536,046)</u>	<u>(406,010)</u>	<u>(65,602)</u>	<u>(1,007,658)</u>
<u>Cash Flows From Investing Activities:</u>				
Interest on investments	12,324	49,839	574	62,737
Purchase of non-cash equivalents	(328,349)	(865,007)	-	(1,193,356)
Sale of non-cash equivalents	188,349	696,803	-	885,152
Net cash provided from (used by) investing activities	<u>(127,676)</u>	<u>(118,365)</u>	<u>574</u>	<u>(245,467)</u>
Net increase (decrease) in cash and equivalents	(419,350)	(14,204)	(14,295)	(447,849)
Cash and equivalents - beginning of year	<u>1,117,034</u>	<u>1,038,861</u>	<u>44,256</u>	<u>2,200,151</u>
Cash and equivalents - end of year	<u>\$ 697,684</u>	<u>\$ 1,024,657</u>	<u>\$ 29,961</u>	<u>\$ 1,752,302</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, 2009**

	Water	Wastewater	Stormwater	Totals 2009
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income	\$ 141,355	\$ (411,108)	\$ 25,215	\$ (244,538)
Adjustments to Reconcile Operating Income:				
Joint meter	9,405	(9,405)	-	-
Cash Provided by Operating Activities:				
Depreciation	347,647	871,739	29,743	1,249,129
Transfer out	(213,956)	-	(42,150)	(256,106)
Changes in Assets and Liabilities:				
Customer accounts receivable	(24,865)	(2,910)	(5,017)	(32,792)
Due from/to other governmental units	-	(98,307)	(2,188)	(100,495)
Due from/to other funds	(30,805)	(8,000)	32,166	(6,639)
Material & supplies	1,844	-	-	1,844
Other assets	1,530	-	-	1,530
Accounts payable	8,525	19,185	6,690	34,400
Accrued liabilities	3,692	(23)	4,086	7,755
Net cash provided (used) by operating activities	\$ 244,372	\$ 355,171	\$ 50,733	\$ 650,276
 <u>Noncash Activity</u>				
Contributions for plant	\$ 3,995	\$ 536,016	\$ 61,551	\$ 601,562
Net noncash activity	\$ 3,995	\$ 536,016	\$ 61,551	\$ 601,562
 <b>Reconciliation of cash and cash equivalents to statements of net assets accounts</b>				
Cash and cash equivalents	\$ 470,500	\$ 32,845	\$ 29,961	\$ 533,306
Restricted Cash	555,533	1,856,819	-	2,412,352
Total cash and investments	1,026,033	1,889,664	29,961	2,945,658
Less: Noncash equipments	(328,349)	(865,007)	-	(1,193,356)
Cash and Cash Equivalents	\$ 697,684	\$ 1,024,657	\$ 29,961	\$ 1,752,302

See accompanying notes to the financial statements

**City of Whitewater  
Whitewater, WI**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
December 31, 2009**

	<u><b>Tax Agency</b></u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 4,236,655
Receivables:	
Taxes Receivable	4,145,609
Other Receivables	69,091
Total Assets	<u>\$ 8,451,355</u>
<b>LIABILITIES</b>	
Due to Other Funds	\$ 68,261
Due to Other Governments	8,382,825
Total liabilities	<u>\$ 8,451,086</u>

See accompanying notes to the basic financial statements

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

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**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 13. 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 2009. The authority does not issue separate financial statements.

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

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**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, 2009**

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- 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 is 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, 2009**

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**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	Forestry
Fire Equipment Revolving	Rescue Squad Equipment/Education
DPW Equipment Revolving	Sick Leave Severance
Police Vehicle Revolving	Parking Permit Fund
Government Equipment	Lakes Improvement Fund
Library	Street Repair Revolving
Skate Park	Rescue Squad Trust
Solid Waste/Recycling	Police Department Trust
Taxicab Grant Program	Rock River Stormwater Group
Parkland Acquisition Fund	Sister City
Parkland Development	Homecoming

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. 3, 5, 6, 7, 8 and 9 (TID 3, TID 5, TID 6, TID 7, TID 8 and TID 9)  
Trippe Lake Park  
Other Capital Projects Funds

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

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**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. Unbilled receivables are recorded as revenues when services are provided.

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, 2009**

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**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 reserved 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, 2009**

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**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, 2009**

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**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, 2009, 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 – 2009 tax roll

Lien date and levy date	December, 2009
Tax Bills mailed	December, 2009
Payment in full, or	January 31, 2010
First installment due	January 31, 2010
Second installment due	July 31, 2010
Personal property taxes in full	January 31, 2010
Tax sale – 2009 delinquent real estate taxes	October, 2013

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

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**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 reserve 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, 2009**

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**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 2009.

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, 2009**

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**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, 2009 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, 2009**

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**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 \$4,752,917.

**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, 2009**

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- 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.

Fund Balances are segregated into three separate classifications. Reservations represent the portion of fund balances which may not be appropriated for expenditure or have been segregated for the specific future uses by legal mandate.

Designations of fund balances represent tentative plans of the City for financial resource utilization in a future period as documented in the minutes or budgeting process for a succeeding year. Such plans are subject to change from original authorizations and may never result in expenditures.

Undesignated fund balance represents the amount available for appropriation after reservations and designations. It also is a measurement of current working capital position.

- E. Utility Rates**

Current water rates were approved by the PSCW on December 1, 2009. Current wastewater rates were approved by the city council on December 1, 2009. Stormwater rates were in effect October 1, 2007.

- 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.

- 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.

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.

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

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**1. Summary of Significant Accounting Policies (Continued)**

**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, 2009, the following individual fund held a deficit balance:

<b>Fund</b>	<b>Amount</b>	<b>Reason</b>
TID 6	\$(111,146)	Project costs in excess of revenues

The TID 6 deficit is 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 3, 6, 7 and 8 are shown as non-major funds. TID 5 has had no financial activity yet. 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.

**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.

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

**2. Cash and Investments**

As previously discussed, cash for all City funds is pooled for investment purposes. At December 31, 2009, 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	\$ 8,928,335	\$ 10,739,476	Custodial credit risk, interest rate risk
Deposits in financial institutions - CDA	2,356,618	2,356,618	Custodial credit risk, interest rate risk
LGIP	1,056,624	1,056,624	Credit risk, interest rate risk
CLASS	<u>4,541,880</u>	<u>4,541,880</u>	Credit risk, interest rate risk
<b>Total Cash and Investments</b>	<u><u>\$ 16,883,457</u></u>	<u><u>\$ 18,694,598</u></u>	
Reconciliation to financial statements			
Per statement of net assets			
Primary government	\$ 10,268,490		
Component unit	2,378,313		
Per statement of net assets -			
Fiduciary Funds			
Agency	<u>4,236,655</u>		
<b>Total Cash and Investments</b>	<u><u>\$ 16,883,458</u></u>		

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. 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. The City also has deposits at one institution that participates in the FDIC's Transaction Account Guaranty program. This provides unlimited FDIC insurance to participants with non-interest bearing checking accounts and low-yield (less than .5%) NOW accounts. The City has deposits of \$4,516,356 that are covered by this program. The program runs through June 30, 2010.

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

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

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

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.

Investments in the local government investment pool 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. The bond provided up to \$500,000 coverage on principal losses, reduced by any FDIC, State of Wisconsin Guarantee Fund insurance and income on the investment during the calendar quarter a loss occurs. The fund was no longer insured as of 2/15/09.

The City's deposits in financial institutions are collateralized by various instruments. One institution has \$3,000,000 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 \$1,056,624 invested in the Local Government Investment Pool (LGIP) which has a weighted average maturity of 80 days. The city also has \$4,541,880 invested in the CLASS investment pool which has investments in various government agencies, notes and commercial paper. The maturities vary the weighted average is 50 days.

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

Total of CDs City	\$ 3,007,798
Total of CDs CDA	<u>1,425,690</u>
	<u>\$ 4,433,488</u>
maturing by 6/30/10	\$ 3,191,616
maturing by 12/31/10	690,552
maturing by 12/31/10	<u>551,320</u>
	<u>\$ 4,433,488</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. As

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

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

of December 31, 2009, 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, 2009, 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>\$ 4,601,352</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, 2009**

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**3. Receivables**

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

	<u>General</u>
Delinquent personal property taxes	\$ 7,847
Special assessments	<u>81,106</u>
Total	<u>\$ 88,953</u>

Receivables of the city are reported net of uncollectible amounts. The following is the allowance for uncollectible receivables that is reported as of 12/31/09.

Delinquent personal property taxes	\$ 7,000
Uncollectible related to ambulance receivable	<u>216,470</u>
Total	<u>\$ 223,470</u>

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:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable for subsequent year	\$ -	\$4,283,020	\$4,283,020
Special assessments not yet due	81,106	-	81,106
Developer agreement PILOT payments	197,882	-	197,882
Taxi-cab grant	24,238	-	24,238
Other items	44,101	-	44,101
Ambulance billings	<u>42,153</u>	<u>-</u>	<u>42,153</u>
Total Deferred/Unearned Revenue			
For Governmental Funds	<u>\$ 389,480</u>	<u>\$4,283,020</u>	<u>\$4,672,500</u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

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**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, 2009:

	Water Utility	Wastewater Utility	Totals
Restricted Assets			
Redemption account	\$     7,608	\$  136,029	\$  143,637
Depreciation account	25,000	25,000	50,000
Reserve account	331,980	269,120	601,100
Construction account	190,945	-	190,945
Connection account	-	309,937	309,937
DNR Replacement account	-	1,116,733	1,116,733
	\$  555,533	\$  1,856,819	\$  2,412,352

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

**5. Capital Assets**

Capital asset activity in the governmental activities for the year ended December 31, 2009 was as follows:

	1/1/2009 Beginning Balance	Additions	Deletions	12/31/2009 Ending Balance
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 48,090	\$ -	\$ -	\$ 48,090
Land	2,649,591	-	-	2,649,591
Right of way	1,830,165	-	-	1,830,165
Land improvements	4,841,168	-	-	4,841,168
Total Capital Assets Not Being Depreciated	<u>9,369,014</u>	<u>-</u>	<u>-</u>	<u>9,369,014</u>
Capital Assets Being Depreciated				
Land Improvements	353,874	-	15,447	338,427
Buildings	9,790,889	232,486	46,024	9,977,351
Traffic and Street Lights	639,013	-	-	639,013
Machinery and Equipment	5,952,455	428,327	115,747	6,265,035
Streets	15,957,179	655,978	-	16,613,157
Sidewalks	656,935	132,466	-	789,401
Curb and Gutter	483,985	64,064	-	548,049
Total Capital Assets Being Depreciated	<u>33,834,330</u>	<u>1,513,321</u>	<u>177,218</u>	<u>35,170,433</u>
Accumulated Depreciation				
Land improvements	295,823	7,557	15,447	287,933
Buildings	2,802,938	192,970	37,995	2,957,913
Traffic and street lights	133,314	10,917	-	144,231
Machinery and equipment	4,300,202	293,841	115,747	4,478,296
Streets	5,141,519	342,675	-	5,484,194
Sidewalks	52,950	16,886	-	69,836
Curb and gutter	23,023	12,636	-	35,659
Total Accumulated Depreciation	<u>12,749,769</u>	<u>877,482</u>	<u>169,189</u>	<u>13,458,062</u>
Capital Assets, Net of Depreciation	<u>\$ 30,453,575</u>	<u>\$ 635,839</u>	<u>\$ 8,029</u>	<u>\$ 31,081,385</u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

**5. Capital Assets (Continued)**

Depreciation expense for the governmental activities is as follows:

Government Activities		
General Government	\$	127,640
Public Safety		136,480
Public Works, which includes the depreciation of streets (including curb and gutter) and sidewalks		514,878
Culture, Recreation and Education		<u>98,484</u>
Total Governmental Activities Depreciation Expense	\$	<u><u>877,482</u></u>

Capital asset activity in the business type activities for the year ended December 31, 2009 was as 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><u>\$ 11,501,181</u></u>	<u><u>\$ (215,013)</u></u>	<u><u>\$ (157)</u></u>	<u><u>\$ 11,286,325</u></u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

**5. Capital Assets (Continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Wastewater</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>

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

Listed below is the depreciation expense for the utilities.

<b>Business Type Activities</b>	
Water Utility	\$ 347,647
Sewer Utility	871,739
Stormwater Utility	29,743
Total Business-Type Activities Depreciation Expense	<u>\$ 1,249,129</u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

**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	TID 6	\$ 2,403
General Fund	Sick Leave Fund	4,057
General Fund	Cable TV	19
General Fund	TID #4	10,258
General Fund	Wastewater Utility	8,889
General Fund	Water Utility	8,167
General Fund	Stormwater	25,867
General Fund	Tax Collection Fund	68,261
Subtotal - General Fund		<u>127,921</u>
DPW Equipment Revolving Fund	Stormwater	9,000
Parkland Development	Solid Waste recycling	8,000
Solid Waste/Recycling Fund	General	725
Other Capital Projects	Parkland Development	50,680
Subtotal - Other Funds		<u>68,405</u>
Water Utility	General Fund	11,757
Water Utility	Wastewater Fund	59,405
Wastewater Utility	Water utility	20,301
Subtotal - Proprietary Funds		<u>91,463</u>
Sewer Advance Receivable	General fund	155,000
Subtotal - Fund Financial Statements		374,384
Less: Fund Eliminations		<u>(259,549)</u>
Total - Government - Wide Statements		<u>\$ 114,835</u>
		<u><u>          </u></u>
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activity	Business-type Activity	\$ (114,835)
Business-type Activity	Governmental Activity	114,835
Total		<u><u>\$ -</u></u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

**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**

The wastewater utility is advancing funds to the general fund. The advance from the wastewater fund to the general fund will be repaid over the next five years as determined by the annual budget.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Due Within One Year
Wastewater Utility	General Fund	\$ 155,000	\$ 155,000
Subtotal - Fund Financial Statements		155,000	155,000
Less: Fund Eliminations		155,000	-
Total - Government-Wide Statement of Net Assets (Internal Balance)		\$ -	\$ 155,000

The principal purpose of these advances is to use cash on hand in the wastewater utility to pay off the city's unfunded pension liability (\$400,000) and for capital projects (\$150,000). The repayment schedule is show below.

Years	Principal	Interest	Total
2010	\$ 155,000	\$ 4,650	\$ 159,650
	\$ 155,000	\$ 4,650	\$ 159,650

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

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

**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	\$ 56,637	Administrative
General Fund	Cable TV Fund	11,200	Administrative
General Fund	Parking permit fund	2,500	Administrative
General Fund	Water Utility	213,956	Tax equivalent
General Fund	TIF 3	32,783	Close-out fund
General Fund	Storm-water	23,150	Administrative
General Fund	Debt Service	19,900	Debt issuance fees
Debt Service Fund	TID No. 4	1,756,094	Debt service payment
Debt Service Fund	TID No. 3	255,750	Debt service payment
TIF 4	Parking permit fund	15,000	Appropriation
Tripp Lake Improvements	Other Capital Projects	155,680	Capital transfer
Other Capital Projects	General Fund	136,729	Appropriation
Other Capital Projects	Parkland Development	50,680	Park capital expenses
Other Capital Projects	Other Capital Projects	136,523	Fund future construction
Fire Equipment	General Fund	80,000	Capital equipment
Fire Equipment	Cable TV Fund	2,164	Capital equipment
DPW Equipment	General Fund	76,000	Capital equipment
DPW Equipment	Storm-water	19,000	Capital equipment
Solid Waste/Recycling	General Fund	248,040	Annual contribution
Taxi Cab Grant Program	General Fund	11,065	City portion
Parkland Development	Solid Waste Recycling	8,000	Fund park expenses
Sick Leave Severance	General Fund	25,000	Cover future expenditures
Street repair	General Fund	185,000	Appropriation
Police Department Trust	General Fund	2,901	Fund expenses
Sub-Total – Fund Financial Statements		3,523,752	
Less: Fund Eliminations		<u>(3,267,646)</u>	
Total – Government-Wide Statement of Activities		<u>\$ 256,106</u>	

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

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

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.

**7. Long-Term Obligations**

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2009.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable					
General Obligation Debt	\$ 17,286,640	\$ 1,005,000	\$ 2,740,810	\$ 15,550,830	\$ 1,659,801
Sub-Total	<u>17,286,640</u>	<u>1,005,000</u>	<u>2,740,810</u>	<u>15,550,830</u>	<u>1,659,801</u>
Other Liabilities					
Vested Compensated Absences	476,648	-	29,801	446,847	278,432
Capital Leases	514,935	-	38,082	476,853	43,719
Total Other Liabilities	<u>991,583</u>	<u>-</u>	<u>67,883</u>	<u>923,700</u>	<u>322,151</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 18,278,223</u>	<u>\$ 1,005,000</u>	<u>\$ 2,808,693</u>	<u>\$ 16,474,530</u>	<u>\$ 1,981,952</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable					
Revenue Bonds	\$ 4,401,637	\$ 50,000	\$ 491,531	\$ 3,960,106	\$ 524,195
General obligation debt	704,258	-	75,134	629,124	78,500
Capital Lease	36,387	-	2,691	33,696	3,090
Total Long-Term Debt	<u>5,142,282</u>	<u>50,000</u>	<u>569,356</u>	<u>4,622,926</u>	<u>605,785</u>
Refundings - Gains/(Losses)	(26,188)	-	(7,550)	(18,638)	-
Sub-Total	<u>\$ 5,116,094</u>	<u>\$ 50,000</u>	<u>\$ 561,806</u>	<u>\$ 4,604,288</u>	<u>\$ 605,785</u>
Other Liabilities					
Vested Compensated Absences	175,803	1,973	-	177,776	64,025
Total Other Liabilities	<u>175,803</u>	<u>1,973</u>	<u>-</u>	<u>177,776</u>	<u>64,025</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 5,291,897</u>	<u>\$ 51,973</u>	<u>\$ 561,806</u>	<u>\$ 4,782,064</u>	<u>\$ 669,810</u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

**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, 2009 is \$31,950,395. Debt subject to the limit is \$16,179,954. 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 12/31/09</u>	<u>Current Portion</u>
Governmental Activities						
1999 GO						
Refunding Bonds	1/5/1999	9/1/2017	4.25-4.6	\$ 4,230,000	\$ 2,705,000	\$ 290,000
2001 GO						
Refunding Bond	2/1/2001	9/1/2015	4.25-4.6	\$ 1,850,000	1,050,000	180,000
2001 GO						
Refunding Bond	4/1/2001	9/1/2014	4.25-4.7	\$ 2,650,000	1,400,000	225,000
2002 GO						
Refunding Bond	11/1/2002	9/1/2010	2.4-3.7	\$ 2,545,000	250,000	250,000
2005 GO						
Promissory Note	10/15/2005	9/1/2015	3.1-3.6	\$ 3,300,000	2,710,000	410,000
2005 State Trust						
Fund Loan	12/5/2005	3/15/2014	4.25	\$ 318,622	213,748	39,270
2006 State Trust						
Fund Loan	10/27/2006	3/15/2015	4.25	\$ 500,000	395,720	59,291
2008 GO						
Refunding Bond	1/7/2008	9/1/2017	3.956	\$ 5,000,000	5,000,000	-
2008 GO						
Promissory Note	11/2/2008	9/1/2017	4.47	\$ 312,628	281,610	29,938
2008 STFL	2/7/2008	3/15/2016	5.00	\$ 600,000	539,752	66,302
2009 GO Refunding	9/3/2009	12/1/2016	2.3-3.0	\$ 1,005,000	1,005,000	110,000
Total Governmental Activities -- General Obligation Debt					<u>\$15,550,830</u>	<u>\$ 1,659,801</u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

**7. Long-Term Obligations (Continued)**  
**A. Governmental Debt (Continued)**

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,659,801	\$ 590,489
2011	1,943,677	527,356
2012	2,092,830	455,265
2013	2,307,662	375,960
2014	2,507,815	287,919
2015-2017	5,039,045	354,282
Totals	<u>\$ 15,550,830</u>	<u>\$ 2,591,271</u>

**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 12/31/09</u>	<u>Current Portion</u>
<u>Water Utility</u>						
2000 Mortgage Revenue bonds	9/15/2000	9/15/2015	4.75-5.2%	\$ 3,395,000	\$ 1,665,000	\$ 245,000
2006 Promissory Note	8/1/2006	8/1/2016	4.48%	570,000	424,370	52,953
			Total Water Utility		<u>\$ 2,089,370</u>	<u>\$ 297,953</u>
<u>Wastewater Utility</u>						
1996 Clean water fund loan	7/24/1996	5/1/2016	3.08%	\$ 1,563,900	\$ 685,106	\$ 89,195
2000 Mortgage Revenue bonds	5/1/2000	5/1/2016	5.1-5.5%	2,850,000	1,560,000	190,000
2006 Promissory Note	8/1/2006	8/1/2016	4.48%	275,000	204,754	25,547
2009 Clean Water Fund Loan	12/9/2009	5/1/2029	2.91%	50,000	50,000	-
			Total Wastewater Utility		<u>2,499,860</u>	<u>304,742</u>
Total Business-type Activities Debt (excluding capital lease)					<u>\$ 4,589,230</u>	<u>\$ 602,695</u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

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**7. Long-Term Obligations (Continued)**  
**B. Mortgage Revenue Bonds (Continued)**

Debt service requirements on mortgage revenue bonds to maturity are as follows:

<u>Years</u>	Business-type Activities	
	<u>Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 602,695	\$ 213,405
2011	630,967	184,930
2012	662,532	154,712
2013	689,349	122,462
2014	731,431	88,712
2015-19	1,242,581	70,043
2020-24	13,775	3,339
2025-29	15,900	1,183
Total	<u>\$ 4,589,230</u>	<u>\$ 838,786</u>

**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.

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

**7. Long-Term Obligations (Continued)**  
**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 as construction work in progress in the governmental activities. The repayment schedule for the capital lease is as follows:

Year	General		Wastewater		Total
	Principal	Interest	Principal	Interest	
2010	\$ 43,719	\$ 18,129	\$ 3,090	\$ 1,281	\$ 66,219
2011	49,882	16,368	3,524	1,156	70,930
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
2015-2017	190,712	10,439	13,476	738	215,365
Total	<u>\$ 476,853</u>	<u>\$ 80,914</u>	<u>\$ 33,696</u>	<u>\$ 5,717</u>	<u>\$ 597,180</u>

**8. Net Assets/Fund Balances**

Governmental Activities

Net assets reported on the government wide statement of net assets at December 31, 2009 include the following:

Capital Assets net of depreciation	\$ 31,081,385
Less: related long-term debt outstanding	(16,027,680)
Plus: unspent bond proceeds	2,310,665
Total Invested in Capital Assets	<u>17,364,370</u>
<b>Restricted</b>	
Subdividers park fees	148,451
Rescue Squad Equipment	275,166
Rock River Stormwater Group	20,088
Taxicab	38,499
Library	413,414
Debt service	61,042
Total Restricted	<u>956,660</u>
Unrestricted (deficit)	<u>3,456,123</u>
Total Governmental Activities Net Assets	<u>\$ 21,777,153</u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

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

Reserved and designated fund balances as of December 31, 2009 include the items in the following table.

**Major Funds**

<u>General Fund</u>	Reserved	Designated	Undesignated (Deficit)
Delinquent personal property tax	\$ 7,847	\$ -	\$ -
Prepaid expenses	61,303	-	-
Safety award	-	975	-
Crime prevention	-	5,201	-
2009 fund balance applied	-	75,000	-
27th Payroll	-	85,917	-
Undesignated	-	-	2,031,393
Total General Fund	\$ 69,150	\$ 167,093	\$ 2,031,393

**Debt Service Fund**

Reserved for debt payments	\$ 61,042
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**TID 4 Capital Projects Fund**

Reserved for TIF expenditures	\$ 2,310,665
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**Non-Major Funds**

Special Revenue Funds

Cable television	\$ -	\$ -	\$ 173,792
Fire Department Equipment	-	-	370,534
DPW equipment revolving	-	-	62,620
Police vehicle revolving fund	-	-	7,227
Government Equipment	-	-	20,517
Library Special Revenue	413,414	-	-
Skate park	-	-	3,211
Energy Management	-	-	-
Solid Waste Recycling	66,287	-	107,450
Taxi Cab Grant	38,499	-	-
Parkland Acquisition	106,839	-	-
Parkland Development	41,612	-	-
Subtotal	666,651	-	745,351

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

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

	Reserved	Designated	Undesignated (Deficit)
<b><u>Non-Major Funds (Continued)</u></b>			
Forestry Fund	-	-	32,831
Rescue squad equipment/education	275,166	-	-
Sick Leave Severance	-	-	306,114
Parking Permit	-	-	23,955
Lakes Improvement	-	-	443
Street Repair	-	-	124,431
Rescue squad trust	-	-	51,704
Police Dept. Trust	-	-	13,464
Rock River Stormwater Group	20,088	-	-
TID #6 (deficit)	-	-	(111,146)
TID #7	-	-	97
TID #8	-	-	48
Tripp Lake park improvements	-	-	52,728
Other capital projects	-	-	364,283
Subtotal	295,254	-	858,952
Total Non-Major Funds	\$ 961,905	\$ -	\$ 1,604,303

**Business-type Activities**

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

	2009
<b>Water Utility</b>	
Capital Assets net of depreciation	\$ 11,286,325
Less: related long-term debt outstanding	(2,089,370)
Total Invested in Capital Assets	9,196,955
Unamortized loss on advancing refunding	18,638
Unamortized debt issuance costs	17,364
Sub-Total	36,002
Reserve from borrowing	331,980
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 9,564,937

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

**8. Net Assets/Fund Balances (Continued)**  
 Business Activities (Continued)

	2009
<b>Wastewater Utility</b>	
Capital Assets net of depreciation	\$ 13,998,887
Less: related long-term debt outstanding	(2,533,556)
Total Invested in Capital Assets	11,465,331
Unamortized debt issuance costs	28,582
Sub-Total	28,582
Reserve from borrowing	269,120
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 11,763,033

	2009
<b>Stormwater Utility</b>	
Capital Assets net of depreciation	\$ 2,165,342
Total Invested in Capital Assets	2,165,342
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 2,165,342

**9. Net Assets Adjustment**

The City's net assets showed an adjustment to the beginning balance as follows:

	Governmental Activities	Water	Sewer	Storm Water	Business-Type Activities
Net Assets 12/31/08 as previously stated	\$ 21,475,014	\$10,739,254	\$13,962,984	\$ 2,153,642	\$26,855,880
Adjustment for special assessments that are deferred until future development occurs. Revenue was previously recognized	(177,183)	(29,855)	(78,769)	-	(108,624)
Net Assets 1/1/09 as restated	\$ 21,297,831	\$10,709,399	\$13,884,215	\$ 2,153,642	\$26,747,256

**10. 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 expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

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**10. Defined Benefit Pension Plan (continued)**

the WRS. Covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 5.9% of their salary (3.0% for Executives and Elected Officials, 5.0% for Protective Occupations with Social Security, and 3.2% for Protective Occupations without Social Security) to the plan. Employers may 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.

The payroll for City of Whitewater employees covered by the system for the year ended December 31, 2009 was \$4,611,829; the employer's total payroll was \$5,138,150. The total required contribution for the year ended December 31, 2009 was \$519,269, which was 11.3% of covered payroll. The City pays for the employer (\$260,863 or 5.7%) and employee (\$258,406 or 5.6%) portions. Total contributions for the years ended December 31, 2008 and 2007 were \$524,606 and \$486,992, 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.

**11. 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.

**12. Expenditures in Excess of Budget**

The City incurred expenditures in excess of budget as follows:

	Final Budget	Actual Expenditures	Variance
Capital Outlay	199,449	203,291	(3,842)

In total expenditures were under budget.

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

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**13. 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	\$ 2,378,313	\$ 2,378,313	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.

**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, 2009, \$1,056,618 of the CDA's total bank balance of \$2,378,313 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>\$1,056,618</u>
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The CDA has CDs of \$1,425,690 as on 12/31/08. All are set to mature within 1 year.

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

**13. Component Unit (Continued)**

c. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance	Useful Lives (Years)
Land	\$275,172	\$ -	\$ -	\$275,172	N/A
Construction in Progress	-	127,921		127,921	N/A
Equipment	14,101	-	-	14,101	5-10
Accumulated Depreciation Equipment	(10,465)	(1,169)	-	(11,634)	
Totals	<u>\$278,808</u>	<u>\$ 126,752</u>	<u>\$ -</u>	<u>\$405,560</u>	

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>\$886,554</u>
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f. Commitments

The CDA is committed to fund costs associated with an innovation center. The total commitment of the CDA is \$750,000. The CDA is anticipated to own the building. See note 15 for further explanation of the commitments.

**14. Economic Dependency**

One of the City's Water Utility customers provides approximately 20% of the water revenue.

**15. 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

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2009**

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**15. Commitments and Contingencies (continued)**

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.

Innovation Center/Tech Park improvements/Road extension

The City has begun planning for the construction of an innovation center in its business park and related infrastructure costs. The total cost of the project is anticipated to be \$11.05 million. The anticipated funding for the project is to be approximately \$.75 million from the CDA, \$2.56 million from TIF 4, \$3.0 million from Build America Bonds and \$4.74 million from an EDA grant. Construction is anticipated to begin in 2010. The building will be owned by the City's CDA.

Claims and Legal Items

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of the management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

**16. Subsequent Events**

Debt Issuance

In 2010, the City incurred the following debt borrowings:

- \$3,290,000 GO bonds dated 2/9/10. Interest varies from 2.80% to 6.05% and is to be paid semiannually on 6/1 and 12/1 each year. The principal is scheduled to be paid annually on 12/1 of each year through 2029. This is to fund a portion of costs with the innovation center.
- \$2,135,000 in GO refunding bonds dated 2/9/10. Interest varies from 1.20% to 2.70% and is to be paid semiannually on 6/1 and 12/1 each year. The principal is scheduled to be paid annually on 12/1 of each year through 2017. The proceeds were used to refinance existing obligations.
- \$1,230,000 sewer system refunding bonds dated 2/9/10. Interest varies from 2.00% to 3.25% and is to be paid semiannually on 5/1 and 11/1 each year. The principal is scheduled to be paid annually on 5/1 of each year through 2016. The proceeds were used to refinance existing obligations.

**17. New Reporting Requirements**

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" effective for periods beginning after June 15, 2010. This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and disclosures from what governments have reported in the past. Comparability with reports issued in all prior years will be affected. The City has not yet determined the effect that adoption of GASB Statement 54 will have on the financial statements.

**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, 2009**

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property Taxes	\$ 2,396,589	\$ 2,396,589	\$ 2,403,251	\$ 6,662
Special Assessment Revenue	43,200	43,200	34,454	(8,746)
Intergovernmental	4,530,908	4,550,245	4,543,438	(6,807)
License and Permits	96,300	96,300	95,988	(312)
Fines, Forfeits and Penalties	554,400	554,400	429,262	(125,138)
Public Charges for Services	628,806	628,806	545,512	(83,294)
Intergovernmental Charges for Services	23,000	23,000	23,241	241
Interest Income	131,350	131,350	8,844	(122,506)
Miscellaneous Income	65,142	65,142	65,543	401
Total Revenues	<u>8,469,695</u>	<u>8,489,032</u>	<u>8,149,533</u>	<u>(339,499)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	1,717,111	1,710,088	1,685,780	24,308
Public Safety	3,728,298	3,594,801	3,587,158	7,643
Public Works	1,030,892	1,112,269	1,023,722	88,547
Culture, Recreation and Education	1,117,096	1,091,386	1,079,797	11,589
Conservation and Development	194,857	256,134	227,878	28,256
Capital Outlay	202,747	199,449	203,291	(3,842)
Total Expenditures	<u>7,991,001</u>	<u>7,964,127</u>	<u>7,807,626</u>	<u>156,501</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>478,694</u>	<u>524,905</u>	<u>341,907</u>	<u>(182,998)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	312,819	312,819	360,126	47,307
Transfers Out	(841,454)	(841,454)	(764,735)	76,719
Total Other Financing Sources and Uses	<u>(528,635)</u>	<u>(528,635)</u>	<u>(404,609)</u>	<u>124,026</u>
Net Change in Fund Balances	(49,941)	(3,730)	(62,702)	(58,972)
Fund Balances - Beginning	2,330,338	2,330,338	2,330,338	-
Fund Balances - Ending	<u>\$ 2,280,397</u>	<u>\$ 2,326,608</u>	<u>\$ 2,267,636</u>	<u>\$ (58,972)</u>

## **SUPPLEMENTARY INFORMATION**

**City of Whitewater  
Whitewater, WI**

**Balance Sheet  
Non-Major Governmental Funds  
December 31, 2009**

	<b>Non-Major Special Revenue Funds</b>	<b>Non-Major Capital Projects Funds</b>	<b>Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,171,143	\$ 319,740	\$ 2,490,883
Receivables:			
Taxes	-	43,005	43,005
Other	50,184	-	50,184
Due from Other Funds	17,725	50,680	68,405
Due from Other Governments	129,718	50,000	179,718
Total Assets	\$ 2,368,770	\$ 463,425	\$ 2,832,195
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 20,628	\$ 4,580	\$ 25,208
Accrued Liabilities	950	-	950
Due to Other Funds	62,756	2,403	65,159
Payable to Other Governments	-	-	-
Deferred Revenue	24,238	43,005	67,243
Advances Payable to CDA	-	107,427	107,427
Total Liabilities	108,572	157,415	265,987
Fund Balance:			
Reserved	961,905	-	961,905
Unreserved/Undesignated	1,298,293	306,010	1,604,303
Total Fund Balance	2,260,198	306,010	2,566,208
Total Liabilities and Fund Balance	\$ 2,368,770	\$ 463,425	\$ 2,832,195

**City of Whitewater  
Whitewater, WI**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
For the Year Ended December 31, 2009**

	<b>Non-Major Special Revenue Funds</b>	<b>Non-Major Capital Project Funds</b>	<b>Non-Major Governmental Funds</b>
<b>REVENUES</b>			
Property Taxes	\$ -	\$ 38,170	\$ 38,170
Intergovernmental	433,535	105,253	538,788
Fines, Forfeits and Penalties	13,988	-	13,988
Public Charges for Services	147,747	-	147,747
Intergovernmental Charges for Services	268	-	268
Interest Income	23,569	2,768	26,337
Miscellaneous Income	178,935	4,017	182,952
Total Revenues	<u>835,042</u>	<u>150,208</u>	<u>985,250</u>
<b>EXPENDITURES</b>			
Current:			
General Government	235,564	-	235,564
Public Safety	139,875	-	139,875
Public Works	530,901	-	530,901
Culture, Recreation and Education	455,686	-	455,686
Conservation and Development	-	7,965	7,965
Capital Outlay	206,186	410,298	616,484
Total Expenditures	<u>1,568,212</u>	<u>418,263</u>	<u>1,986,475</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(733,170)</u>	<u>(268,055)</u>	<u>(1,001,225)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Other Uses	-	(93,112)	(93,112)
Transfers In	657,170	479,612	1,136,782
Transfers Out	(89,544)	(580,736)	(670,280)
Total Other Financing Sources and Uses	<u>567,626</u>	<u>(194,236)</u>	<u>373,390</u>
Net Change in Fund Balances	(165,544)	(462,291)	(627,835)
Fund Balances - Beginning	2,425,742	768,301	3,194,043
Fund Balances - Ending	<u>\$ 2,260,198</u>	<u>\$ 306,010</u>	<u>\$ 2,566,208</u>

**City of Whitewater  
Whitewater, WI**

**Non-Major Special Revenue Funds  
Combining Balance Sheet  
December 31, 2009**

	<u>Cable TV Fund</u>	<u>Fire Dept. Equipment Fund</u>	<u>DPW Equipment Revolving Fund</u>	<u>Police Vehicle Revolving Fund</u>	<u>Government Equipment Fund</u>	<u>Library Special Revenue Fund</u>	<u>Skate Park Fund</u>
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 147,318	\$ 370,534	\$ 53,620	\$ 7,227	\$ 770	\$ 422,045	\$ 3,211
Receivables:							
Other	27,207	-	-	-	20,517	-	-
Due from Other Funds	-	-	9,000	-	-	-	-
Total Assets	<u>\$ 174,525</u>	<u>\$ 370,534</u>	<u>\$ 62,620</u>	<u>\$ 7,227</u>	<u>\$ 21,287</u>	<u>\$ 422,045</u>	<u>\$ 3,211</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts Payable	\$ 714	\$ -	\$ -	\$ -	\$ 770	\$ 7,681	\$ -
Accrued Liabilities	-	-	-	-	-	950	-
Due to Other Funds	19	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-
Total Liabilities	<u>733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>770</u>	<u>8,631</u>	<u>-</u>
Fund Balance:							
Reserved	-	-	-	-	-	413,414	-
Unreserved/Undesignated	173,792	370,534	62,620	7,227	20,517	-	3,211
Total Fund Balance	<u>173,792</u>	<u>370,534</u>	<u>62,620</u>	<u>7,227</u>	<u>20,517</u>	<u>413,414</u>	<u>3,211</u>
Total Liabilities and Fund Balance	<u>\$ 174,525</u>	<u>\$ 370,534</u>	<u>\$ 62,620</u>	<u>\$ 7,227</u>	<u>\$ 21,287</u>	<u>\$ 422,045</u>	<u>\$ 3,211</u>

City of Whitewater  
Whitewater, WI

Non-Major Special Revenue Funds  
Combining Balance Sheet  
December 31, 2009

	<u>Solid Waste Recycling 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>	<u>Sick Leave Severance Fund</u>
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 113,915	\$ 49,790	\$ 68,396	\$ 84,292	\$ 30,431	\$ 275,166	310,171
Receivables:							
Other	60	-	-	-	2,400	-	-
Due from Other Funds	725	-	-	8,000	-	-	-
Due from Other Governments	67,037	24,238	38,443	-	-	-	-
Total Assets	<u>\$ 181,737</u>	<u>\$ 74,028</u>	<u>\$ 106,839</u>	<u>\$ 92,292</u>	<u>\$ 32,831</u>	<u>\$ 275,166</u>	<u>\$ 310,171</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts Payable	\$ -	\$ 11,291	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	-	-	-	-	-	-	-
Due to Other Funds	8,000	-	-	50,680	-	-	4,057
Deferred Revenue	-	24,238	-	-	-	-	-
Total Liabilities	<u>8,000</u>	<u>35,529</u>	<u>-</u>	<u>50,680</u>	<u>-</u>	<u>-</u>	<u>4,057</u>
Fund Balance:							
Reserved	66,287	38,499	106,839	41,612	-	275,166	-
Unreserved/Undesignated	107,450	-	-	-	32,831	-	306,114
Total Fund Balance	<u>173,737</u>	<u>38,499</u>	<u>106,839</u>	<u>41,612</u>	<u>32,831</u>	<u>275,166</u>	<u>306,114</u>
Total Liabilities and Fund Balance	<u>\$ 181,737</u>	<u>\$ 74,028</u>	<u>\$ 106,839</u>	<u>\$ 92,292</u>	<u>\$ 32,831</u>	<u>\$ 275,166</u>	<u>\$ 310,171</u>

**City of Whitewater  
Whitewater, WI**

**Non-Major Special Revenue Funds  
Combining Balance Sheet  
December 31, 2009**

	<u>Parking Permit Fund</u>	<u>Lakes Improvement Fund</u>	<u>Street Repair Rev. 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>
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 23,955	\$ 443	\$ 124,431	\$ 51,704	\$ 13,636	\$ 20,088	\$ 2,171,143
Receivables:							
Other	-	-	-	-	-	-	50,184
Due from Other Funds	-	-	-	-	-	-	17,725
Due from Other Governments	-	-	-	-	-	-	129,718
Total Assets	<u>\$ 23,955</u>	<u>\$ 443</u>	<u>\$ 124,431</u>	<u>\$ 51,704</u>	<u>\$ 13,636</u>	<u>\$ 20,088</u>	<u>\$ 2,368,770</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 172	\$ -	\$ 20,628
Accrued Liabilities	-	-	-	-	-	-	950
Due to Other Funds	-	-	-	-	-	-	62,756
Deferred Revenue	-	-	-	-	-	-	24,238
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172</u>	<u>-</u>	<u>108,572</u>
Fund Balance:							
Reserved	-	-	-	-	-	20,088	961,905
Unreserved/Undesignated	23,955	443	124,431	51,704	13,464	-	1,298,293
Total Fund Balance	<u>23,955</u>	<u>443</u>	<u>124,431</u>	<u>51,704</u>	<u>13,464</u>	<u>20,088</u>	<u>2,260,198</u>
Total Liabilities and Fund Balance	<u>\$ 23,955</u>	<u>\$ 443</u>	<u>\$ 124,431</u>	<u>\$ 51,704</u>	<u>\$ 13,636</u>	<u>\$ 20,088</u>	<u>\$ 2,368,770</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, 2009**

	<u>Cable TV Fund</u>	<u>Fire Dept. Equipment Fund</u>	<u>DPW Equipment Revolving Fund</u>	<u>Police Vehicle Revolving Fund</u>	<u>Government Equipment Fund</u>	<u>Library Special Revenue Fund</u>	<u>Skate Park Fund</u>	<u>Sister City</u>
<b>REVENUES</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,457	\$ -	\$ -
Fines, Forfeits and Penalties	-	-	-	-	-	13,988	-	-
Public Charges for Services	109,364	-	-	-	-	7,319	-	-
Interest Income	1,524	1,660	248	46	427	7,907	-	-
Miscellaneous Income	1,023	2,836	2,112	-	20,517	36,613	-	-
Total Revenues	<u>111,911</u>	<u>4,496</u>	<u>2,360</u>	<u>46</u>	<u>20,944</u>	<u>297,284</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>								
Current:								
General Government	-	-	-	-	85,900	-	-	117
Public Safety	-	132,654	-	-	-	-	-	-
Culture, Recreation and Education	106,970	-	-	-	-	334,098	-	-
Capital Outlay	-	-	66,268	-	60,217	20,235	-	-
Total Expenditures	<u>106,970</u>	<u>132,654</u>	<u>66,268</u>	<u>-</u>	<u>146,117</u>	<u>354,333</u>	<u>-</u>	<u>117</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,941</u>	<u>(128,158)</u>	<u>(63,908)</u>	<u>46</u>	<u>(125,173)</u>	<u>(57,049)</u>	<u>-</u>	<u>(117)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds from Long-Term Debt	-	-	-	-	-	-	-	-
Transfers In	-	82,164	95,000	-	-	-	-	-
Transfers Out	(13,364)	-	-	-	-	-	-	-
Total Other Financing Sources and Uses	<u>(13,364)</u>	<u>82,164</u>	<u>95,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(8,423)	(45,994)	31,092	46	(125,173)	(57,049)	-	(117)
Fund Balances - Beginning	182,215	416,528	31,528	7,181	145,690	470,463	3,211	117
Fund Balances - Ending	<u>\$ 173,792</u>	<u>\$ 370,534</u>	<u>\$ 62,620</u>	<u>\$ 7,227</u>	<u>\$ 20,517</u>	<u>\$ 413,414</u>	<u>\$ 3,211</u>	<u>\$ -</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, 2009**

	<u>Solid Waste Recycling 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>	<u>Sick Leave Severance Fund</u>
<b>REVENUES</b>							
Intergovernmental	\$ 54,572	\$ 147,506	\$ -	\$ -	\$ -	\$ -	\$ -
Fines, Forfeits and Penalties	-	-	-	-	-	-	-
Public Charges for Services	2,900	-	-	635	4,050	-	-
Intergovernmental Charges for Services	-	-	-	-	-	268	-
Interest Income	597	207	352	637	206	8,074	736
Miscellaneous Income	-	484	56,517	56,990	1,716	-	-
Total Revenues	<u>58,069</u>	<u>148,197</u>	<u>56,869</u>	<u>58,262</u>	<u>5,972</u>	<u>8,342</u>	<u>736</u>
<b>EXPENDITURES</b>							
Current:							
General Government	-	-	-	-	-	-	37,991
Public Safety	-	-	-	-	-	4,282	-
Public Works	388,669	142,232	-	-	-	-	-
Culture, Recreation and Education	-	-	1,526	-	-	10,810	-
Capital Outlay	-	-	-	59,466	-	-	-
Total Expenditures	<u>388,669</u>	<u>142,232</u>	<u>1,526</u>	<u>59,466</u>	<u>-</u>	<u>15,092</u>	<u>37,991</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(330,600)</u>	<u>5,965</u>	<u>55,343</u>	<u>(1,204)</u>	<u>5,972</u>	<u>(6,750)</u>	<u>(37,255)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	248,040	11,065	-	8,000	-	-	25,000
Transfers Out	(8,000)	-	-	(50,680)	-	-	-
Total Other Financing Sources and Uses	<u>240,040</u>	<u>11,065</u>	<u>-</u>	<u>(42,680)</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Net Change in Fund Balances	(90,560)	17,030	55,343	(43,884)	5,972	(6,750)	(12,255)
Fund Balances - Beginning	264,297	21,469	51,496	85,496	26,859	281,916	318,369
Fund Balances - Ending	<u>\$ 173,737</u>	<u>\$ 38,499</u>	<u>\$ 106,839</u>	<u>\$ 41,612</u>	<u>\$ 32,831</u>	<u>\$ 275,166</u>	<u>\$ 306,114</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, 2009**

	<u>Homecoming Fund</u>	<u>Parking Permit Fund</u>	<u>Lakes Improvement Fund</u>	<u>Street Repair Rev. 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>
<b>REVENUES</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 433,535
Fines, Forfeits and Penalties	-	-	-	-	-	-	-	13,988
Public Charges for Services	-	22,720	-	-	-	-	759	147,747
Intergovernmental Charges for Services	-	-	-	-	-	-	-	268
Interest Income	-	154	-	242	425	60	67	23,569
Miscellaneous Income	-	-	-	-	-	127	-	178,935
Total Revenues	<u>-</u>	<u>22,874</u>	<u>-</u>	<u>242</u>	<u>425</u>	<u>187</u>	<u>37,826</u>	<u>835,042</u>
<b>EXPENDITURES</b>								
Current:								
General Government	-	-	-	92,036	-	1,782	17,738	235,564
Public Safety	-	2,939	-	-	-	-	-	139,875
Public Works	-	-	-	-	-	-	-	530,901
Culture, Recreation and Education	412	-	1,870	-	-	-	-	455,686
Capital Outlay	-	-	-	-	-	-	-	206,186
Total Expenditures	<u>412</u>	<u>2,939</u>	<u>1,870</u>	<u>92,036</u>	<u>-</u>	<u>1,782</u>	<u>17,738</u>	<u>1,568,212</u>
Excess (Deficiency) of Revenues Over Expenditures	(412)	19,935	(1,870)	(91,794)	425	(1,595)	20,088	(733,170)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	-	-	-	185,000	-	2,901	-	657,170
Transfers Out	-	(17,500)	-	-	-	-	-	(89,544)
Total Other Financing Sources and Uses	<u>-</u>	<u>(17,500)</u>	<u>-</u>	<u>185,000</u>	<u>-</u>	<u>2,901</u>	<u>-</u>	<u>567,626</u>
<b>SPECIAL ITEM</b>								
Net Change in Fund Balances	(412)	2,435	(1,870)	93,206	425	1,306	20,088	(165,544)
Fund Balances - Beginning	412	21,520	2,313	31,225	51,279	12,158	-	2,425,742
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 23,955</u>	<u>\$ 443</u>	<u>\$ 124,431</u>	<u>\$ 51,704</u>	<u>\$ 13,464</u>	<u>\$ 20,088</u>	<u>\$ 2,260,198</u>

**City of Whitewater  
Whitewater, WI  
Non-Major Capital Project Funds  
Combining Balance Sheet  
December 31, 2009**

	TID #5	TID #6	TID #7	TID #8	TID #9	Tripp Lake Park Improvements	Other Capital Projects Funds	Non-Major Capital Project Funds
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ -	\$ -	\$ 97	\$ 48	\$ -	\$ 2,728	\$ 316,867	\$ 319,740
Receivables:								
Taxes	8,361	14,582	-	17,747	2,315	-	-	43,005
Due from Other Funds	-	-	-	-	-	-	50,680	50,680
Due from Other Governments	-	-	-	-	-	50,000	-	50,000
Total Assets	<u>\$ 8,361</u>	<u>\$ 14,582</u>	<u>\$ 97</u>	<u>\$ 17,795</u>	<u>\$ 2,315</u>	<u>\$ 52,728</u>	<u>\$ 367,547</u>	<u>\$ 463,425</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts Payable	\$ -	\$ 1,316	\$ -	\$ -	\$ -	\$ -	\$ 3,264	\$ 4,580
Due to Other Funds	-	2,403	-	-	-	-	-	2,403
Deferred Revenue	8,361	14,582	-	17,747	2,315	-	-	43,005
Advances Payable to CDA	-	107,427	-	-	-	-	-	107,427
Total Liabilities	<u>8,361</u>	<u>125,728</u>	<u>-</u>	<u>17,747</u>	<u>2,315</u>	<u>-</u>	<u>3,264</u>	<u>157,415</u>
Fund Balance:								
Unreserved/Undesignated (deficit)	-	(111,146)	97	48	-	52,728	364,283	306,010
Total Fund Balance	<u>-</u>	<u>(111,146)</u>	<u>97</u>	<u>48</u>	<u>-</u>	<u>52,728</u>	<u>364,283</u>	<u>306,010</u>
Total Liabilities and Fund Balance	<u>\$ 8,361</u>	<u>\$ 14,582</u>	<u>\$ 97</u>	<u>\$ 17,795</u>	<u>\$ 2,315</u>	<u>\$ 52,728</u>	<u>\$ 367,547</u>	<u>\$ 463,425</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, 2009**

	<u>TID #3</u>	<u>TID #6</u>	<u>TID #7</u>	<u>TID #8</u>	<u>Tripp Lake Park Improvements</u>	<u>Other Capital Projects Funds</u>	<u>Non-Major Special Revenue Funds</u>
<b>REVENUES</b>							
Property Taxes	\$ 35,554	\$ 2,471	\$ 97	\$ 48	\$ -	\$ -	\$ 38,170
Intergovernmental	67	186	-	-	105,000	-	105,253
Interest Income	884	-	-	-	-	1,884	2,768
Miscellaneous Income	-	-	-	-	-	4,017	4,017
Total Revenues	<u>36,505</u>	<u>2,657</u>	<u>97</u>	<u>48</u>	<u>105,000</u>	<u>5,901</u>	<u>150,208</u>
<b>EXPENDITURES</b>							
Current:							
Conservation and Development	7,965	-	-	-	-	-	7,965
Capital Outlay	-	59,112	-	-	222,543	128,643	410,298
Total Expenditures	<u>7,965</u>	<u>59,112</u>	<u>-</u>	<u>-</u>	<u>222,543</u>	<u>128,643</u>	<u>418,263</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>28,540</u>	<u>(56,455)</u>	<u>97</u>	<u>48</u>	<u>(117,543)</u>	<u>(122,742)</u>	<u>(268,055)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Other Uses	(93,112)	-	-	-	-	-	(93,112)
Transfers In	-	-	-	-	155,680	323,932	479,612
Transfers Out	(288,533)	-	-	-	-	(292,203)	(580,736)
Total Other Financing Sources and Uses	<u>(381,645)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,680</u>	<u>31,729</u>	<u>(194,236)</u>
Net Change in Fund Balances	(353,105)	(56,455)	97	48	38,137	(91,013)	(462,291)
Fund Balances (deficit)- Beginning	353,105	(54,691)	-	-	14,591	455,296	768,301
Fund Balances (deficit) - Ending	<u>\$ -</u>	<u>\$ (111,146)</u>	<u>\$ 97</u>	<u>\$ 48</u>	<u>\$ 52,728</u>	<u>\$ 364,283</u>	<u>\$ 306,010</u>

**City of Whitewater  
Whitewater, WI  
Combining Statement of Net Assets - Component Unit  
December 31, 2009**

	Community Development Authority (Operating)	Community Development Authority (Program)	Total
<b>ASSETS</b>			
Cash and Equivalents	\$ 95,505	\$ 2,282,808	\$ 2,378,313
Other accounts receivable	-	4,333	4,333
Loans receivable	-	886,554	886,554
Due from City	-	123,138	123,138
Capital Assets			
Land, Improvements, and Construction in Progress	-	403,093	403,093
Other Capital Assets, net of depreciation	2,467	-	2,467
Total Capital Assets	<u>2,467</u>	<u>403,093</u>	<u>405,560</u>
Total Assets	<u>\$ 97,972</u>	<u>\$ 3,699,926</u>	<u>\$ 3,797,898</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	2,928	7,762	10,690
Due to City	15,734	-	15,734
Total Liabilities	<u>18,662</u>	<u>7,762</u>	<u>26,424</u>
<b>NET ASSETS</b>			
Invested in Capital Assets	2,467	403,093	405,560
Restricted	-	3,289,071	3,289,071
Unrestricted	76,843	-	76,843
Total Net Assets	<u>79,310</u>	<u>3,692,164</u>	<u>3,771,474</u>
Total Liabilities and Net Assets	<u>\$ 97,972</u>	<u>\$ 3,699,926</u>	<u>\$ 3,797,898</u>

**City of Whitewater  
Whitewater, WI**

**Combining Statement of Revenues, Expenses and Changes in  
Net Assets - Component Unit  
For the Year Ended December 31, 2009**

	<u>Community Development Authority (Operating)</u>	<u>Community Development Authority (Program)</u>	<u>Total</u>
Operating Revenues	\$ -	\$ 21,550	\$ 21,550
Operating Expenses			
Operating Expenses	142,560	15,468	158,028
Depreciation	1,169	-	1,169
Total Operating Expenses	<u>143,729</u>	<u>15,468</u>	<u>159,197</u>
Operating Income (Loss)	(143,729)	6,082	(137,647)
Non Operating Revenues			
Investment Income	3,767	91,070	94,837
Miscellaneous	-	445	445
Intergovernmental and other	-	15,916	15,916
Total Non Operating Revenues	<u>3,767</u>	<u>107,431</u>	<u>111,198</u>
Transfer in from City	<u>70,932</u>	<u>127,921</u>	<u>198,853</u>
Change in Net Assets	(69,030)	241,434	172,404
Total Net Assets - Beginning	<u>148,340</u>	<u>3,450,730</u>	<u>3,599,070</u>
Total Net Assets - Ending	<u>\$ 79,310</u>	<u>\$ 3,692,164</u>	<u>\$ 3,771,474</u>

**City of Whitewater  
Whitewater, WI**

**Combining Statement of Cash Flows - Component Unit  
For the Year Ended December 31, 2009**

	<u>Community Development Authority (Operating)</u>	<u>Community Development Authority (Program)</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Received from customers	\$ -	\$ 21,550	\$ 21,550
New loans issued	-	(34,448)	(34,448)
Loans repaid	-	97,562	97,562
Intergovernmental charges	-	15,916	15,916
Paid to suppliers for goods and services	(27,925)	(11,973)	(39,898)
Payments to employees for services	(97,855)	-	(97,855)
Net cash flows from operating activities	<u>(125,780)</u>	<u>88,607</u>	<u>(37,173)</u>
<b>Cash Flows From Investing Activities</b>			
Long-term investments purchased	(25,000)	(1,400,690)	(1,425,690)
Long-term investments sold	120,000	1,454,709	1,574,709
Investment income	3,767	91,070	94,837
Net cash flows from investing activities	<u>98,767</u>	<u>145,089</u>	<u>243,856</u>
<b>Cash Flows From Non-Capital Financing Activities</b>			
Transfers in from City	70,932	(71,792)	(860)
Net cash flow from noncapital financing activities	<u>70,932</u>	<u>(71,792)</u>	<u>(860)</u>
Net increase in cash and cash equivalents	43,919	161,904	205,823
Cash And Cash Equivalents - Beginning Of Year	<u>26,586</u>	<u>720,214</u>	<u>746,800</u>
Cash And Cash Equivalents - End Of Year	<u>\$ 70,505</u>	<u>\$ 882,118</u>	<u>\$ 952,623</u>
<b>Noncash Investing, Capital And Related Financing Activities</b>			
None			

**City of Whitewater  
Whitewater, WI**

**Combining Statement of Cash Flows - Component Unit  
For the Year Ended December 31, 2009**

	<u>Community Development Authority (Operating)</u>	<u>Community Development Authority (Program)</u>	<u>Total</u>
<b>Reconciliation Of Operating Income (Loss) To Net</b>			
<b>Cash Flows From Operating Activities</b>			
Operating income (loss)	\$ (143,729)	\$ 6,082	\$ (137,647)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Miscellaneous	-	16,361	16,361
Noncash items included in income (loss)			
Depreciation	1,169	-	1,169
Change in Assets and Liabilities			
Loans receivable	-	63,114	63,114
Due from other funds	92	-	92
Accounts payable	971	3,142	4,113
Due to other funds	15,717	(92)	15,625
	<u>15,717</u>	<u>(92)</u>	<u>15,625</u>
Net Cash Flows From Operating Activities	<u>\$ (125,780)</u>	<u>\$ 88,607</u>	<u>\$ (37,173)</u>
<b>Reconciliation Of Cash And Cash Equivalents To The Statement Of Net Assets</b>			
Cash and investments - statement of net assets - component unit	\$ 95,505	\$ 2,282,808	\$ 2,378,313
less: Non-cash equivalents	<u>(25,000)</u>	<u>(1,400,690)</u>	<u>(1,425,690)</u>
Cash And Cash Equivalents - End Of Year	<u>\$ 70,505</u>	<u>\$ 882,118</u>	<u>\$ 952,623</u>

City of Whitewater

Schedule of Long-Term Debt Principal Payments - Governmental Activities  
December 31, 2009

Year	Totals	1998 TIF #4 General Obligation Refunding Bonds	2001 LSP-CIP General Obligation Refunding Bonds	2001 TIF #4 General Obligation Refunding Bonds	2002 TIF #4 General Obligation Refunding Bonds	2005 TIF #4 General Obligation Refunding Notes	2005 TID #4 State Trust Fund Loan	2006 TID #4 State Trust Fund Loan	2008 TIF #4 General Obligation Refunding Notes	2008 TID #4 State Trust Fund Loan	2008 GO First Citizens	2009 General Obligation Refunding Bonds
2010	\$ 1,659,801	\$ 290,000	\$ 180,000	\$ 225,000	\$ 250,000	\$ 410,000	\$ 39,270	\$ 59,291	\$ -	\$ 66,302	\$ 29,938	\$ 110,000
2011	1,943,677	300,000	180,000	225,000	-	425,000	40,939	61,811	450,000	69,617	31,310	160,000
2012	2,092,830	315,000	180,000	300,000	-	445,000	42,664	64,406	485,000	73,043	32,717	155,000
2013	2,307,662	330,000	180,000	300,000	-	460,000	44,492	67,175	665,000	76,750	34,245	150,000
2014	2,507,815	345,000	180,000	350,000	-	475,000	46,383	70,030	780,000	80,588	35,814	145,000
2015	2,180,079	360,000	150,000	-	-	495,000	-	73,007	835,000	84,616	37,456	145,000
2016	1,517,998	375,000	-	-	-	-	-	-	875,000	88,836	39,162	140,000
2017	1,340,968	390,000	-	-	-	-	-	-	910,000	-	40,968	-
Totals	\$ 15,550,830	\$ 2,705,000	\$ 1,050,000	\$ 1,400,000	\$ 250,000	\$ 2,710,000	\$ 213,748	\$ 395,720	\$ 5,000,000	\$ 539,752	\$ 281,610	\$ 1,005,000

City of Whitewater

Schedule of Long-Term Debt Interest Payments - Governmental Activities  
December 31, 2009

Year	Totals	1998 TIF #4 General Obligation Refunding Bonds	2001 LSP-CIP General Obligation Refunding Bonds	2001 TIF #4 General Obligation Refunding Bonds	2002 TIF #4 General Obligation Refunding Bonds	2005 TIF #4 General Obligation Refunding Notes	2005 State Trust Fund Loan	2006 TIF #4 State Trust Fund Loan	2008 TIF #4 General Obligation Refunding Notes	2008 TID #4 State Trust Fund Loan	2008 GO First Citizens	2009 General Obligation Bonds
2010	\$ 590,489	\$ 119,675	\$ 46,815	\$ 64,375	\$ 9,250	\$ 97,560	\$ 9,084	\$ 16,818	\$ 187,500	\$ 26,988	\$ 12,424	\$ 29,929
2011	527,356	107,205	38,940	54,475	-	82,800	7,415	14,298	187,500	23,672	11,051	21,850
2012	455,265	94,305	31,200	44,350	-	67,500	5,691	11,703	170,625	20,247	9,644	18,650
2013	375,960	80,760	23,280	30,550	-	51,480	3,862	8,934	152,437	16,540	8,117	15,550
2014	287,919	66,570	15,180	16,450	-	34,920	1,971	6,079	127,500	12,702	6,547	12,175
2015	191,042	51,390	6,900	-	-	17,820	-	3,103	98,250	8,673	4,906	8,188
2016	109,781	35,190	-	-	-	-	-	-	66,938	4,454	3,199	4,200
2017	53,459	17,940	-	-	-	-	-	-	34,125	-	1,394	-
<b>Totals</b>	<b>\$ 2,591,271</b>	<b>\$ 573,035</b>	<b>\$ 162,315</b>	<b>\$ 210,200</b>	<b>\$ 9,250</b>	<b>\$ 352,080</b>	<b>\$ 28,023</b>	<b>\$ 60,935</b>	<b>\$ 1,024,875</b>	<b>\$ 113,276</b>	<b>\$ 57,282</b>	<b>\$ 110,542</b>

# **SINGLE AUDIT**

**CITY OF WHITEWATER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended December 31, 2009**

Federal Awarding Agency Pass-Through Agency Award Description	Federal CFDA Number	Federal Expenditures
U.S. Department of Homeland Security Passed through Wisconsin Department of Military Affairs Disaster Grants - Public Assistance	97.036	\$ 18,464
U.S. Department of Transportation Passed through Wisconsin Department of Transportation Federal Small Urban Area and Rural Public Transportation Program	20.509	70,674
U.S. Environmental Protection Agency Passed through Wisconsin Department of Natural Resources Clean Water Fund Program (ARRA)	66.458	<u>413,064</u>
<b>Total Expenditures of Federal Awards</b>		<u><u>\$ 502,202</u></u>
State Awarding Agency Pass-through Agency Award Description	State ID Number	State Expenditures
Wisconsin Department of Natural Resources Knowles-Nelson Stewardship Program	unknown	\$ 100,000
Recycling Programs and Efficiency		54,572
Brownfield Projects	370.687	15,916
Wisconsin Department of Transportation Transit Operating Aids	395.104	58,484
Wisconsin Department of Commerce Petroleum Environmental Cleanup Fund Award	unknown	10,554
Wisconsin Department of Military Affairs State Match - Federal Disaster Assistance	465.305	<u>2,023</u>
<b>Total Expenditures of State Awards</b>		<u><u>\$ 241,549</u></u>

**CITY OF WHITEWATER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended December 31, 2009**

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**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 the *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*.

**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***

May 6, 2010

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, 2009, and have issued our report thereon dated May 6, 2010. 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 2009-1, 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 May 6, 2010.

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 and Company, Inc.*

Johnson Block & Company, Inc.  
Madison, Wisconsin

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

May 6, 2010

To the City Council  
City of Whitewater  
Whitewater, Wisconsin

Compliance

We have audited the compliance of the City of Whitewater with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration that are applicable to each of its major federal and state programs for the year ended December 31, 2009. The 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 program 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, 2009.



### 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.

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 and Company, Inc.*

Johnson Block and Company, Inc.  
Madison, Wisconsin

**CITY OF WHITEWATER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2009**

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**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>
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66.458	Clean Water Fund Program (ARRA)
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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, 2009**

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**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>
unknown	Knowles-Nelson Stewardship Program
395.104	Transit Operating Aids

**CITY OF WHITEWATER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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**Section II – Financial Statement Finding**

**2009-1**

*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 Award Findings and Questioned Costs**

None.