



**Johnson ▲ Block**  
AND COMPANY, INC.

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Certified Public Accountants

**CITY OF WHITEWATER**  
**AUDITED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2010**

Johnson Block & Co., Inc.  
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*Quality service through our commitment to clients and staff.*

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**City of Whitewater**

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**December 31, 2010**

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Millard W. Johnson ▲ James L. Block ▲ Alan L. Brey ▲ Joseph G. Mohlmann ▲ Kevin P. Krysinski ▲ Janice L. Froelich

## **INDEPENDENT AUDITOR'S REPORT**

April 25, 2011

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, 2010, 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, 2010, 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 April 25, 2011 on our consideration of the City of Whitewater's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in



accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Johnson Block & Company, Inc.*

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

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS  
FOR 2010**



## CITY OF WHITEWATER

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2010

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, 2010. 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 \$770,774, or 1.59% from the prior year. The net assets for governmental activities decreased \$2,526,823 while the net assets of the business-type activities increased by \$3,297,597. The Community Development Authority-CDA-a component unit of the city, net assets increased by \$5,297,527.

The assets of the City of Whitewater exceeded its liabilities as of December 31, 2010 by \$49,200,760 (net assets). Of this amount, \$4,256,438 (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 \$3,939,721 and \$316,717 for governmental and business-type activities, respectively.

As of December 31, 2010, the City of Whitewater's governmental funds reported combined ending fund balances of \$6,050,310, a decrease of \$1,155,241 in comparison with the prior year. Approximately 60.1% of this total, or \$3,639,410 (unreserved/undesignated fund balance), is available for spending at the government's discretion. Of the \$3,639,410 unreserved/undesignated fund balance, the General Fund makes up \$1,910,164 (52.5%), while the Cable T.V. Fund accounts for \$153,716 (4.2%), the Street Repair Fund-- \$57,224 (1.6%), the Fire/Rescue Equipment Fund---\$23,919 (.7%), the DPW Equipment Fund-- \$108,135 (3.0%), Sick Leave Severance Fund-- \$310,422 (8.5%), other capital projects funds for \$787,150 (21.6%) and other special revenue funds \$288,680 (7.9%).

The city's water utility had an operating income in 2010 of \$152,682. Unrestricted net assets decreased by \$546,693. The water utility's total net assets increased by \$152,572 to \$10,678,834. The 2010 Average Rate of Return equaled 2.19%. The Water Utility will be filing formal rate case application with the PSC in May 2011 in order to adjust rates to cover operational expenses and debt service for capital improvements.

The wastewater utility had an operating loss of \$186,412 in 2010. The utility's total net assets increased by \$2,285,409. 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; by 5.0% on December 1, 2009 and by 7% on December 1, 2010. It is anticipated that the utility will increase rates on July 1 and December 1, 2011.

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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, 2010

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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, 2010

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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 Stormwater Utilities. The Stormwater Utility was established in the 4th quarter of 2007.

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

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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 83.9%) 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**

For Year Ended December 31, 2010

**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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and Other Assets	\$ 13,806,995	12,459,615	3,256,528	4,134,170	17,063,523	16,593,785
Capital Assets	<u>33,533,059</u>	<u>31,081,385</u>	<u>32,267,412</u>	<u>27,450,554</u>	<u>65,800,471</u>	<u>58,531,939</u>
<b>Total Assets</b>	<u>47,340,054</u>	<u>43,541,000</u>	<u>35,523,940</u>	<u>31,584,724</u>	<u>82,863,994</u>	<u>75,125,724</u>
Non-Current Liabilities	18,919,821	14,492,578	3,889,320	4,130,893	22,809,141	18,623,471
Other Liabilities	<u>9,169,903</u>	<u>7,271,269</u>	<u>1,684,190</u>	<u>800,998</u>	<u>10,854,093</u>	<u>8,072,267</u>
<b>Total Liabilities</b>	<u>28,089,724</u>	<u>21,763,847</u>	<u>5,573,510</u>	<u>4,931,891</u>	<u>33,663,234</u>	<u>26,695,738</u>
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	13,239,925	17,364,370	28,052,752	23,493,312	41,292,677	40,857,682
Restricted	2,070,684	956,660	1,580,961	1,760,265	3,651,645	2,716,925
Unrestricted	<u>3,939,721</u>	<u>3,456,123</u>	<u>316,717</u>	<u>1,399,256</u>	<u>4,256,438</u>	<u>4,855,379</u>
<b>TOTAL NET ASSETS</b>	<u>19,250,330</u>	<u>21,777,153</u>	<u>29,950,430</u>	<u>26,652,833</u>	<u>49,200,760</u>	<u>48,429,986</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u>47,340,054</u>	<u>43,541,000</u>	<u>35,523,940</u>	<u>31,584,724</u>	<u>82,863,994</u>	<u>75,125,724</u>

**Net Assets:** The City of Whitewater's combined net assets increased 1.59% between fiscal years 2009 and 2010 to \$49,200,760. 61.1% of the 2010 net assets are business-type activities of the City Water, Wastewater and Stormwater Utilities. During 2010, the governmental activities transferred ownership of the Innovation Center to the Whitewater Community Development Authority. The book value of the Innovation Center was \$5,287,467. The Whitewater CDA is a component unit of the City of Whitewater. The Innovation Center was financed thru a joint venture with the City of Whitewater-TID #4 and the Federal Department of Commerce-EDA. **ASSETS:** Governmental Activities: The increase in **Current and Other Assets** can be attributed to \$3,575,831 due from the Economic Development Administration(EDA) for their share of the infrastructure improvements in and around the Innovation Center and the Technology Park-TID # 4. Taxes Receivables increased by \$255,411. Special Assessment Receivable, Accounts Receivables, and Other Receivables decreased by \$30,101. **LIABILITIES:** Governmental Activities: Non-Current Liabilities increased by \$2,619,399. The increase can be attributed to bonds issued by the City & TID # 4 to finance the infrastructure improvements outlined above. Deferred revenues increased by \$413,604. Advances from other funds declined by \$155,000. \$80,000 is for the annual payment made to the Wastewater Utility on an advance made by the Wastewater Equipment Replacement Fund for the pay off of the city's prior service cost liability due to the Wisconsin Retirement System and \$75,000 was for the advance for the reconstruction of Starin Road from Fremont Street to Tratt Street. Final payments were made in 2010.

**CITY OF WHITEWATER, WISCONSIN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For Year Ended December 31, 2010

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

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

	Governmental Activities		Business-type Activities		Combined-Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,296,259	1,261,793	3,625,646	3,398,391	4,921,905	4,660,184
Operating grants and contributions	1,290,789	1,258,101	26,966	414,594	1,317,755	1,672,695
Capital grants and contributions	3,867,598	123,674	2,386,751	187,353	6,254,349	311,027
General Revenues:						
Property Taxes	4,283,025	4,210,373	-	-	4,283,025	4,210,373
Other Taxes	74,456	88,268	-	-	74,456	88,268
Intergovernmental	3,884,290	3,953,752	-	-	3,884,290	3,953,752
Investment Income	58,327	153,509	32,919	62,737	91,246	216,246
Miscellaneous	207,264	198,820	-	-	207,264	198,820
<b>Total Revenues</b>	<u>14,962,008</u>	<u>11,248,290</u>	<u>6,072,282</u>	<u>4,063,075</u>	<u>21,034,290</u>	<u>15,311,365</u>
Expenses:						
General government	1,755,843	2,008,162	-	-	1,755,843	2,008,162
Public Safety	4,103,040	3,779,930	-	-	4,103,040	3,779,930
Public Works	2,640,187	2,384,700	-	-	2,640,187	2,384,700
Leisure activities	1,378,035	1,381,863	-	-	1,378,035	1,381,863
Conservation and Development	413,655	523,775	-	-	413,655	523,775
Interest and fiscal charges	712,430	747,794	228,503	259,608	940,933	1,007,402
Water Utility	-	-	1,260,545	1,242,446	1,260,545	1,242,446
Sewer Utility	-	-	2,108,460	2,134,195	2,108,460	2,134,195
Stormwater Utility	-	-	314,072	265,143	314,072	265,143
<b>Total Expenses</b>	<u>11,003,190</u>	<u>10,826,224</u>	<u>3,911,580</u>	<u>3,901,392</u>	<u>14,914,770</u>	<u>14,727,616</u>
Increases in net assets before transfers	3,958,818	422,066	2,160,702	161,683	6,119,520	583,749
Transfers	<u>(6,485,641)</u>	<u>57,253</u>	<u>1,136,895</u>	<u>(256,106)</u>	<u>(5,348,746)</u>	<u>(198,853)</u>
Increase (decrease) in net assets	<u>(2,526,823)</u>	<u>479,319</u>	<u>3,297,597</u>	<u>(94,423)</u>	<u>770,774</u>	<u>384,896</u>
NET ASSETS-January 1	<u>21,777,153</u>	<u>21,475,017</u>	<u>26,652,833</u>	<u>26,855,881</u>	<u>48,429,986</u>	<u>48,330,898</u>
Change in Net Assets due to Restatement	<u>-</u>	<u>(177,183)</u>	<u>-</u>	<u>(108,624)</u>	<u>-</u>	<u>(285,807)</u>
<b>Net Assets-December 31</b>	<u>19,250,330</u>	<u>21,777,153</u>	<u>29,950,430</u>	<u>26,652,834</u>	<u>49,200,760</u>	<u>48,429,987</u>

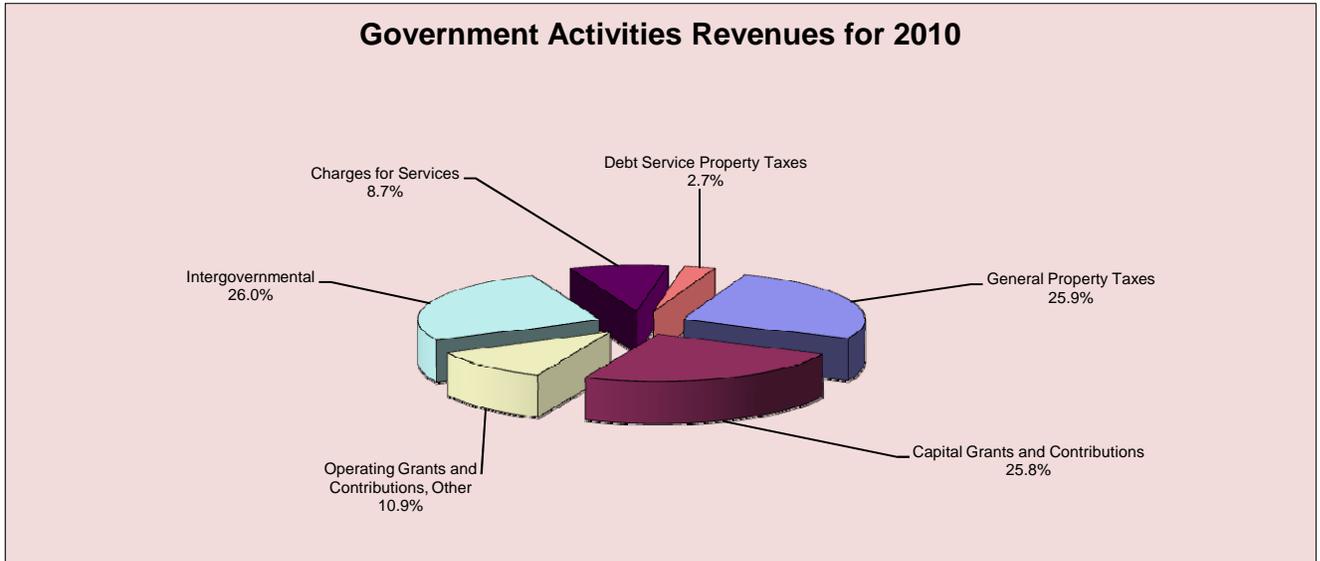
Change in Net Assets: The City's 2010 revenues for both governmental and business-type activities total \$21,034,290 and expenses total \$14,914,770. These totals plus transfers resulted in an increase in net assets of \$770,774. Net assets declined by \$2,749,127 for **governmental activities** when compared to 2009. The primary cause of the decrease was due to transfers which equaled a negative \$6,485,641. The increase in net assets before transfers equaled \$3,736,514. Program revenues increased \$3,588,774 due to capital grants and contributions made in 2010; General revenues decreased by \$194,720 while total expenses increased \$176,966.

**CITY OF WHITEWATER, WISCONSIN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For Year Ended December 31, 2010

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

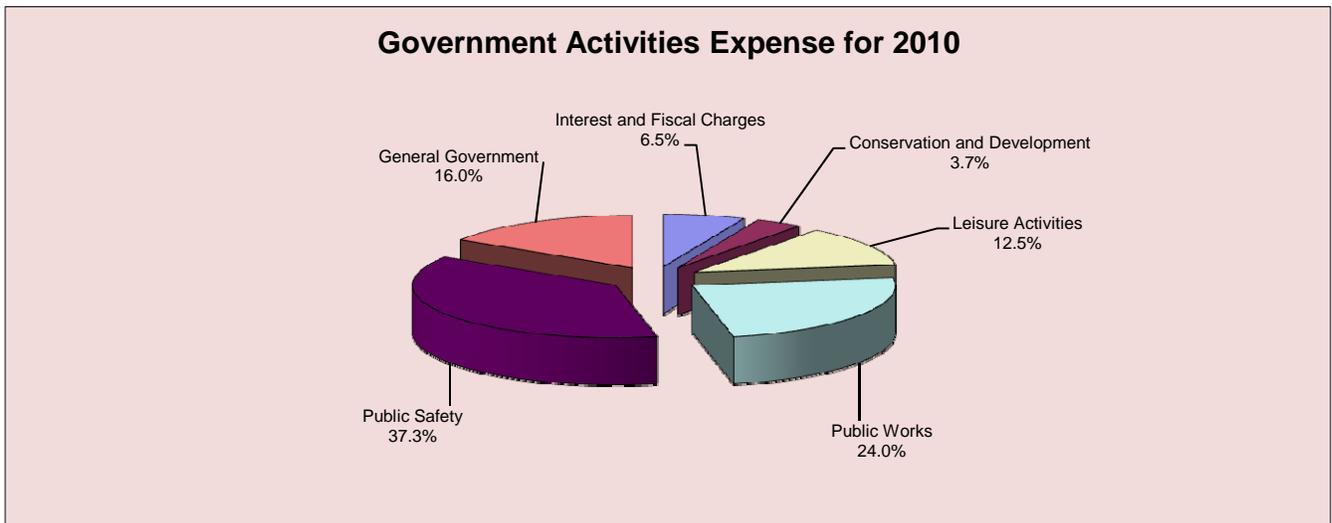
*Governmental Activities:*

Revenues for the City of Whitewater's governmental activities total \$14,962,008 with intergovernmental revenues (*largely state shared-revenues*) being the largest revenue source for governmental activities, accounting for 26.0% (\$3,884,290) 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 2.7% (\$409,106) of total revenues, were collected to pay for the principal and interest due in 2010. General property taxes accounted for 25.9% (\$3,873,919) of governmental revenues in 2010. Charges for services contribute 8.7% (\$1,296,259); Operating grants, other taxes, interest income, misc., contributed 10.9% (\$1,630,836) of the total revenues. Capital grants (\$3,867,598) accounted for 25.8%.



Total Revenues = \$14,962,008

Governmental activities expenditures total \$11,003,190. Public Safety activities amount for 37.3% (4,103,040), 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 24.0% (\$2,640,187), 16.0% (\$1,755,843), and 12.5% (\$1,378,035) respectively of total expenditures for 2010. Conservation/Development--3.7% (\$413,655); Interest/Fiscal Charges--6.5% (\$712,430).



Total Expenses = \$11,003,190

**CITY OF WHITEWATER, WISCONSIN**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For Year Ended December 31, 2010

**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 2010 was \$11,003,190. However, the amount paid through the City's property tax was only \$4,283,025. The breakout of property taxes are \$2,347,255 (general properties), \$409,106 (debt service) and \$1,526,664 (TIF Districts). Some of the costs were paid by:

- Those directly benefiting from the programs-Charges for Service/Fees/Permits - (\$736,814)
- State of Wisconsin Shared Revenue-Aidable - (\$2,952,038)
- Utility Shared Revenues-State of Wisconsin - (\$583,226)
- State Aids-Roads/Highways - (\$550,287)
- Fines and Forfeitures - (\$405,004)

	<u>Cost of Services</u>	<u>Charges for Services, Operating &amp; Capital Grants, Contributions</u>	<u>Net Cost of Services</u>
General Government	1,755,843	272,767	1,483,076
Public Safety	4,103,040	1,185,296	2,917,744
Public Works	2,545,773	801,716	1,744,057
Leisure Activities	1,378,035	466,943	911,092
Conservation and Development	413,655	3,727,924	(3,314,269)
Interest and Fiscal Charges	712,430	-	712,430
Capital Outlays	94,414	-	94,414
<b>Total</b>	<b><u>11,003,190</u></b>	<b><u>6,454,646</u></b>	<b><u>4,548,544</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 \$84,543 to \$2,183,093 which represents 23.6% of the expenditures for calendar/budget year 2011 expenses. Of that amount, \$1,910,164, or 87.50% is unreserved and undesignated. The unreserved/undesignated % of the 2011 budget equals 20.62%

**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 \$1,368,981 due to funding of the planned capital improvements for 2009 through 2011. Capital Improvements Projects completed in 2010 were the Innovation Center. Near completion are the Starin Road extension and the Tech Park infrastructure improvements.

**CITY OF WHITEWATER, WISCONSIN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For Year Ended December 31, 2010

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

**WATER, WASTEWATER AND STORMWATER UTILITY**

The **Water Utility** earned a 2.19% return on its rate base in 2010 compared to 2.00% in 2009.

Operating income-Regulatory Basis, increased \$6,789 to \$102,057. The water utility's (GAAP Basis) operating revenues increased \$29,425 to \$1,413,226 and operating expenses increased \$18,098 to \$1,260,544. The primary reason for the increase in operating revenues as due to a rate increase that was effective on 12/1/2009.

The Cogentrix power plant water usage declined 37,472,000 gallons.

Total usage for the Cogentrix power plant was 221,637,000 gallons or 42.2% of water sold.

The **Wastewater Utility** operating loss declined from \$411,108 in 2009 to \$186,412 in 2010.

Charges for service revenues increased \$198,961. Wastewater rates were increased by 5% effective 12/1/09 & 7% on 12/1/10. The City established a **Stormwater 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 Stormwater utility was established to provide a funding mechanism in order to comply with State and Federal mandates regarding stormwater management.

	<u>Operating Revenues</u>		<u>Operating Expenses</u>		<u>Operating Income (Loss)</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Water Utility	\$ 1,413,226	1,383,801	1,260,544	1,242,446	152,682	141,355
Wastewater Utility	1,922,048	1,723,087	2,108,460	2,134,195	(186,412)	(411,108)
Stormwater Utility	289,226	290,358	314,072	265,143	(24,846)	25,215

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Governmental Activities**

	<u>2010</u>	<u>2009</u>	<u>Total Change</u>
Land/Right of Way/Improvements	4,820,894	4,530,251	290,643
Construction in Progress	70,892	48,090	22,802
Traffic and street lights	490,702	# 494,782	(4,080)
Buildings and Improvements	7,115,764	7,019,438	96,326
Equipment	2,532,538	1,786,739	745,799
Streets/Sidewalks/C & G/Storm	18,502,269	17,202,085	1,300,184
<b>Capital Assets,</b>			
<b>Net of Depreciation</b>	<u><b>33,533,059</b></u>	<u><b>31,081,385</b></u>	<u><b>2,451,674</b></u>

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

The City had capital assets of \$33,533,059 in the governmental activities and \$32,267,412 in the business-like activities for a total of \$65,800,471 at the end of 2010. 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 50.96% and the business-type activities total 49.04%. The business-type activities represent the water utility with 36.7%,the wastewater utility having 53.9%, and the stormwater utility 9.4% of the capital assets.

**CITY OF WHITEWATER, WISCONSIN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For Year Ended December 31, 2010

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

<b>BUSINESS-TYPE ACTIVITIES</b>			
	2010	2009	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	12,467,646	12,035,980	431,666
General	417,653	405,919	11,734
Construction in Progress	482,449	-	482,449
Less: Accumulated Depreciation	<u>(4,798,323)</u>	<u>(4,440,533)</u>	<u>(357,790)</u>
<b>Net Assets-Water Utility Plant</b>	<b><u>11,854,384</u></b>	<b><u>11,286,325</u></b>	<b><u>568,059</u></b>
<b>Wastewater</b>			
Land and Land Rights	168,179	168,179	-
Collection System	11,940,362	11,701,927	238,435
Treatment and Disposal	19,882,345	19,862,044	20,301
General	790,018	787,871	2,147
Construction in Progress	4,410,179	409,065	4,001,114
Less: Accumulated Depreciation	<u>(19,796,012)</u>	<u>(18,930,199)</u>	<u>(865,813)</u>
<b>Net Assets-Wastewater Utility Plant</b>	<b><u>17,395,071</u></b>	<b><u>13,998,887</u></b>	<b><u>3,396,184</u></b>
<b>Stormwater</b>			
Capital Assets	3,143,069	2,264,713	878,356
Less: Accumulated Depreciation	<u>(125,112)</u>	<u>(99,371)</u>	<u>(25,741)</u>
<b>Net Assets-Stormwater Utility Plant</b>	<b><u>3,017,957</u></b>	<b><u>2,165,342</u></b>	<b><u>852,615</u></b>
<b>Total Utility's Capital Assets</b>	<b><u>32,267,412</u></b>	<b><u>27,450,554</u></b>	<b><u>4,816,858</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, 2010 was \$31,868,210. Total general obligation debt outstanding at year end was \$20,410,000, which represents 64.05% of the allowable debt limit.

	<b>Comparison of Outstanding Debt by Activity</b>					
	Governmental Activities		Business-type Activities		TOTAL	
	2010	2009	2010	2009	2010	2009
General Obligation						
Bonds and Notes	19,860,000	15,550,830	550,000	629,124	20,410,000	16,179,954
Revenue Bond/Notes	-	-	3,825,021	3,960,106	3,825,021	3,960,106
<b>Total Outstanding</b>	<b><u>19,860,000</u></b>	<b><u>15,550,830</u></b>	<b><u>4,375,021</u></b>	<b><u>4,589,230</u></b>	<b><u>24,235,021</u></b>	<b><u>20,140,060</u></b>

The total outstanding **general obligation debt** of \$20,410,000 is distributed:

City	1,125,000
LSP-CIP	1,750,000
TID	16,985,000
Utility(Water/Wastewater)	550,000

The City has approved the issuance of an Industrial Revenue Bond (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. The bonds are not reported as liabilities in the financial statements. The total amount of the IRB's outstanding balance at the end of the year was \$3,796,945, made up of three issues.

**CITY OF WHITEWATER, WISCONSIN**

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

For Year Ended December 31, 2010 and 2009

**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	1,470,000	90,000	1,560,000
Capital Leases	49,882	3,524	53,406
Revenue Bond	<u>-</u>	<u>548,431</u>	<u>548,431</u>
<b>Totals</b>	<u>1,519,882</u>	<u>641,955</u>	<u>2,161,837</u>

The City maintained the Moody's Investors Service rating of A1/Aa3, which was reconfirmed in 2010.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Budgets are adopted at the function level of expenditures. General Fund revenues and transfers were lower than the final budget by \$360,560. The difference of \$360,560 can be attributed to lower investment income than anticipated of \$28,168; Ordinance Violations lower by \$98,586; Parking Violations were by \$48,862; Ambulance & Crash Calls by \$22,670. Expenses, including transfers, were \$255,271 less than the adopted budget of \$9,318,019. Net change in fund balance for 2010 decreased by \$84,543.

**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 \$639 million, has grown steadily over the last fourteen years, increasing 179% in value (\$229 million - 1996). During 2010, taxable valuation has remained stable.

The 2011 General Fund-Operating Budget was balanced at \$9,264,199, a .06 percent decrease over the 2010 budget. Total general government property tax contribution increased \$103,884 to \$2,856,656. The \$103,884 increase is made up of \$58,592 increase in general property taxes, and a \$45,292 increase of the debt service levy. The City in 2011 was limited to new construction(1.665%) 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 2011, the monthly cost for one household is \$11.40. The distribution of this cost is \$9.05 for Solid Waste and \$2.35 for Recycling. This represents a 15% overall decrease. A revised five year contract was negotiated starting in 2011.

**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, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Primary Government</u>	<u>Component Unit</u>
<b>ASSETS</b>				
Cash and Equivalents	\$ 4,495,765	\$ 2,282,986	\$ 6,778,751	\$ 1,858,736
Receivables				
Taxes	4,546,278	-	4,546,278	-
Special Assessment	62,174	2,852	65,026	-
Accounts	124,526	896,605	1,021,131	-
Other	382,982	6,039	389,021	-
Due from Other Governmental Agencies	3,907,297	-	3,907,297	-
Loans	-	-	-	772,364
Internal Balances	(11,172)	11,172	-	-
Due From Agency Fund	185,132	-	185,132	-
Due From Component Unit	66	-	66	-
Due From City	-	-	-	750,129
Inventories	-	10,407	10,407	-
Other Assets	83,648	46,467	130,115	-
Property Held for Resale	30,299	-	30,299	-
Capital Assets				
Land, Improvements, and Construction in Progress	11,172,402	5,067,534	16,239,936	5,691,630
Other Capital Assets, net of depreciation	22,360,657	27,199,878	49,560,535	1,397
Total Capital Assets	<u>33,533,059</u>	<u>32,267,412</u>	<u>65,800,471</u>	<u>5,693,027</u>
Total Assets	<u>\$ 47,340,054</u>	<u>\$ 35,523,940</u>	<u>\$ 82,863,994</u>	<u>\$ 9,074,256</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 1,495,048	\$ 953,066	\$ 2,448,114	\$ 5,189
Due to City	-	-	-	66
Due to Component Unit	750,129	-	750,129	-
Accrued Interest	164,046	19,318	183,364	-
Deferred Revenues	4,921,170	-	4,921,170	-
Long-Term Liabilities				
Due within one year				
Bonds and Notes payable	1,519,882	641,955	2,161,837	-
Compensated absences	319,628	69,851	389,479	-
Due in more than one year				
Bonds and Notes payable	18,773,252	3,763,672	22,536,924	-
Compensated Absences	146,569	125,648	272,217	-
Total Liabilities	<u>28,089,724</u>	<u>5,573,510</u>	<u>33,663,234</u>	<u>5,255</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, net of related debt	13,239,925	28,052,752	41,292,677	5,693,027
Restricted for:				
CDA Programs	-	-	-	3,358,007
Debt Service	306,809	252,066	558,875	-
Capital	941,684	1,328,895	2,270,579	-
Special Revenue Activity	822,191	-	822,191	-
Unrestricted	3,939,721	316,717	4,256,438	17,967
Total Net Assets	<u>19,250,330</u>	<u>29,950,430</u>	<u>49,200,760</u>	<u>9,069,001</u>
Total Liabilities and Net Assets	<u>\$ 47,340,054</u>	<u>\$ 35,523,940</u>	<u>\$ 82,863,994</u>	<u>\$ 9,074,256</u>

See accompanying notes to the basic financial statements

**City of Whitewater  
Whitewater, WI**

**Statement of Activities  
For the Year Ended December 31, 2010**

<b>Functions/Programs</b>	<b>Program Revenue</b>				<b>Net (Expense) Revenue and Changes in Net Assets</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government</b>			<b>Component Unit</b>
					<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Primary Government</b>	
<b>Primary government</b>								
Governmental Activities								
General Government	\$ 1,755,843	\$ 238,881	\$ 33,886	\$ -	\$ (1,483,076)		\$ (1,483,076)	
Public Safety	4,103,040	849,822	110,474	225,000	(2,917,744)		(2,917,744)	
Public Works	2,545,773	3,065	746,603	52,048	(1,744,057)		(1,744,057)	
Culture and Recreation	1,378,035	204,393	261,831	719	(911,092)		(911,092)	
Conservation and Development	413,655	98	137,995	3,589,831	3,314,269		3,314,269	
Interest on Long-term debt	712,430	-	-	-	(712,430)		(712,430)	
Capital Outlay	94,414	-	-	-	(94,414)		(94,414)	
Total governmental activities	<u>11,003,190</u>	<u>1,296,259</u>	<u>1,290,789</u>	<u>3,867,598</u>	<u>(4,548,544)</u>		<u>(4,548,544)</u>	
Business-type activities								
Water	1,374,175	1,413,226	4,183	2,648	-	45,882	45,882	
Wastewater	2,223,333	1,923,194	12,783	2,384,103	-	2,096,747	2,096,747	
Storm Sewer	314,072	289,226	10,000	-	-	(14,846)	(14,846)	
Total business-type activities	<u>3,911,580</u>	<u>3,625,646</u>	<u>26,966</u>	<u>2,386,751</u>	<u>-</u>	<u>2,127,783</u>	<u>2,127,783</u>	
Total primary government	<u>14,914,770</u>	<u>4,921,905</u>	<u>1,317,755</u>	<u>6,254,349</u>	<u>(4,548,544)</u>	<u>2,127,783</u>	<u>(2,420,761)</u>	
<b>Component Unit</b>								
Community Development Authority	128,800	18,620	5,482	-				(104,698)
Total component units	<u>\$ 128,800</u>	<u>\$ 18,620</u>	<u>\$ 5,482</u>	<u>\$ -</u>				<u>\$ (104,698)</u>
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purposes					3,873,919	-	3,873,919	-
Property taxes, levied for debt service					409,106	-	409,106	-
Other taxes					74,456	-	74,456	-
Grants and contributions not restricted to specific programs					3,884,290	-	3,884,290	-
Unrestricted investment earnings					58,327	32,919	91,246	53,116
Public gifts and grants					30,554	-	30,554	-
Miscellaneous					176,710	-	176,710	363
Transfer to CDA					(5,348,746)	-	(5,348,746)	5,348,746
Transfers					(1,136,895)	1,136,895	-	-
Total general revenues and transfers					<u>2,021,721</u>	<u>1,169,814</u>	<u>3,191,535</u>	<u>5,402,225</u>
Change in net assets					<u>(2,526,823)</u>	<u>3,297,597</u>	<u>770,774</u>	<u>5,297,527</u>
Net assets - beginning					21,777,153	26,652,833	48,429,986	3,771,474
Net assets - ending					<u>\$ 19,250,330</u>	<u>\$ 29,950,430</u>	<u>\$ 49,200,760</u>	<u>\$ 9,069,001</u>

See accompanying notes to the basic financial statements

**City of Whitewater  
Whitewater, WI**

**Balance Sheet  
Governmental Funds  
December 31, 2010**

	<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	\$ 1,857,750	\$ 286,509	\$ -	\$ 2,351,506	\$ 4,495,765
Receivables:					
Taxes	2,856,656	-	1,647,917	21,525	4,526,098
Delinquent Personal Property Taxes	20,180	-	-	-	20,180
Special Assessments	62,174	-	-	-	62,174
Accounts	124,526	-	-	-	124,526
Other	148,562	-	206,040	28,446	383,048
Due from Other Governments	18,224	-	3,575,831	313,242	3,907,297
Due from Other Funds	495,266	20,300	-	82,985	598,551
Prepaid Expenses	66,509	-	-	-	66,509
Total Assets	<u>\$ 5,649,847</u>	<u>\$ 306,809</u>	<u>\$ 5,429,788</u>	<u>\$ 2,797,704</u>	<u>\$ 14,184,148</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 111,290	\$ -	\$ 986,735	\$ 80,284	\$ 1,178,309
Accrued Liabilities	313,623	-	-	3,117	316,740
Due to Other Funds	64,008	-	296,229	64,353	424,590
Deferred Revenue	2,917,190	-	2,455,140	31,226	5,403,556
Deferred Special Assesments	60,514	-	-	-	60,514
Advance Payable to CDA	129	-	750,000	-	750,129
Total Liabilities	<u>3,466,754</u>	<u>-</u>	<u>4,488,104</u>	<u>178,980</u>	<u>8,133,838</u>
Fund Balance:					
Reserved	86,689	306,809	941,684	889,478	2,224,660
Designated	186,240	-	-	-	186,240
Unreserved/Undesignated	1,910,164	-	-	1,729,246	3,639,410
Total Fund Balance	<u>2,183,093</u>	<u>306,809</u>	<u>941,684</u>	<u>2,618,724</u>	<u>6,050,310</u>
Total Liabilities and Fund Balance	<u>\$ 5,649,847</u>	<u>\$ 306,809</u>	<u>\$ 5,429,788</u>	<u>\$ 2,797,704</u>	<u>\$ 14,184,148</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, 2010**

Total fund balance, governmental funds		\$ 6,050,310
<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>		33,533,059
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>		542,900
<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	1,519,882	
Long-term debt non-current portion	18,773,252	
Unamortized discount on debt	(17,139)	
Compensated absences current portion	319,628	
Compensated absences long-term portion	146,569	
Accrued interest	164,046	(20,906,238)
Net Assets of Governmental Activities in the Statement of Net Assets		\$ 19,250,330

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, 2010**

	<u>General Fund</u>	<u>Debt Service</u>	<u>TIF 4</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Property Taxes	\$ 2,417,993	\$ 409,106	\$ 1,487,242	\$ 43,005	\$ 4,357,346
Other Taxes	-	-	74,389	-	74,389
Special Assessment Revenue	81,159	-	-	-	81,159
Intergovernmental	4,548,895	-	3,146,970	745,581	8,441,446
License and Permits	95,354	-	-	37,000	132,354
Fines, Forfeits and Penalties	405,004	-	-	17,183	422,187
Public Charges for Services	661,060	-	-	144,999	806,059
Intergovernmental Charges for Services	12,806	-	-	21,773	34,579
Interest Income	4,580	629	25,383	20,804	51,396
Miscellaneous Income	68,929	46,359	5,100	71,543	191,931
Total Revenues	<u>8,295,780</u>	<u>456,094</u>	<u>4,739,084</u>	<u>1,101,888</u>	<u>14,592,846</u>
<b>EXPENDITURES</b>					
Current:					
General Government	1,597,138	-	-	299,706	1,896,844
Public Safety	3,834,954	-	-	989,428	4,824,382
Public Works	999,651	-	-	530,763	1,530,414
Culture, Recreation and Education	1,128,761	-	-	493,355	1,622,116
Conservation and Development	206,502	-	7,073,214	51,482	7,331,198
Capital Outlay	160,919	-	1,591,294	523,926	2,276,139
Debt Service					
Principal Repayment	-	7,590,830	-	-	7,590,830
Interest Expense	-	826,177	64,900	-	891,077
Total Expenditures	<u>7,927,925</u>	<u>8,417,007</u>	<u>8,729,408</u>	<u>2,888,660</u>	<u>27,963,000</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>367,855</u>	<u>(7,960,913)</u>	<u>(3,990,324)</u>	<u>(1,786,772)</u>	<u>(13,370,154)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Long-Term Debt	-	6,809,470	3,947,760	1,142,770	11,900,000
Premium on debt	-	70,793	-	-	70,793
Transfers In	273,718	1,326,417	-	1,559,262	3,159,397
Transfers Out	(726,116)	-	(1,326,417)	(862,744)	(2,915,277)
Total Other Financing Sources and Uses	<u>(452,398)</u>	<u>8,206,680</u>	<u>2,621,343</u>	<u>1,839,288</u>	<u>12,214,913</u>
Net Change in Fund Balances	(84,543)	245,767	(1,368,981)	52,516	(1,155,241)
Fund Balances - Beginning	2,267,636	61,042	2,310,665	2,566,208	7,205,551
Fund Balances- Ending	<u>\$ 2,183,093</u>	<u>\$ 306,809</u>	<u>\$ 941,684</u>	<u>\$ 2,618,724</u>	<u>\$ 6,050,310</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, 2010**

Net change in fund balances - total governmental funds: \$ (1,155,241)

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

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

This is the amount by which capital outlays \$3,360,966 exceeded depreciation \$909,292 in the current period. 2,451,674

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. (94,719)

This represents revenues which were recorded on the government-wide statements in the current year but will be accrued in the fund financial statements in subsequent years. 472,685

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

Proceed of general obligation debt	(11,900,000)	
Debt repayment - capital lease	43,719	
Debt repayment - general obligation	7,590,830	(4,265,451)

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	60,805
Adjustment for increase in compensated absences	(19,350)
Adjustment for amortization expense not reflected on Governmental Funds	(1,502)
Adjustment for debt issuance costs deferred and amortized on the government-wide statements.	24,276
Change in net assets of governmental activities	\$ (2,526,823)

See accompanying notes to the basic financial statements

**City of Whitewater  
Whitewater, WI**

**Statement of Net Assets  
Proprietary Funds  
December 31, 2010**

	<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	\$ 263,241	\$ 129,981	\$ 22,980	\$ 416,202
Receivables				
Accounts	307,769	518,500	70,336	896,605
Interest	4,480	1,559	-	6,039
Due from Other Funds	93,414	18,045	2,733	114,192
Inventories	10,407	-	-	10,407
Total Current Assets	679,311	668,085	96,049	1,443,445
Restricted:				
Restricted Cash	293,841	1,572,943	-	1,866,784
Total Restricted Assets	293,841	1,572,943	-	1,866,784
Capital Assets:				
Utility Plant	16,652,707	37,191,083	3,143,069	56,986,859
Less Accumulated Depreciation	(4,798,323)	(19,796,012)	(125,112)	(24,719,447)
Net Capital Assets	11,854,384	17,395,071	3,017,957	32,267,412
Noncurrent Assets				
Unamortized Debt Discount	25,536	20,931	-	46,467
Special Assessments	2,852	-	-	2,852
Total Noncurrent Assets	28,388	20,931	-	49,319
Total Assets	\$ 12,855,924	\$ 19,657,030	\$ 3,114,006	\$ 35,626,960

See accompanying notes to the basic financial statements

**City of Whitewater  
Whitewater, WI**

**Statement of Net Assets  
Proprietary Funds  
December 31, 2010**

	<b>Enterprise Funds</b>			
	<b>Water</b>	<b>Wastewater</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 494,105	\$ 432,274	\$ 5,071	\$ 931,450
Accrued Liabilities	7,950	13,663	-	21,613
Accrued Interest Payable	7,486	11,832	-	19,318
Due to Other Funds	3,491	77,855	21,677	103,023
Compensated Absences	24,936	35,844	9,071	69,851
Current Portion of Long-Term Debt:	290,710	351,245	-	641,955
Total Current Liabilities	828,678	922,713	35,819	1,787,210
Non-Current Liabilities:				
Long-Term Debt				
Capital Lease Obligation	-	27,082	-	27,082
Notes Payable	310,296	149,704	-	460,000
Bonds and Loans Payable	985,000	2,291,590	-	3,276,590
Total Long-Term Debt	1,295,296	2,468,376	-	3,763,672
Other Liabilities				
Compensated Absences	53,116	52,793	19,739	125,648
Total Other Liabilities	53,116	52,793	19,739	125,648
Total Non-Current Liabilities	1,348,412	2,521,169	19,739	3,889,320
Total Liabilities	2,177,090	3,443,882	55,558	5,676,530
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	10,315,414	14,719,381	3,017,957	28,052,752
Restricted Assets	142,849	1,438,112	-	1,580,961
Unrestricted	220,571	55,655	40,491	316,717
Total Net Assets	10,678,834	16,213,148	3,058,448	29,950,430
Total Liabilities and Net Assets	\$ 12,855,924	\$ 19,657,030	\$ 3,114,006	\$ 35,626,960

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, 2010**

	<b>Enterprise Funds</b>			
	<b>Water</b>	<b>Wastewater</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 1,413,226	\$ 1,922,048	\$ 289,226	\$ 3,624,500
Total Operating Revenues	<u>1,413,226</u>	<u>1,922,048</u>	<u>289,226</u>	<u>3,624,500</u>
<b>OPERATING EXPENSES</b>				
Operation and Maintenance	907,979	1,230,020	277,569	2,415,568
Depreciation	352,565	878,440	36,503	1,267,508
Total Operating Expenses	<u>1,260,544</u>	<u>2,108,460</u>	<u>314,072</u>	<u>3,683,076</u>
Operating Income (Loss)	<u>152,682</u>	<u>(186,412)</u>	<u>(24,846)</u>	<u>(58,576)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and Investment Revenue	14,336	18,446	137	32,919
Grants and Contributions	4,183	8,576	10,000	22,759
Miscellaneous Revenues	-	-	4,208	4,208
Interest Expense	(77,628)	(86,291)	-	(163,919)
Amortization Expense	(36,002)	(28,582)	-	(64,584)
Total Non-Operating Revenue (Expenses)	<u>(95,111)</u>	<u>(87,851)</u>	<u>14,345</u>	<u>(168,617)</u>
Income (Loss) Before Contributions and Transfers	<u>57,571</u>	<u>(274,263)</u>	<u>(10,501)</u>	<u>(227,193)</u>
Capital Contributions	2,648	18,240	-	20,888
Capital Grants	-	2,367,008	-	2,367,008
Capital Contributions transferred in from City	317,471	174,424	889,117	1,381,012
Transfers Out	(225,118)	-	(19,000)	(244,118)
Change in Net Assets	<u>152,572</u>	<u>2,285,409</u>	<u>859,616</u>	<u>3,297,597</u>
Total Net Assets - Beginning	<u>10,526,262</u>	<u>13,927,739</u>	<u>2,198,832</u>	<u>26,652,833</u>
Total Net Assets - Ending	<u>\$ 10,678,834</u>	<u>\$ 16,213,148</u>	<u>\$ 3,058,448</u>	<u>\$ 29,950,430</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, 2010**

	Water	Wastewater	Stormwater	Totals 2009
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers	\$ 1,434,541	\$ 1,877,640	\$ 292,192	\$ 3,604,373
Payments to suppliers	(509,631)	(504,964)	(99,618)	(1,114,213)
Payments to employees	(451,270)	(748,643)	(199,692)	(1,399,605)
Taxes paid	(225,118)	-	-	(225,118)
Net cash provided (used) by operating activities	<u>248,522</u>	<u>624,033</u>	<u>(7,118)</u>	<u>865,437</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	(127,881)	(3,673,063)	-	(3,800,944)
Proceeds of debt	1,643,343	2,170,766	-	3,814,109
Principal payments on long-term debt	(2,146,707)	(1,884,701)	-	(4,031,408)
Interest paid	(99,634)	(95,953)	-	(195,587)
Capital contributions	-	2,485,743	-	2,485,743
Net cash used for capital and related financing activities	<u>(730,404)</u>	<u>(997,208)</u>	<u>-</u>	<u>(1,727,612)</u>
<u>Cash Flows From Investing Activities:</u>				
Interest on investments	12,931	31,435	137	44,503
Purchase of non-cash equivalents	(100,000)	(600,953)	-	(700,953)
Sale of non-cash equivalents	328,349	865,007	-	1,193,356
Net cash provided from (used by) investing activities	<u>241,280</u>	<u>295,489</u>	<u>137</u>	<u>536,906</u>
Net increase (decrease) in cash and equivalents	(240,602)	77,314	(6,981)	(170,269)
Cash and equivalents - beginning of year	<u>697,684</u>	<u>1,024,657</u>	<u>29,961</u>	<u>1,752,302</u>
Cash and equivalents - end of year	<u>\$ 457,082</u>	<u>\$ 1,101,971</u>	<u>\$ 22,980</u>	<u>\$ 1,582,033</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, 2010**

	Water	Wastewater	Stormwater	Totals 2010
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income	\$ 152,682	\$ (186,412)	\$ (24,846)	\$ (58,576)
Adjustments to Reconcile Operating Income:				
Joint meter	9,825	(9,825)	-	-
Cash Provided (Used) by Operating Activities:				
Depreciation	352,565	878,440	36,503	1,267,508
Transfer out	(225,118)	-	(19,000)	(244,118)
Changes in Assets and Liabilities:				
Customer accounts receivable	21,315	(44,408)	2,966	(20,127)
Due from/to other governmental units	-	-	(98,307)	(98,307)
Due from/to other funds	(47,229)	11,818	(15,923)	(51,334)
Material & supplies	763	-	-	763
Other assets	4,183	8,575	10,000	22,758
Accounts payable	(2,203)	(20,261)	(2,513)	(24,977)
Accrued liabilities	7,275	7,037	1,487	15,799
Net cash provided (used) by operating activities	\$ 248,522	\$ 624,033	\$ (7,118)	\$ 865,437
 <u>Noncash Activity</u>				
Contributions for plant	\$ 320,119	\$ 417,312	\$ 889,117	\$ 1,626,548
Net noncash activity	\$ 320,119	\$ 417,312	\$ 889,117	\$ 1,626,548
 <b>Reconciliation of cash and cash equivalents to statement of net assets accounts</b>				
Cash and cash equivalents	\$ 263,241	\$ 129,981	\$ 22,980	\$ 416,202
Restricted Cash	293,841	1,572,943	-	1,866,784
Total cash and investments	557,082	1,702,924	22,980	2,282,986
Less: Noncash equivalents	(100,000)	(600,953)	-	(700,953)
Cash and Cash Equivalents	\$ 457,082	\$ 1,101,971	\$ 22,980	\$ 1,582,033

See accompanying notes to the financial statements

**City of Whitewater  
Whitewater, WI**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
December 31, 2010**

	<u>Tax Agency</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 4,292,544
Receivables:	
Taxes Receivable	4,861,342
Other Receivables	200,598
Total Assets	<u>\$ 9,354,484</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 267
Due to Other Funds	185,132
Due to Other Governments	9,169,085
Total liabilities	<u>\$ 9,354,484</u>

See accompanying notes to the basic financial statements

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

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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 2010. The authority does not issue separate financial statements.

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

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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, 2010**

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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 are accounted for in capital projects funds along with capital outlay projects for which the City borrowed money.

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

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

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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	Parkland Development

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

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

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

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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, 2010**

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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, 2010**

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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, 2010**

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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, 2010, 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 – 2010 tax roll

Lien date and levy date	December, 2010
Tax Bills mailed	December, 2010
Payment in full, or	January 31, 2011
First installment due	January 31, 2011
Second installment due	July 31, 2011
Personal property taxes in full	January 31, 2011
Tax sale – 2010 delinquent real estate taxes	October, 2013

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

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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, 2010**

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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 2010.

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, 2010**

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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, 2010 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, 2010**

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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 \$3,796,945.

**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, 2010**

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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 and sewer rates are being reviewed by the City. Current wastewater rates were approved by the city council on December 1, 2010. 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, 2010**

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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, 2010, the following individual fund held a deficit balance:

<b>Fund</b>	<b>Amount</b>	<b>Reason</b>
TID 7	\$(63)	Project costs in excess of revenues

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

**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, 2010**

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**2. Cash and Investments**

As previously discussed, cash for all City funds is pooled for investment purposes. At December 31, 2010, the cash and investments consist of the following:

	Carrying Value	Bank Balance	Associated Risk
Deposits in financial institutions - City	\$ 7,984,538	\$ 8,436,131	Custodial credit risk, interest rate risk
Deposits in financial institutions - CDA	1,835,401	1,836,356	Custodial credit risk, interest rate risk
LGIP	559,425	559,425	Credit risk, interest rate risk
CLASS	2,550,667	2,550,667	Credit risk, interest rate risk
Total Cash and Investments	\$ 12,930,031	\$ 13,382,579	
Reconciliation to financial statements			
Per statement of net assets			
Primary government	\$ 6,778,751		
Component unit	1,858,736		
Per statement of net assets -			
Fiduciary Funds			
Agency	4,292,544		
Total Cash and Investments	\$ 12,930,031		

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 .25%) NOW accounts. The City has deposits of \$4,052,943 that are covered by this program. The program runs through December 31, 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, 2010**

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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.

The City's deposits in financial institutions are collateralized by various instruments. One institution has \$2,675,000 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 \$559,429 invested in the Local Government Investment Pool (LGIP) which has a weighted average maturity of 80 days. The city also has \$2,550,667 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	\$ 1,211,378
Total of CDs CDA	892,759
	<u>\$ 2,104,137</u>
maturing by 6/30/11	\$ 1,568,160
maturing by 12/31/11	535,977
	<u>\$ 2,104,137</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, 2010**

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

of December 31, 2010, 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, 2010, 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>\$ 2,739,626</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, 2010**

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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	\$ 20,180
Special assessments	<u>62,174</u>
Total	<u><u>\$ 82,354</u></u>

Receivables of the city are reported net of uncollectible amounts. The following is the allowance for uncollectible receivables that is reported as of 12/31/10.

Delinquent personal property taxes	\$ 7,000
Uncollectible related to ambulance receivable	<u>214,238</u>
Total	<u><u>\$ 221,238</u></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	\$ -	\$ 4,526,096	\$ 4,526,096
Special assessments not yet due	60,514	-	60,514
Developer agreement PILOT payments	334,540	-	334,540
Taxi-cab grant	9,701	-	9,701
Other items	60,534	-	60,534
EDA grant	<u>472,685</u>	<u>-</u>	<u>472,685</u>
Total Deferred/Unearned Revenue			
For Governmental Funds	<u><u>\$ 937,974</u></u>	<u><u>\$ 4,526,096</u></u>	<u><u>\$ 5,464,070</u></u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

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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, 2010:

	Water Utility	Wastewater Utility	Totals
Restricted Assets			
Redemption account	\$ 78,420	\$ 214,970	\$ 293,390
Depreciation account	-	25,000	25,000
Reserve account	121,500	123,000	244,500
Construction account	93,921	-	93,921
Connection account	-	284,736	284,736
DNR Replacement account	-	925,237	925,237
	\$ 293,841	\$ 1,572,943	\$ 1,866,784

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

**5. Capital Assets**

Capital asset activity in the governmental activities for the year ended December 31, 2010 was as follows:

	1/1/2010 Beginning Balance	Additions	Deletions	12/31/2010 Ending Balance
<b>Governmental Activities</b>				
<b>Capital Assets Not Being Depreciated</b>				
Construction in Progress	\$ 48,090	\$ 22,802	\$ -	\$ 70,892
Infrastructure in Progress	-	1,482,386	-	1,482,386
Land	2,649,591	298,200	-	2,947,791
Right of way	1,830,165	-	-	1,830,165
Land improvements	4,841,168	-	-	4,841,168
<b>Total Capital Assets</b>	<u>9,369,014</u>	<u>1,803,388</u>	<u>-</u>	<u>11,172,402</u>
Not Being Depreciated				
<b>Capital Assets Being Depreciated</b>				
Land Improvements	338,427	-	-	338,427
Buildings	9,977,351	296,160	-	10,273,511
Traffic and Street Lights	639,013	7,000	-	646,013
Machinery and Equipment	6,265,035	1,053,805	-	7,318,840
Streets	16,613,157	89,875	-	16,703,032
Sidewalks	789,401	95,588	-	884,989
Curb and Gutter	548,049	15,150	-	563,199
<b>Total Capital Assets</b>	<u>35,170,433</u>	<u>1,557,578</u>	<u>-</u>	<u>36,728,011</u>
Being Depreciated				
<b>Accumulated Depreciation</b>				
Land improvements	287,933	7,557	-	295,490
Buildings	2,957,913	199,833	-	3,157,746
Traffic and street lights	144,231	11,080	-	155,311
Machinery and equipment	4,478,296	308,007	-	4,786,303
Streets	5,484,194	350,667	-	5,834,861
Sidewalks	69,836	18,321	-	88,157
Curb and gutter	35,659	13,827	-	49,486
<b>Total Accumulated Depreciation</b>	<u>13,458,062</u>	<u>909,292</u>	<u>-</u>	<u>14,367,354</u>
<b>Capital Assets,</b>				
<b>Net of Depreciation</b>	<u>\$ 31,081,385</u>	<u>\$ 2,451,674</u>	<u>\$ -</u>	<u>\$ 33,533,059</u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

**5. Capital Assets (Continued)**

Depreciation expense for the governmental activities is as follows:

Government Activities		
General Government	\$	120,875
Public Safety		153,391
Public Works, which includes the depreciation of streets (including curb and gutter) and sidewalks		527,531
Culture, Recreation and Education		<u>107,495</u>
Total Governmental Activities Depreciation Expense	\$	<u><u>909,292</u></u>

Capital asset activity in the business type activities for the year ended December 31, 2010 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				
Construction in progress	\$ -	\$ 482,449	\$ -	\$ 482,449
Land and land rights	<u>6,727</u>	<u>-</u>	<u>-</u>	<u>6,727</u>
Total Capital Assets Not Being Depreciated	<u>6,727</u>	<u>482,449</u>	<u>-</u>	<u>489,176</u>
Capital Assets Being Depreciated				
Source of supply	633,562	-	-	633,562
Pumping	1,185,927	-	-	1,185,927
Water treatment	1,458,742	-	-	1,458,742
Transmission and distribution	12,035,980	436,267	4,600	12,467,647
Administrative and general assets	<u>405,919</u>	<u>11,734</u>	<u>-</u>	<u>417,653</u>
Total Capital Assets Being Depreciated	<u>15,720,130</u>	<u>448,001</u>	<u>4,600</u>	<u>16,163,531</u>
Total Capital Assets	<u>15,726,857</u>	<u>930,450</u>	<u>4,600</u>	<u>16,652,707</u>
Less: Accumulated depreciation	<u>4,440,533</u>	<u>362,390</u>	<u>4,600</u>	<u>4,798,323</u>
Net Capital Assets	<u><u>\$ 11,286,324</u></u>	<u><u>\$ 568,060</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,854,384</u></u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

**5. Capital Assets (Continued)**

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Wastewater</u>				
Capital Assets Not Being Depreciated				
Construction in progress	\$ 409,065	\$ 4,001,114	\$ -	\$ 4,410,179
Land and land rights	168,179	-	-	168,179
Total Capital Assets Not Being Depreciated	<u>577,244</u>	<u>4,001,114</u>	<u>-</u>	<u>4,578,358</u>
Capital Assets Being Depreciated				
Collection system	11,701,926	235,436	2,802	11,934,560
Treatment and disposal	19,862,044	26,103	-	19,888,147
General	787,871	2,147	-	790,018
Total Capital Assets Being Depreciated	<u>32,351,841</u>	<u>263,686</u>	<u>2,802</u>	<u>32,612,725</u>
Total Capital Assets	32,929,085	4,264,800	2,802	37,191,083
Less: Accumulated depreciation	<u>18,930,199</u>	<u>868,615</u>	<u>2,802</u>	<u>19,796,012</u>
Net Capital Assets	<u>\$ 13,998,886</u>	<u>\$ 3,396,185</u>	<u>\$ -</u>	<u>\$ 17,395,071</u>

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Stormwater</u>				
Capital Assets Being Depreciated				
Infrastructure	\$ 2,264,713	\$ 889,118	\$ 10,761	\$ 3,143,070
Less: Accumulated depreciation	<u>99,371</u>	<u>36,503</u>	<u>10,761</u>	<u>125,113</u>
Net Capital Assets	<u>\$ 2,165,342</u>	<u>\$ 852,615</u>	<u>\$ -</u>	<u>\$ 3,017,957</u>

Listed below is the depreciation expense for the utilities.

<b>Business Type Activities</b>	
Water Utility	\$ 362,390
Sewer Utility	878,440
Stormwater Utility	36,503
Total Business-Type Activities Depreciation Expense	<u>\$ 1,277,333</u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

**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	Sick Leave Fund	\$ 3,215
General Fund	Solid Waste Fund	41,388
General Fund	Cable TV	4
General Fund	Capital Project	9,990
General Fund	TID #4	235,149
General Fund	Wastewater Utility	7,220
General Fund	Water Utility	3,491
General Fund	Stormwater	2,677
General Fund	Depot Restoration	7,000
General Fund	Tax Collection Fund	185,132
Subtotal - General Fund		<u>495,266</u>
DPW Equipment Revolving Fund	Stormwater	19,000
Library Special Revenue Fund	Sick Leave Fund	2,755
Solid Waste/Recycling Fund	General Fund	150
Rescue Squad Equipment Fund	TID #4	14,760
Debt Service Fund	General Fund	20,300
Other Capital Projects	TID #4	46,320
Subtotal - Other Funds		<u>103,285</u>
Water Utility	General Fund	22,780
Water Utility	Wastewater Fund	70,634
Wastewater Utility	General Fund	18,045
Stormwater	General Fund	2,733
Subtotal - Proprietary Funds		<u>114,192</u>
Subtotal - Fund Financial Statements		712,743
Less: Fund Eliminations		<u>(701,571)</u>
Total - Government - Wide Statements		<u>\$ 11,172</u>
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activity	Business-type Activity	\$ (11,172)
Business-type Activity	Governmental Activity	11,172
Total		<u>\$ -</u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

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

The following is a schedule of interfund advances:

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

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
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**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	Cable TV Fund	20,000	Administrative
General Fund	Parking Maintenance	22,000	Administrative
General Fund	Forestry Fund	5,000	Operations
General Fund	Water Utility	225,118	Tax equivalent
General Fund	Other Capital Projects	1,600	Operations
Debt Service Fund	TID No. 4	1,326,417	Debt service payment
Other Capital Projects	General Fund	145,179	Appropriation
Other Capital Projects	Parkland Development	120,250	Park capital expenses
Other Capital Projects	Other Capital Projects	182,514	Fund future construction
Police Vehicle Revolving	General Fund	26,353	Capital equipment
Fire Equipment	General Fund	101,000	Capital equipment
Fire Equipment	Other Capital Projects	509,072	Capital equipment
DPW Equipment	General Fund	50,000	Capital equipment
DPW Equipment	Storm-water	19,000	Capital equipment
Solid Waste/Recycling	General Fund	200,000	Annual contribution
Taxi Cab Grant Program	General Fund	10,894	City portion
Sick Leave Severance	General Fund	10,000	Cover future expenditures
Street repair	General Fund	185,000	Appropriation
Water Utility	General Fund	317,471	Capital Contributions
Wastewater Utility	General Fund	174,424	Capital Contributions
Stormwater Utility	General Fund	889,117	Capital Contributions
		<u>4,540,409</u>	
		<u>(3,403,514)</u>	
		<u>\$ 1,136,895</u>	

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

**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, 2010.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable					
General Obligation Debt	\$ 15,550,830	\$ 11,900,000	\$ 7,590,830	\$ 19,860,000	\$ 1,470,000
Sub-Total	<u>15,550,830</u>	<u>11,900,000</u>	<u>7,590,830</u>	<u>19,860,000</u>	<u>1,470,000</u>
Other Liabilities					
Vested Compensated Absences	446,847	19,350	-	466,197	319,628
Capital Leases	476,853	-	43,719	433,134	49,882
Total Other Liabilities	<u>923,700</u>	<u>19,350</u>	<u>43,719</u>	<u>899,331</u>	<u>369,510</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 16,474,530</u>	<u>\$ 11,919,350</u>	<u>\$ 7,634,549</u>	<u>\$ 20,759,331</u>	<u>\$ 1,839,510</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable					
Revenue Bonds	\$ 3,960,106	\$ 3,179,109	\$ 3,314,194	\$ 3,825,021	\$ 548,431
General obligation debt	629,124	635,000	714,124	550,000	90,000
Capital Lease	33,696	-	3,090	30,606	3,524
Total Long-Term Debt	<u>4,622,926</u>	<u>3,814,109</u>	<u>4,031,408</u>	<u>4,405,627</u>	<u>641,955</u>
Refundings - Gains/(Losses)	<u>(18,638)</u>	<u>-</u>	<u>(18,638)</u>	<u>-</u>	<u>-</u>
Sub-Total	<u>\$ 4,604,288</u>	<u>\$ 3,814,109</u>	<u>\$ 4,012,770</u>	<u>\$ 4,405,627</u>	<u>\$ 641,955</u>
Other Liabilities					
Vested Compensated Absences	177,776	17,723	-	195,499	69,851
Total Other Liabilities	<u>177,776</u>	<u>17,723</u>	<u>-</u>	<u>195,499</u>	<u>69,851</u>
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 4,782,064</u>	<u>\$ 3,831,832</u>	<u>\$ 4,012,770</u>	<u>\$ 4,601,126</u>	<u>\$ 711,806</u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

**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, 2010 is \$31,868,210. Debt subject to the limit is \$20,410,000. The following table outlines the governmental debt.

	<u>Date Of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/10</u>	<u>Current Portion</u>
Governmental Activities						
2005 GO						
Promissory Note	10/15/2005	9/1/2015	3.1-3.6	\$ 3,300,000	\$ 2,300,000	\$ 425,000
2008 GO						
Refunding Bond	1/7/2008	9/1/2017	3.956	\$ 5,000,000	5,000,000	450,000
2009 GO Refunding	9/3/2009	12/1/2016	2.3-3.0	\$ 1,005,000	895,000	160,000
2010 GO Refunding						
Bonds	2/9/2010	12/1/2017	1.2-2.7	\$ 1,695,000	1,265,000	220,000
2010 Taxable GO						
Bonds	2/9/2010	12/1/2029	2.8-6.05	\$ 3,290,000	3,290,000	-
2010 GO Refunding						
Bonds	9/1/2010	9/1/2020	2.3-3.0	\$ 5,000,000	5,000,000	185,000
2010 Taxable GO						
Bonds	10/12/2010	9/1/2027	.75-5.0	\$ 2,110,000	2,110,000	30,000
Total Governmental Activities -- General Obligation Debt					<u>\$19,860,000</u>	<u>\$ 1,470,000</u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

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

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,470,000	\$ 668,612
2012	1,535,000	636,410
2013	1,805,000	592,292
2014	1,975,000	537,645
2015	2,025,000	475,151
2016-2020	7,525,000	1,479,349
2021-2025	2,230,000	708,451
2026-2029	1,295,000	174,094
Totals	\$ 19,860,000	\$ 5,272,004

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

**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 12/31/10</u>	<u>Current Portion</u>
<u>Water Utility</u>						
2010 Mortgage Revenue Bonds	9/7/2010	10/1/2015	2.00%	\$ 1,215,000	\$ 1,215,000	\$ 230,000
2010 GO Promissory Notes	2/9/2010	12/1/2016	1.2-2.7%	\$ 428,343	371,006	60,710
			Total Water Utility		<u>\$ 1,586,006</u>	<u>\$ 290,710</u>
<u>Wastewater Utility</u>						
1996 Clean Water fund loan	7/24/1996	5/1/2016	3.08%	\$ 1,563,900	\$ 595,912	\$ 91,942
2009 Clean Water Fund Loan	12/9/2009	5/1/2029	2.91%	\$ 50,000	784,109	31,489
2010 Mortgage Revenue Bonds	2/9/2010	5/1/2016	2.0-3.25%	\$ 1,230,000	1,230,000	195,000
2010 GO Promissory Notes	2/9/2010	12/1/2016	1.2-2.7%	\$ 206,657	178,994	29,290
			Total Wastewater Utility		<u>2,789,015</u>	<u>347,721</u>
			Total Business-type Activities Debt (excluding capital lease)		<u>\$ 4,375,021</u>	<u>\$ 638,431</u>

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

<u>Years</u>	<u>Business-type Activities Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 638,431	\$ 103,254
2012	652,179	89,458
2013	661,041	75,527
2014	685,020	60,442
2015	699,121	83,903
2016-2020	614,614	83,903
2021-2025	222,318	45,978
2026-2029	202,297	11,985
Total	<u>\$ 4,375,021</u>	<u>\$ 554,450</u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

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**7. Long-Term Obligations (Continued)**

**C. Refinancing of Debt**

**Sewer**

On February 9, 2010 the City issued \$1,230,000 sewer system mortgage revenue bonds. These bonds have an interest rate of 2.0% – 3.25% and mature annually through 2016. The proceeds and existing reserves were used to refinance \$1,370,000 of existing sewer revenue bonds dated May 1, 2000. This was a current refunding.

As a result of the current refunding, the City reduced its future debt service payments by \$127,200 which resulted in an economic gain (difference in the present value of old and new debt) of \$95,390.

**Water**

On September 7, 2010 the City issued \$1,215,000 water system mortgage revenue bonds. These bonds have an interest rate of 2.0% and mature annually through 2015. The proceeds and existing reserves were used to refinance \$1,420,000 of existing water revenue bonds dated September 15, 2000. This was a current refunding.

As a result of the current refunding, the City reduced its future debt service payments by \$148,625 which resulted in an economic gain (difference in the present value of old and new debt) of \$127,064.

**General Obligation Debt**

On September 7, 2010 the City issued \$5,000,000 general obligation refunding bonds. These bonds have an interest rate of 1.75 to 3.0% and mature annually through 2020. The proceeds and existing reserves were used to refinance the remaining portion of three general obligation issues dated January 1, 1999, February 1, 2001 and April 1, 2001. This was a current refunding

As a result of the current refunding, the City increased its total debt service payments by \$85,710. However this resulted in an economic gain (difference in the present value of old and new debt) of \$339,366.

**D. 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, 2010**

**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 in the governmental activities. The repayment schedule for the capital lease is as follows:

Year	General		Wastewater		Total
	Principal	Interest	Principal	Interest	
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	80,697	6,641	5,703	469	93,510
2016-17	110,015	3,798	7,773	269	121,855
Total	<u>\$ 433,134</u>	<u>\$ 62,785</u>	<u>\$ 30,606</u>	<u>\$ 4,436</u>	<u>\$ 530,961</u>

**8. Net Assets/Fund Balances**

Governmental Activities

Net assets reported on the government wide statement of net assets at December 31, 2010 include the following:

Capital Assets net of depreciation	\$ 33,533,059
Less: long-term debt outstanding	(20,293,134)
Total Invested in Capital Assets	<u>13,239,925</u>
Restricted	
Subdividers park fees	12,935
Rescue Squad Equipment	286,924
Rock River Stormwater Group	26,927
Taxicab	41,880
Library	453,525
TIF 4 projects	941,684
Debt service	306,809
Total Restricted	<u>2,070,684</u>
Unrestricted (deficit)	3,939,721
Total Governmental Activities Net Assets	<u>\$ 19,250,330</u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

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

Reserved and designated fund balances as of December 31, 2010 include the items in the following table.

**Major Funds**

<b><u>General Fund</u></b>	<u>Reserved</u>	<u>Designated</u>	<u>Undesignated (Deficit)</u>
Delinquent personal property tax	\$ 20,180	\$ -	\$ -
Prepaid expenses	66,509	-	-
Safety award	-	975	-
Crime prevention	-	5,201	-
2011 fund balance applied	-	75,000	-
27th Payroll	-	105,064	-
Undesignated	-	-	1,910,164
Total General Fund	<u>\$ 86,689</u>	<u>\$ 186,240</u>	<u>\$ 1,910,164</u>

**Debt Service Fund**

Reserved for debt payments	<u>\$ 306,809</u>
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**TID 4 Capital Projects Fund**

Reserved for TIF expenditures	<u>\$ 941,684</u>
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**Non-Major Funds**

Special Revenue Funds

Cable television	\$ -	\$ -	\$ 153,716
Fire Department Equipment	-	-	23,919
DPW equipment revolving	-	-	108,135
Police vehicle revolving fund	-	-	8,600
Government Equipment	-	-	41,180
Library Special Revenue	453,525	-	-
Skate park	-	-	3,211
Solid Waste Recycling	66,287	-	(41,180)
Taxi Cab Grant	41,880	-	-
Parkland Acquisition	9,422	-	-
Parkland Development	4,513	-	-
Subtotal	<u>575,627</u>	<u>-</u>	<u>297,581</u>

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

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

	Reserved	Designated	Undesignated (Deficit)
<b><u>Non-Major Funds (Continued)</u></b>			
Forestry Fund	-	-	27,912
Rescue squad equipment/education	286,924	-	-
Sick Leave Severance	-	-	310,422
Parking Permit	-	-	23,674
Lakes Improvement	-	-	474
Street Repair	-	-	57,224
Rescue squad trust	-	-	52,762
Police Dept. Trust	-	-	14,360
Rock River Stormwater Group	26,927	-	-
TID #5	-	-	8,143
TID #6	-	-	129,792
TID #7 (deficit)	-	-	(63)
TID #8	-	-	17,684
TID #9	-	-	2,131
Other capital projects	-	-	787,150
Subtotal	313,851	-	1,431,665
Total Non-Major Funds	\$ 889,478	\$ -	\$ 1,729,246

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

	2010
<b>Water Utility</b>	
Capital Assets net of depreciation	\$ 11,754,384
Less: related long-term debt outstanding	(1,586,006)
Total Invested in Capital Assets	10,168,378
Unamortized loss on advancing refunding	-
Unamortized debt issuance costs	25,536
Sub-Total	25,536
Reserve from borrowing	121,500
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 10,315,414

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

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

	2010
<b>Wastewater Utility</b>	
Capital Assets net of depreciation	\$ 17,395,071
Less: related long-term debt outstanding	(2,819,621)
Total Invested in Capital Assets	14,575,450
Unamortized debt issuance costs	20,931
Sub-Total	20,931
Reserve from borrowing	123,000
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 14,719,381
	2010
<b>Stormwater Utility</b>	
Capital Assets net of depreciation	\$ 3,017,957
Total Invested in Capital Assets	3,017,957
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 3,017,957

**9. Defined Benefit Pension Plan**

All eligible City of Whitewater employees participate in the Wisconsin Retirement System (WRS), a cost sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the WRS. Covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% for Protective Occupations with Social Security, and 3.9% 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, 2010 was \$4,757,453; the employer's total payroll was \$5,297,034. The total required contribution for the year ended December 31, 2010 was \$570,656, which was 12.0% of covered payroll. The City pays for the employer (\$286,917 or 6.0%) and employee (\$283,739 or 6.0%) portions. Total contributions for the years ended December 31, 2009 and 2008 were \$519,269 and \$524,606, 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:

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
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**9. Defined Benefit Pension Plan (continued)**

(1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings are the average of the employee's three highest year's earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

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

**10. Risk Management**

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

**11. Expenditures in Excess of Budget**

The City incurred expenditures in excess of budget as follows:

	Final Budget	Actual Expenditures	Variance
Public works	973,330	999,651	(26,321)
Conservation and development	202,905	206,502	(3,597)

In total expenditures were under budget.

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

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**12. Component Unit**

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

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

a. Basis of Accounting/Measurement Focus

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

b. Deposits and Investments

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

	Carrying Value	Bank Balance	Associated Risk
Demand deposits	\$ 1,858,736	\$ 1,858,736	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, 2010, \$558,736 of the CDA's total bank balance of \$1,858,736 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>\$558,736</u>
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The CDA has CDs of \$892,758 as of 12/31/10. All are set to mature within 1 year.

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

**12. 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	5,288,537		5,416,458	N/A
Equipment	14,101	-	-	14,101	5-10
Accumulated Depreciation Equipment	(11,634)	(1,070)	-	(12,704)	
Totals	<u>\$ 405,560</u>	<u>\$ 5,287,467</u>	<u>\$ -</u>	<u>\$ 5,693,027</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>\$772,364</u>
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f. Transfers in

The CDA recorded a transfer of \$5,348,746 from the City. Of this amount \$5,288,537 was for the costs associated with the innovation center which was paid for by TIF 4.

g. Due from City

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

**13. Economic Dependency**

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

**CITY OF WHITEWATER**  
**Notes to Financial Statements**  
**December 31, 2010**

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**14. 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 2010, the City has accrued approximately \$4,410,179 in costs. A clean water fund loan draw of \$784,019 was made through 12/31/10. Subsequent to year-end an additional \$1,085,625 in loan disbursements were made. The remaining amounts were paid in grants. The City anticipates completing the remainder of the project in 2011.

Water Projects

The water utility is undergoing capital projects related to a meter reading program and additional costs. The utility plans on borrowing approximately \$1 million in 2011. The utility is currently undergoing a rate study.

Innovation Center/Tech Park improvements/Road extension

The City is in the process of 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. Through 2010, the City has accrued approximately \$8.4 million in costs. Once completed, 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.

Federal Grant Programs

The City participates in several federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivable at December 31, 2010 may be impaired. In the opinion of management, no material adjustments will result from any such audits.

**15. 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, 2010**

	<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	\$ 2,434,266	\$ 2,434,266	\$ 2,417,993	\$ (16,273)
Special Assessment Revenue	43,600	43,600	81,159	37,559
Intergovernmental	4,484,610	4,484,610	4,548,895	64,285
License and Permits	120,500	120,500	95,354	(25,146)
Fines, Forfeits and Penalties	550,400	550,400	405,004	(145,396)
Public Charges for Services	671,675	671,675	661,060	(10,615)
Intergovernmental Charges for Services	25,900	25,900	12,806	(13,094)
Interest Income	35,562	35,562	4,580	(30,982)
Miscellaneous Income	79,400	79,400	68,931	(10,469)
Total Revenues	<u>8,445,913</u>	<u>8,445,913</u>	<u>8,295,782</u>	<u>(150,131)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	1,629,964	1,629,964	1,597,138	32,826
Public Safety	3,845,935	3,845,935	3,834,954	10,981
Public Works	973,330	973,330	999,651	(26,321)
Culture, Recreation and Education	1,192,791	1,192,791	1,128,761	64,030
Conservation and Development	202,905	202,905	206,502	(3,597)
Capital Outlay	162,265	162,265	160,919	1,346
Total Expenditures	<u>8,007,190</u>	<u>8,007,190</u>	<u>7,927,925</u>	<u>79,265</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>438,723</u>	<u>438,723</u>	<u>367,857</u>	<u>(70,866)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	313,000	313,000	273,718	(39,282)
Transfers Out	(826,723)	(826,723)	(726,116)	100,607
Total Other Financing Sources and Uses	<u>(513,723)</u>	<u>(513,723)</u>	<u>(452,398)</u>	<u>61,325</u>
Net Change in Fund Balances	(75,000)	(75,000)	(84,541)	(9,541)
Fund Balances - Beginning	2,267,634	2,267,634	2,267,634	-
Fund Balances - Ending	<u>\$ 2,192,634</u>	<u>\$ 2,192,634</u>	<u>\$ 2,183,093</u>	<u>\$ (9,541)</u>

## **SUPPLEMENTARY INFORMATION**

**City of Whitewater  
Whitewater, WI**

**Balance Sheet  
Non-Major Governmental Funds  
December 31, 2010**

	<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	\$ 1,613,725	\$ 737,781	\$ 2,351,506
Receivables:			
Taxes	-	21,525	21,525
Other	28,446	-	28,446
Due from Other Funds	36,665	46,320	82,985
Due from Other Governments	88,242	225,000	313,242
Total Assets	\$ 1,767,078	\$ 1,030,626	\$ 2,797,704
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 33,010	\$ 47,274	\$ 80,284
Accrued Liabilities	3,117	-	3,117
Due to Other Funds	47,363	16,990	64,353
Deferred Revenue	9,701	21,525	31,226
Total Liabilities	93,191	85,789	178,980
 Fund Balance:			
Reserved	889,478	-	889,478
Unreserved/Undesignated	784,409	944,837	1,729,246
Total Fund Balance	1,673,887	944,837	2,618,724
Total Liabilities and Fund Balance	\$ 1,767,078	\$ 1,030,626	\$ 2,797,704

**City of Whitewater  
Whitewater, WI**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
For the Year Ended December 31, 2010**

	<u>Non-Major Special Revenue Funds</u>	<u>Non-Major Capital Project Funds</u>	<u>Non-Major Governmental Funds</u>
<b>REVENUES</b>			
Property Taxes	\$ -	\$ 43,005	\$ 43,005
Intergovernmental	428,043	317,538	745,581
Fines, Forfeits and Penalties	17,183	-	17,183
Public Charges for Services	144,999	-	144,999
Intergovernmental Charges for Services	21,773	-	21,773
Interest Income	18,868	1,936	20,804
Miscellaneous Income	71,536	7	71,543
Total Revenues	<u>739,402</u>	<u>362,486</u>	<u>1,101,888</u>
<b>EXPENDITURES</b>			
Current:			
General Government	299,706	-	299,706
Public Safety	989,428	-	989,428
Public Works	530,763	-	530,763
Culture, Recreation and Education	493,355	-	493,355
Conservation and Development	-	51,482	51,482
Capital Outlay	76,780	447,146	523,926
Total Expenditures	<u>2,390,032</u>	<u>498,628</u>	<u>2,888,660</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,650,630)</u>	<u>(136,142)</u>	<u>(1,786,772)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Long-Term Debt	-	1,142,770	1,142,770
Transfers In	1,111,319	447,943	1,559,262
Transfers Out	(47,000)	(815,744)	(862,744)
Total Other Financing Sources and Uses	<u>1,064,319</u>	<u>774,969</u>	<u>1,839,288</u>
Net Change in Fund Balances	(586,311)	638,827	52,516
Fund Balances - Beginning	2,260,198	306,010	2,566,208
Fund Balances - Ending	<u>\$ 1,673,887</u>	<u>\$ 944,837</u>	<u>\$ 2,618,724</u>

**City of Whitewater  
Whitewater, WI**

**Non-Major Special Revenue Funds  
Combining Balance Sheet  
December 31, 2010**

	<b>Cable TV Fund</b>	<b>Fire Dept. Equipment Fund</b>	<b>DPW Equipment Revolving Fund</b>	<b>Police Vehicle Revolving Fund</b>	<b>Government Equipment Fund</b>	<b>Library Special Revenue Fund</b>	<b>Skate Park Fund</b>
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 127,835	\$ 32,191	\$ 89,135	\$ 8,600	\$ 41,180	\$ 459,832	\$ 3,211
Receivables:							
Other	28,387	-	-	-	-	-	-
Due from Other Funds	-	-	19,000	-	-	2,755	-
Total Assets	<u>\$ 156,222</u>	<u>\$ 32,191</u>	<u>\$ 108,135</u>	<u>\$ 8,600</u>	<u>\$ 41,180</u>	<u>\$ 462,587</u>	<u>\$ 3,211</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts Payable	\$ 335	\$ 8,272	\$ -	\$ -	\$ -	\$ 8,112	\$ -
Accrued Liabilities	2,167	-	-	-	-	950	-
Due to Other Funds	4	-	-	-	-	-	-
Total Liabilities	<u>2,506</u>	<u>8,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,062</u>	<u>-</u>
Fund Balance:							
Reserved	-	-	-	-	-	453,525	-
Unreserved/Undesignated	153,716	23,919	108,135	8,600	41,180	-	3,211
Total Fund Balance	<u>153,716</u>	<u>23,919</u>	<u>108,135</u>	<u>8,600</u>	<u>41,180</u>	<u>453,525</u>	<u>3,211</u>
Total Liabilities and Fund Balance	<u>\$ 156,222</u>	<u>\$ 32,191</u>	<u>\$ 108,135</u>	<u>\$ 8,600</u>	<u>\$ 41,180</u>	<u>\$ 462,587</u>	<u>\$ 3,211</u>

**City of Whitewater  
Whitewater, WI**

**Non-Major Special Revenue Funds  
Combining Balance Sheet  
December 31, 2010**

	<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	\$ -	\$ 40,692	\$ 9,422	\$ 4,513	\$ 27,912	\$ 272,164	\$ 316,392
Receivables:							
Other	59	-	-	-	-	-	-
Due from Other Funds	150	-	-	-	-	14,760	-
Due from Other Governments	66,287	21,955	-	-	-	-	-
Total Assets	<u>\$ 66,496</u>	<u>\$ 62,647</u>	<u>\$ 9,422</u>	<u>\$ 4,513</u>	<u>\$ 27,912</u>	<u>\$ 286,924</u>	<u>\$ 316,392</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts Payable	\$ -	\$ 11,066	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	41,389	-	-	-	-	-	5,970
Deferred Revenue	-	9,701	-	-	-	-	-
Total Liabilities	<u>41,389</u>	<u>20,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,970</u>
Fund Balance:							
Reserved	66,287	41,880	9,422	4,513	-	286,924	-
Unreserved/Undesignated	(41,180)	-	-	-	27,912	-	310,422
Total Fund Balance	<u>25,107</u>	<u>41,880</u>	<u>9,422</u>	<u>4,513</u>	<u>27,912</u>	<u>286,924</u>	<u>310,422</u>
Total Liabilities and Fund Balance	<u>\$ 66,496</u>	<u>\$ 62,647</u>	<u>\$ 9,422</u>	<u>\$ 4,513</u>	<u>\$ 27,912</u>	<u>\$ 286,924</u>	<u>\$ 316,392</u>

**City of Whitewater  
Whitewater, WI**

**Non-Major Special Revenue Funds  
Combining Balance Sheet  
December 31, 2010**

	<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	\$ 23,674	\$ 474	\$ 57,224	\$ 52,762	\$ 19,585	\$ 26,927	\$ 1,613,725
Receivables:							
Other	-	-	-	-	-	-	28,446
Due from Other Funds	-	-	-	-	-	-	36,665
Due from Other Governments	-	-	-	-	-	-	88,242
Total Assets	<u>\$ 23,674</u>	<u>\$ 474</u>	<u>\$ 57,224</u>	<u>\$ 52,762</u>	<u>\$ 19,585</u>	<u>\$ 26,927</u>	<u>\$ 1,767,078</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 5,225	\$ -	\$ 33,010
Accrued Liabilities	-	-	-	-	-	-	3,117
Due to Other Funds	-	-	-	-	-	-	47,363
Deferred Revenue	-	-	-	-	-	-	9,701
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,225</u>	<u>-</u>	<u>93,191</u>
Fund Balance:							
Reserved	-	-	-	-	-	26,927	889,478
Unreserved/Undesignated	<u>23,674</u>	<u>474</u>	<u>57,224</u>	<u>52,762</u>	<u>14,360</u>	<u>-</u>	<u>784,409</u>
Total Fund Balance	<u>23,674</u>	<u>474</u>	<u>57,224</u>	<u>52,762</u>	<u>14,360</u>	<u>26,927</u>	<u>1,673,887</u>
Total Liabilities and Fund Balance	<u>\$ 23,674</u>	<u>\$ 474</u>	<u>\$ 57,224</u>	<u>\$ 52,762</u>	<u>\$ 19,585</u>	<u>\$ 26,927</u>	<u>\$ 1,767,078</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, 2010**

	<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>REVENUES</b>							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254,190	\$ -
Fines, Forfeits and Penalties	-	-	-	-	-	17,183	-
Public Charges for Services	105,397	-	-	-	-	10,983	-
Interest Income	1,032	1,287	195	20	146	4,057	-
Miscellaneous Income	1,049	-	-	-	20,517	42,007	-
<b>Total Revenues</b>	<u>107,478</u>	<u>1,287</u>	<u>195</u>	<u>20</u>	<u>20,663</u>	<u>328,420</u>	<u>-</u>
<b>EXPENDITURES</b>							
Current:							
Public Safety	-	957,974	-	25,000	-	-	-
Culture, Recreation and Education	107,554	-	-	-	-	277,608	-
Capital Outlay	-	-	23,680	-	-	10,701	-
<b>Total Expenditures</b>	<u>107,554</u>	<u>957,974</u>	<u>23,680</u>	<u>25,000</u>	<u>-</u>	<u>288,309</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(76)</u>	<u>(956,687)</u>	<u>(23,485)</u>	<u>(24,980)</u>	<u>20,663</u>	<u>40,111</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	-	610,072	69,000	26,353	-	-	-
Transfers Out	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources and Uses</b>	<u>(20,000)</u>	<u>610,072</u>	<u>69,000</u>	<u>26,353</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(20,076)	(346,615)	45,515	1,373	20,663	40,111	-
Fund Balances - Beginning	173,792	370,534	62,620	7,227	20,517	413,414	3,211
Fund Balances - Ending	<u>\$ 153,716</u>	<u>\$ 23,919</u>	<u>\$ 108,135</u>	<u>\$ 8,600</u>	<u>\$ 41,180</u>	<u>\$ 453,525</u>	<u>\$ 3,211</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, 2010**

	<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	\$ 49,134	\$ 124,719	\$ -	\$ -	\$ -	\$ -	\$ -
Public Charges for Services	607	-	-	1,824	-	-	-
Intergovernmental Charges for Services	-	-	-	-	-	21,773	-
Interest Income	59	101	122	50	81	2,510	6,890
Miscellaneous Income	-	-	33	3,426	-	-	-
Total Revenues	<u>49,800</u>	<u>124,820</u>	<u>155</u>	<u>5,300</u>	<u>81</u>	<u>24,283</u>	<u>6,890</u>
<b>EXPENDITURES</b>							
Current:							
General Government	-	-	-	-	-	-	12,582
Public Safety	-	-	-	-	-	1,904	-
Public Works	398,430	132,333	-	-	-	-	-
Culture, Recreation and Education	-	-	97,572	-	-	10,621	-
Conservation and Development	-	-	-	-	-	-	-
Capital Outlay	-	-	-	42,399	-	-	-
Total Expenditures	<u>398,430</u>	<u>132,333</u>	<u>97,572</u>	<u>42,399</u>	<u>-</u>	<u>12,525</u>	<u>12,582</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(348,630)</u>	<u>(7,513)</u>	<u>(97,417)</u>	<u>(37,099)</u>	<u>81</u>	<u>11,758</u>	<u>(5,692)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	200,000	10,894	-	-	-	-	10,000
Transfers Out	-	-	-	-	(5,000)	-	-
Total Other Financing Sources and Uses	<u>200,000</u>	<u>10,894</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>10,000</u>
Net Change in Fund Balances	(148,630)	3,381	(97,417)	(37,099)	(4,919)	11,758	4,308
Fund Balances - Beginning	173,737	38,499	106,839	41,612	32,831	275,166	306,114
Fund Balances - Ending	<u>\$ 25,107</u>	<u>\$ 41,880</u>	<u>\$ 9,422</u>	<u>\$ 4,513</u>	<u>\$ 27,912</u>	<u>\$ 286,924</u>	<u>\$ 310,422</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, 2010**

	<b>Parking Permit Fund</b>	<b>Lakes Improvement Fund</b>	<b>Street Repair Rev. Fund</b>	<b>Rescue Squad Trust Fund</b>	<b>Police Dept. Trust Fund</b>	<b>Rock River Storm Water Group</b>	<b>Non-Major Special Revenue Funds</b>
<b>REVENUES</b>							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 428,043
License and Permits	-	-	-	-	-	37,000	37,000
Fines, Forfeits and Penalties	-	-	-	-	-	-	17,183
Public Charges for Services	26,188	-	-	-	-	-	144,999
Intergovernmental Charges for Services	-	-	-	-	-	-	21,773
Interest Income	81	-	1,091	1,058	41	47	18,868
Miscellaneous Income	-	31	-	-	4,473	-	71,536
Total Revenues	<u>26,269</u>	<u>31</u>	<u>1,091</u>	<u>1,058</u>	<u>4,514</u>	<u>37,047</u>	<u>739,402</u>
<b>EXPENDITURES</b>							
Current:							
General Government	-	-	253,298	-	3,618	30,208	299,706
Public Safety	4,550	-	-	-	-	-	989,428
Public Works	-	-	-	-	-	-	530,763
Culture, Recreation and Education	-	-	-	-	-	-	493,355
Capital Outlay	-	-	-	-	-	-	76,780
Total Expenditures	<u>4,550</u>	<u>-</u>	<u>253,298</u>	<u>-</u>	<u>3,618</u>	<u>30,208</u>	<u>2,390,032</u>
Excess (Deficiency) of Revenues Over Expenditures	21,719	31	(252,207)	1,058	896	6,839	(1,650,630)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	-	-	185,000	-	-	-	1,111,319
Transfers Out	(22,000)	-	-	-	-	-	(47,000)
Total Other Financing Sources and Uses	<u>(22,000)</u>	<u>-</u>	<u>185,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,064,319</u>
Net Change in Fund Balances	(281)	31	(67,207)	1,058	896	6,839	(586,311)
Fund Balances - Beginning	23,955	443	124,431	51,704	13,464	20,088	2,260,198
Fund Balances - Ending	<u>\$ 23,674</u>	<u>\$ 474</u>	<u>\$ 57,224</u>	<u>\$ 52,762</u>	<u>\$ 14,360</u>	<u>\$ 26,927</u>	<u>\$ 1,673,887</u>

**City of Whitewater  
Whitewater, WI**

**Non-Major Capital Project Funds  
Combining Balance Sheet  
December 31, 2010**

	<u>TID #5</u>	<u>TID #6</u>	<u>TID #7</u>	<u>TID #8</u>	<u>TID #9</u>	<u>Tripp Lake Park Improvements</u>	<u>Other Capital Projects Funds</u>	<u>Non-Major Capital Project Funds</u>
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 8,143	\$ 129,792	\$ (63)	\$ 17,684	\$ 2,131	\$ -	\$ 580,094	\$ 737,781
Receivables:								
Taxes	1,015	20,120	-	-	390	-	-	21,525
Due from Other Funds	-	-	-	-	-	-	46,320	46,320
Due from Other Governments	-	-	-	-	-	-	225,000	225,000
Total Assets	<u>\$ 9,158</u>	<u>\$ 149,912</u>	<u>\$ (63)</u>	<u>\$ 17,684</u>	<u>\$ 2,521</u>	<u>\$ -</u>	<u>\$ 851,414</u>	<u>\$ 1,030,626</u>
 <b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,274	\$ 47,274
Due to Other Funds	-	-	-	-	-	-	16,990	16,990
Deferred Revenue	1,015	20,120	-	-	390	-	-	21,525
Total Liabilities	<u>1,015</u>	<u>20,120</u>	<u>-</u>	<u>-</u>	<u>390</u>	<u>-</u>	<u>64,264</u>	<u>85,789</u>
Fund Balance:								
Unreserved/Undesignated (deficit)	8,143	129,792	(63)	17,684	2,131	-	787,150	944,837
Total Fund Balance	<u>8,143</u>	<u>129,792</u>	<u>(63)</u>	<u>17,684</u>	<u>2,131</u>	<u>-</u>	<u>787,150</u>	<u>944,837</u>
Total Liabilities and Fund Balance	<u>\$ 9,158</u>	<u>\$ 149,912</u>	<u>\$ (63)</u>	<u>\$ 17,684</u>	<u>\$ 2,521</u>	<u>\$ -</u>	<u>\$ 851,414</u>	<u>\$ 1,030,626</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, 2010**

	TID #5	TID #6	TID #7	TID #8	TID #9	Tripp Lake Park Improvements	Other Capital Projects Funds	Non-Major Capital Projects Funds
<b>REVENUES</b>								
Property Taxes	\$ 8,361	\$ 14,582	\$ -	\$ 17,747	\$ 2,315	\$ -	\$ -	\$ 43,005
Intergovernmental	-	134	-	-	-	-	317,404	317,538
Interest Income	20	122	-	39	-	-	1,755	1,936
Miscellaneous Income	-	-	-	-	-	-	7	7
Total Revenues	<u>8,381</u>	<u>14,838</u>	<u>-</u>	<u>17,786</u>	<u>2,315</u>	<u>-</u>	<u>319,166</u>	<u>362,486</u>
<b>EXPENDITURES</b>								
Current:								
Conservation and Development	238	50,750	160	150	184	-	-	51,482
Capital Outlay	-	5,650	-	-	-	-	441,496	447,146
Total Expenditures	<u>238</u>	<u>56,400</u>	<u>160</u>	<u>150</u>	<u>184</u>	<u>-</u>	<u>441,496</u>	<u>498,628</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,143</u>	<u>(41,562)</u>	<u>(160)</u>	<u>17,636</u>	<u>2,131</u>	<u>-</u>	<u>(122,330)</u>	<u>(136,142)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds from Long-Term Debt	-	282,500	-	-	-	-	860,270	1,142,770
Transfers In	-	-	-	-	-	-	447,943	447,943
Transfers Out	-	-	-	-	-	(52,728)	(763,016)	(815,744)
Total Other Financing Sources and Uses	<u>-</u>	<u>282,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,728)</u>	<u>545,197</u>	<u>774,969</u>
Net Change in Fund Balances	8,143	240,938	(160)	17,636	2,131	(52,728)	422,867	638,827
Fund Balances - Beginning	-	(111,146)	97	48	-	52,728	364,283	306,010
Fund Balances - Ending	<u>\$ 8,143</u>	<u>\$ 129,792</u>	<u>\$ (63)</u>	<u>\$ 17,684</u>	<u>\$ 2,131</u>	<u>\$ -</u>	<u>\$ 787,150</u>	<u>\$ 944,837</u>

**City of Whitewater  
Whitewater, WI  
Combining Statement of Net Assets - Component Unit  
December 31, 2010**

	Community Development Authority (Operating)	Community Development Authority (Program)	Total
<b>ASSETS</b>			
Cash and Investments	\$ 37,905	\$ 1,820,831	\$ 1,858,736
Due from City	129	-	129
Loans receivable	-	772,364	772,364
Due from other CDA funds	-	15,711	15,711
Advance receivable from City	-	750,000	750,000
Capital Assets			
Land, Improvements, and Construction in Progress	-	5,691,630	5,691,630
Other Capital Assets, net of depreciation	1,397	-	1,397
Total Capital Assets	<u>1,397</u>	<u>5,691,630</u>	<u>5,693,027</u>
Total Assets	<u>\$ 39,431</u>	<u>\$ 9,050,536</u>	<u>\$ 9,089,967</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 4,290	\$ 899	\$ 5,189
Due to other CDA funds	15,711	-	15,711
Due to City	66	-	66
Total Liabilities	<u>20,067</u>	<u>899</u>	<u>20,966</u>
<b>NET ASSETS</b>			
Invested in Capital Assets	1,397	5,691,630	5,693,027
Restricted	-	3,358,007	3,358,007
Unrestricted	17,967	-	17,967
Total Net Assets	<u>19,364</u>	<u>9,049,637</u>	<u>9,069,001</u>
Total Liabilities and Net Assets	<u>\$ 39,431</u>	<u>\$ 9,050,536</u>	<u>\$ 9,089,967</u>

**City of Whitewater  
Whitewater, WI**

**Combining Statement of Revenues, Expenses and Changes in  
Net Assets - Component Unit  
For the Year Ended December 31, 2010**

	<u>Community Development Authority (Operating)</u>	<u>Community Development Authority (Program)</u>	<u>Total</u>
Operating Revenues	\$ -	\$ 18,620	\$ 18,620
Operating Expenses			
Operating Expenses	120,062	7,668	127,730
Depreciation	<u>1,070</u>	<u>-</u>	<u>1,070</u>
Total Operating Expenses	<u>121,132</u>	<u>7,668</u>	<u>128,800</u>
Operating Income (Loss)	(121,132)	10,952	(110,180)
Non Operating Revenues			
Investment Income	763	52,353	53,116
Miscellaneous	-	363	363
Intergovernmental and other	<u>214</u>	<u>5,268</u>	<u>5,482</u>
Total Non Operating Revenues	<u>977</u>	<u>57,984</u>	<u>58,961</u>
Transfer in from City	<u>60,209</u>	<u>5,288,537</u>	<u>5,348,746</u>
Change in Net Assets	(59,946)	5,357,473	5,297,527
Total Net Assets - Beginning	<u>79,310</u>	<u>3,692,164</u>	<u>3,771,474</u>
Total Net Assets - Ending	<u><u>\$ 19,364</u></u>	<u><u>\$ 9,049,637</u></u>	<u><u>\$ 9,069,001</u></u>

**City of Whitewater  
Whitewater, WI**

**Combining Statement of Cash Flows - Component Unit  
For the Year Ended December 31, 2010**

	<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	\$ -	\$ 18,620	\$ 18,620
New loans issued	-	(14,543)	(14,543)
Loans repaid	-	128,733	128,733
Intergovernmental charges	214	5,268	5,482
Paid to suppliers for goods and services	(20,286)	(9,836)	(30,122)
Payments to employees for services	(98,500)	-	(98,500)
Net cash flows from operating activities	<u>(118,572)</u>	<u>128,242</u>	<u>9,670</u>
<b>Cash Flows From Investing Activities</b>			
Long-term investments purchased	-	(892,759)	(892,759)
Long-term investments sold	25,000	1,400,690	1,425,690
Investment income	763	52,353	53,116
Net cash flows from investing activities	<u>25,763</u>	<u>560,284</u>	<u>586,047</u>
<b>Cash Flows From Non-Capital Financing Activities</b>			
Transfers in from City	60,209	(642,573)	(582,364)
Net cash flow from noncapital financing activities	<u>60,209</u>	<u>(642,573)</u>	<u>(582,364)</u>
Net increase (decrease) in cash and cash equivalents	(32,600)	45,953	13,353
Cash And Cash Equivalents - Beginning Of Year	<u>70,505</u>	<u>882,118</u>	<u>952,623</u>
Cash And Cash Equivalents - End Of Year	<u>\$ 37,905</u>	<u>\$ 928,071</u>	<u>\$ 965,976</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, 2010**

	<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)	\$ (121,132)	\$ 10,952	\$ (110,180)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Miscellaneous	214	5,631	5,845
Noncash items included in income (loss)			
Depreciation	1,070	-	1,070
Change in Assets and Liabilities			
Other receivables	-	4,331	4,331
Loans receivable	-	114,190	114,190
Due from other funds	(129)	-	(129)
Accounts payable	1,363	(6,862)	(5,499)
Due to other funds	43	-	43
	<u>43</u>	<u>-</u>	<u>43</u>
Net Cash Flows From Operating Activities	<u>\$ (118,571)</u>	<u>\$ 128,242</u>	<u>\$ 9,671</u>
<b>Reconciliation Of Cash And Cash Equivalents To The Statement Of Net Assets</b>			
Cash and investments - statement of net assets - component unit	\$ 37,905	\$ 1,820,831	\$ 1,858,736
less: Non-cash equivalents	<u>-</u>	<u>(892,758)</u>	<u>(892,758)</u>
Cash And Cash Equivalents - End Of Year	<u>\$ 37,905</u>	<u>\$ 928,073</u>	<u>\$ 965,978</u>

**City of Whitewater**

**Schedule of Long-Term Debt Principal Payments - Governmental Activities  
December 31, 2010**

Year	Totals	2005 TIF #4 General Obligation Refunding Notes	2008 TIF #4 General Obligation Refunding	2009 General Obligation Refunding Bonds	2010 General Obligation Refunding Bonds	2010 Taxable General Obligation Community Development Bonds	2010 General Obligation Refunding Bonds	2010 Taxable General Obligation Community Development Bonds
2011	\$ 1,470,000	\$ 425,000	\$ 450,000	\$ 160,000	\$ 220,000	\$ -	\$ 185,000	\$ 30,000
2012	1,535,000	445,000	485,000	155,000	230,000	-	180,000	40,000
2013	1,805,000	460,000	665,000	150,000	230,000	50,000	180,000	70,000
2014	1,975,000	475,000	780,000	145,000	230,000	115,000	175,000	55,000
2015	2,025,000	495,000	835,000	145,000	190,000	165,000	135,000	60,000
2016	2,240,000	-	875,000	140,000	125,000	170,000	895,000	35,000
2017	2,115,000	-	910,000	-	40,000	175,000	915,000	75,000
2018	1,205,000	-	-	-	-	180,000	935,000	90,000
2019	970,000	-	-	-	-	185,000	690,000	95,000
2020	995,000	-	-	-	-	190,000	710,000	95,000
2021	415,000	-	-	-	-	195,000	-	220,000
2022	430,000	-	-	-	-	205,000	-	225,000
2023	445,000	-	-	-	-	210,000	-	235,000
2024	460,000	-	-	-	-	220,000	-	240,000
2025	480,000	-	-	-	-	230,000	-	250,000
2026	380,000	-	-	-	-	235,000	-	145,000
2027	395,000	-	-	-	-	245,000	-	150,000
2028	255,000	-	-	-	-	255,000	-	-
2029	265,000	-	-	-	-	265,000	-	-
<b>Totals</b>	<b>\$ 19,860,000</b>	<b>\$ 2,300,000</b>	<b>\$ 5,000,000</b>	<b>\$ 895,000</b>	<b>\$ 1,265,000</b>	<b>\$ 3,290,000</b>	<b>\$ 5,000,000</b>	<b>\$ 2,110,000</b>

**City of Whitewater**

**Schedule of Long-Term Debt Interest Payments - Governmental Activities  
December 31, 2010**

Year	Totals	2005 TIF #4 General Obligation Refunding Notes	2008 TIF #4 General Obligation Refunding	2009 General Obligation Refunding Bonds	2010 General Obligation Refunding Bonds	2010 Taxable General Obligation Community Development Bonds	2010 General Obligation Refunding Bonds	2010 Taxable General Obligation Community Development Bonds
2011	\$ 668,612	\$ 82,800	\$ 187,500	\$ 21,850	\$ 23,845	163,300	\$ 117,150	\$ 72,167
2012	636,410	67,500	170,625	18,650	21,205	163,300	113,912	81,218
2013	592,292	51,480	152,437	15,550	17,985	163,300	110,762	80,778
2014	537,645	34,920	127,500	12,175	13,845	161,900	107,612	79,693
2015	475,151	17,820	98,250	8,188	9,015	158,680	104,550	78,648
2016	408,479	-	66,938	4,200	4,455	153,400	102,188	77,298
2017	343,161	-	34,125	-	1,080	147,280	84,288	76,388
2018	280,443	-	-	-	-	140,280	65,988	74,175
2019	244,155	-	-	-	-	132,630	40,275	71,250
2020	203,111	-	-	-	-	124,028	11,300	67,783
2021	178,937	-	-	-	-	114,812	-	64,125
2022	160,497	-	-	-	-	105,062	-	55,435
2023	151,043	-	-	-	-	104,608	-	46,435
2024	120,147	-	-	-	-	83,582	-	36,565
2025	97,827	-	-	-	-	71,702	-	26,125
2026	73,688	-	-	-	-	58,938	-	14,750
2027	53,042	-	-	-	-	45,542	-	7,500
2028	31,332	-	-	-	-	31,332	-	-
2029	16,032	-	-	-	-	16,032	-	-
<b>Totals</b>	<b>\$ 5,272,004</b>	<b>\$ 254,520</b>	<b>\$ 837,375</b>	<b>\$ 80,613</b>	<b>\$ 91,430</b>	<b>\$ 2,139,708</b>	<b>\$ 858,025</b>	<b>\$ 1,010,333</b>

# **SINGLE AUDIT**

**CITY OF WHITEWATER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended December 31, 2010**

Federal Awarding Agency Pass-Through Agency Award Description	Federal CFDA Number	Federal Expenditures
U.S. Department of Homeland Security Assistance to Firefighters Grant	94.044	\$ 225,000
U.S. Department of Transportation Passed through Wisconsin Department of Transportation Federal Small Urban Area and Rural Public Transportation Program	20.509	66,185
U.S. Environmental Protection Agency Passed through Wisconsin Department of Natural Resources Clean Water Fund Program (ARRA)	66.458	2,367,008
U.S. Department of Commerce Investments for Public Works and Economic Development Facilities	11.300	3,575,831
U.S. Department of Energy Passed through Wisconsin Department of Commerce Energy Efficiency and Conservation Block Grant (ARRA)	81.128	92,404
Passed through Wisconsin Department of Administration Energy Efficiency and Conservation Block Grant (ARRA)	81.128	9,632
U.S. Department of Justice Edward Byrne Memorial Justice Assistance Grant (ARRA)	16.804	25,535
U.S. Department of Commerce Passed through Wisconsin Department of Commerce Economic Adjustment Assistance (ARRA)	11.307	<u>25,000</u>
Total Expenditures of Federal Awards		<u><u>\$ 6,386,595</u></u>
State Awarding Agency Pass-through Agency Award Description	State ID Number	State Expenditures
Wisconsin Department of Natural Resources Urban Non-point Grants	unknown	\$ 10,000
Recycling Programs and Efficiency	unknown	49,134
Wisconsin Department of Transportation Transit Operating Aids	395.104	59,067
Wisconsin Department of Commerce Petroleum Environmental Cleanup Fund Award	unknown	<u>9,050</u>
Total Expenditures of State Awards		<u><u>\$ 127,251</u></u>

**CITY OF WHITEWATER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended December 31, 2010**

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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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *Wisconsin State Single Audit Guidelines*.

**Note 2            Basis of Presentation**

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

**Note 3            Commitments and Contingencies**

The City participates in several federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivable at December 31, 2010 may be impaired. In the opinion of management, no material adjustments will result from any such audits.

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

April 25, 2011

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, 2010, and have issued our report thereon dated April 25, 2011. 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 2010-1, 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 April 25, 2011.

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

*Johnson Block & Company, Inc.*

Johnson Block & Company, Inc.  
Madison, Wisconsin



Certified Public Accountants

*Quality service through our commitment to clients and staff*

Millard W. Johnson ▲ James L. Block ▲ Alan L. Brey ▲ Joseph G. Mohlmann ▲ Kevin P. Krysinski ▲ Janice L. Froelich

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

April 25, 2011

To the City Council  
City of Whitewater  
Whitewater, Wisconsin

Compliance

We have audited the City of Whitewater's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2010. The City of Whitewater's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal and state programs is the responsibility of the City of Whitewater's management. Our responsibility is to express an opinion on the City of Whitewater's compliance based on our audit.

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

In our opinion, the City of Whitewater complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-2.



### 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-2 to be a material weakness.

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

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

*Johnson Block & Company, Inc.*

Johnson Block and Company, Inc.  
Madison, Wisconsin

**CITY OF WHITEWATER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2010**

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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? Yes

\* 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? Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Program</u>
66.458	Clean Water Fund Program (ARRA)
11.300	Investments for Public Works and Economic Development Facilities

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

Auditee qualified as low-risk auditee? No

**CITY OF WHITEWATER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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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>
395.104	Transit Operating Aids

**CITY OF WHITEWATER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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**Section II – Financial Statement Finding**

**2010-1**

*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**

**2010-2**

U.S. Department of Commerce  
Investments for Public Works and Economic Development Facilities – CFDA No. 11.300

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

*Criteria:* The *Code of Federal Regulations 15 Section 14.43 Competition* requires that “in order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, invitations for bids and/or requests for proposals shall be excluded from competing for such procurements.”

*Effect:* By not complying with federal procurement requirements, the City cannot ensure contracts awarded were subject to open and free competition.

**CITY OF WHITEWATER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

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

*Grantee Response:* The City was notified of this federal regulation for the construction manager after approximately 70% of the construction had been completed. The City will ensure that any future projects comply with federal regulations regarding competition.

**CITY OF WHITEWATER  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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**Financial Statement Finding**

**2009-1**

See current year finding 2010-1.