



Johnson ▲ Block
AND COMPANY, INC.

Certified Public Accountants

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

Enterprise Funds of the
City of Whitewater, Wisconsin

FINANCIAL STATEMENTS

December 31, 2010 and 2009

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

Quality service through our commitment to clients and staff.

www.johnsonblock.com

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

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INDEPENDENT AUDITOR'S REPORT

April 5, 2011

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

We have audited the accompanying financial statements of Whitewater Municipal Water, Wastewater, and Stormwater Utilities, enterprise funds of the City of Whitewater, Wisconsin as of December 31, 2010 and 2009 and for the years then ended as listed in the table of contents. These financial statements are the responsibility of utility management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Whitewater Municipal Water, Wastewater, and Stormwater Utilities as of December 31, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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



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

Johnson Block & Company, Inc.

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

WATER UTILITY

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Net Assets
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 263,241	470,500
Receivables		
Accounts	307,769	329,084
Interest	4,480	3,075
Due from Other Funds	93,414	71,162
Inventories	10,407	11,170
Total Current Assets	679,311	884,991
Restricted:		
Restricted Cash	293,841	555,533
Total Restricted Assets	293,841	555,533
Capital Assets:		
Land and Improvements	16,652,707	15,726,858
Less Accumulated Depreciation	(4,798,323)	(4,440,533)
Net Capital Assets	11,854,384	11,286,325
Noncurrent Assets		
Unamortized Debt Discount	25,536	17,364
Special Assessments	2,852	3,327
Other Deferred Debits	-	18,638
Total Noncurrent Assets	28,388	39,329
Total Assets	\$ 12,855,924	\$ 12,766,178

See accompanying notes to the financial statements

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Net Assets
December 31, 2010 and 2009

	2010	2009
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 494,105	\$ 13,859
Accrued Liabilities	7,950	9,353
Accrued Interest Payable	7,486	29,492
Due to Other Funds	3,491	28,468
Compensated Absences	24,936	23,003
Current Portion of Long-Term Debt:	290,710	297,953
Total Current Liabilities	828,678	402,128
Non-Current Liabilities:		
Long-Term Debt		
Notes and Bonds Payable	1,295,296	1,791,417
Total Long-Term Debt	1,295,296	1,791,417
Other Liabilities		
Compensated Absences	53,116	46,371
Total Other Liabilities	53,116	46,371
Total Non-Current Liabilities	1,348,412	1,837,788
Total Liabilities	2,177,090	2,239,916
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	10,315,414	9,564,937
Restricted Assets	142,849	194,061
Unrestricted	220,571	767,264
Total Net Assets	10,678,834	10,526,262
Total Liabilities and Net Assets	\$ 12,855,924	\$ 12,766,178

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Revenues, Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Charges for Services	\$ 1,413,226	\$ 1,383,801
Total Operating Revenues	1,413,226	1,383,801
 OPERATING EXPENSES		
Operation and Maintenance	907,979	894,799
Depreciation	352,565	347,647
Total Operating Expenses	1,260,544	1,242,446
Operating Income (Loss)	152,682	141,355
 NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	14,336	12,324
Miscellaneous Non-Operating Revenue	4,183	1,530
Interest Expense	(77,628)	(113,823)
Amortization Expense	(36,002)	(14,562)
Total Non-Operating Revenue (Expenses)	(95,111)	(114,531)
Income (Loss) Before Contributions and Transfers	57,571	26,824
 Capital Contributions	2,648	3,995
Capital Contributions transferred in from City	317,471	-
Transfers Out (Tax Equivalent)	(225,118)	(213,956)
Change in Net Assets	152,572	(183,137)
Total Net Assets - Beginning	10,526,262	10,709,399
Total Net Assets - Ending	\$ 10,678,834	\$ 10,526,262

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	2010	2009
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 1,434,541	\$ 1,358,936
Payments to suppliers	(509,631)	(457,238)
Payments to employees	(451,270)	(443,370)
Taxes paid	(225,118)	(213,956)
Net cash provided (used) by operating activities	248,522	244,372
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Proceeds of special assessments	475	475
Acquisition and construction of plant assets	(127,881)	(138,201)
Proceeds of debt	1,643,343	-
Principal payments on long-term debt	(2,146,707)	(280,686)
Interest paid	(99,634)	(117,634)
Net cash used for capital and related financing activities	(730,404)	(536,046)
<u>Cash Flows From Investing Activities:</u>		
Interest on investments	12,931	12,324
Purchase of non-cash equivalents	(100,000)	(328,349)
Sale of non-cash equivalents	328,349	188,349
Net cash provided from investing activities	241,280	(127,676)
Net increase (decrease) in cash and equivalents	(240,602)	(419,350)
Cash and equivalents - beginning of year	697,684	1,117,034
Cash and equivalents - end of year	\$ 457,082	\$ 697,684
<u>Noncash Capital and Related Financing Activities:</u>		
Plant additions financed through accounts payable	\$ 482,449	
Developer financed additions to utility plant	\$ 320,119	\$ 3,995

See accompanying notes to the basic financial statements

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	2010	2009
Operating income	\$ 152,682	\$ 141,355
Joint meter	9,825	9,405
Cash Provided by Operating Activities:		
Amortization	(25,536)	
Depreciation	352,565	347,647
Transfer out (tax equivalent)	(225,118)	(213,956)
Changes in Assets and Liabilities:		
Customer accounts receivable	21,315	(24,865)
Due from/to other funds	(47,229)	(30,805)
Material & supplies	763	1,844
Other	4,183	1,530
Accounts payable	(2,203)	8,525
Accrued liabilities	7,275	3,692
Net cash provided (used) by operating activities	\$ 248,522	\$ 244,372
Reconciliation of cash and cash equivalents to statements of net assets accounts		
Cash and cash equivalents	\$ 263,241	\$ 470,500
Restricted Cash	293,841	555,533
Total cash and investments	557,082	1,026,033
Less: Noncash equivalents	(100,000)	(328,349)
Cash and Cash Equivalents	\$ 457,082	\$ 697,684

See accompanying notes to the basic financial statements

WASTEWATER UTILITY

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Net Assets
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 129,981	\$ 32,845
Receivables		
Accounts	518,500	474,092
Current Portion of Advances	-	155,000
Interest	1,559	14,548
Due from Other Governments	-	100,495
Due from Other Funds	18,045	20,301
Total Current Assets	668,085	797,281
Restricted:		
Restricted Cash and Cash Equivalents	1,572,943	1,856,819
Total Restricted Assets	1,572,943	1,856,819
Capital Assets:		
Land and Improvements	37,191,083	32,929,086
Less Accumulated Depreciation	(19,796,012)	(18,930,199)
Net Capital Assets	17,395,071	13,998,887
Noncurrent Assets		
Unamortized Debt Discount	20,931	28,582
Total Noncurrent Assets	20,931	28,582
Total Assets	\$ 19,657,030	\$ 16,681,569

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Net Assets
December 31, 2010 and 2009

	2010	2009
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 432,274	\$ 35,223
Accrued Liabilities	13,663	14,183
Accrued Interest Payable	11,832	21,495
Due to Other Funds	77,855	68,293
Compensated Absences	35,844	32,714
Current Portion of Long-Term Debt:	351,245	307,831
Total Current Liabilities	922,713	479,739
Non-Current Liabilities:		
Long-Term Debt		
Capital Lease Obligation	27,082	30,606
Compensated Absences	52,793	48,366
Notes Payable	149,704	179,207
Bonds and Loans Payable	2,291,590	2,015,912
Total Long-Term Debt	2,521,169	2,274,091
Total Liabilities	3,443,882	2,753,830
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	14,719,381	11,763,033
Restricted Assets	1,438,112	1,566,204
Unrestricted	55,655	598,502
Total Net Assets	16,213,148	13,927,739
Total Liabilities and Net Assets	\$ 19,657,030	\$ 16,681,569

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Revenues, Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Charges for Services	\$ 1,922,048	\$ 1,723,087
Total Operating Revenues	1,922,048	1,723,087
 OPERATING EXPENSES		
Operation and Maintenance	1,230,020	1,262,456
Depreciation	878,440	871,739
Total Operating Expenses	2,108,460	2,134,195
Operating Income (Loss)	(186,412)	(411,108)
 NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	18,446	49,839
Miscellaneous Non-Operating Revenue	8,576	-
Interest Expense	(86,291)	(120,302)
Amortization Expense	(28,582)	(10,921)
Total Non-Operating Revenue (Expenses)	(87,851)	(81,384)
Income (Loss) Before Contributions and Transfers	(274,263)	(492,492)
 Capital Contributions	18,240	122,952
Capital Grants	2,367,008	413,064
Capital Contributions transferred in from City	174,424	-
Change in Net Assets	2,285,409	43,524
Total Net Assets - Beginning	13,927,739	13,884,215
Total Net Assets - Ending	\$ 16,213,148	\$ 13,927,739

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	2010	2009
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 1,877,640	\$ 1,720,177
Payments to suppliers	(504,964)	(636,507)
Payments to employees	(748,643)	(728,499)
Net cash provided (used) by operating activities	624,033	355,171
<u>Cash Flows from Noncapital Financing Activities:</u>		
Received on long-term advances	155,000	155,000
Net cash provided by noncapital financing activities	155,000	155,000
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of plant assets	(3,673,063)	(44,603)
Proceeds of debt	2,170,766	-
Principal payments on long-term debt	(1,884,701)	(238,670)
Interest paid	(95,953)	(122,737)
Capital grants	2,485,743	-
Net cash used for capital and related financing activities	(997,208)	(406,010)
<u>Cash Flows From Investing Activities:</u>		
Interest on investments	31,435	49,839
Purchase of non-cash equivalents	(600,953)	(865,007)
Sale of non-cash equivalents	865,007	696,803
Net cash provided from (used by) investing activities	295,489	(118,365)
Net increase (decrease) in cash and equivalents	77,314	(14,204)
Cash and equivalents - beginning of year	1,024,657	1,038,861
Cash and equivalents - end of year	\$ 1,101,971	\$ 1,024,657
<u>Noncash capital and related Financing Activities:</u>		
Developer and City financed additions to utility plant	\$ 417,312	\$ 536,016

See accompanying notes to the financial statements

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	2010	2009
Operating income (loss)	\$ (186,412)	\$ (411,108)
Joint meter	(9,825)	(9,405)
Cash Provided by Operating Activities:		
Amortization	(20,931)	(6,000)
Depreciation	878,440	871,739
Changes in Assets and Liabilities:		
Customer accounts receivable	(44,408)	(2,910)
Due from/to other governmental units	-	(98,307)
Due from/to other funds	11,818	(8,000)
Accounts payable	(20,261)	19,185
Accrued liabilities	7,037	(23)
Net cash provided (used) by operating activities	624,033	355,171
Reconciliation of cash and cash equivalents to statements of net assets accounts		
Cash and cash equivalents	\$ 129,981	\$ 32,845
Restricted Cash	1,572,943	1,856,819
Total cash and investments	1,702,924	1,889,664
Less: Noncash equivalents	(600,953)	(865,007)
Cash and Cash Equivalents	\$ 1,101,971	\$ 1,024,657

See accompanying notes to the financial statements

STORMWATER UTILITY

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statements of Net Assets
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 22,980	\$ 29,961
Receivables		
Accounts	70,336	73,302
Due from other funds	2,733	-
Total Current Assets	96,049	103,263
Capital Assets:		
Utility Plant	3,143,069	2,264,713
Less Accumulated Depreciation	(125,112)	(99,371)
Net Capital Assets	3,017,957	2,165,342
Total Assets	\$ 3,114,006	\$ 2,268,605

See accompanying notes to the
financial statements

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statements of Net Assets
December 31, 2010 and 2009

	2010	2009
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 5,071	\$ 7,584
Due to Other Funds	21,677	34,867
Compensated Absences	9,071	8,308
Total Current Liabilities	35,819	50,759
Other Liabilities:		
Compensated Absences	19,739	19,014
Total Other Liabilities	19,739	19,014
Total Liabilities	55,558	69,773
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	3,017,957	2,165,342
Unrestricted	40,491	33,490
Total Net Assets	3,058,448	2,198,832
Total Liabilities and Net Assets	\$ 3,114,006	\$ 2,268,605

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Charges for Services	289,226	290,358
Total Operating Revenues	289,226	290,358
 OPERATING EXPENSES		
Operation and Maintenance	277,569	235,400
Depreciation	36,503	29,743
Total Operating Expenses	314,072	265,143
Operating Income (Loss)	(24,846)	25,215
 NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	137	574
Grants and Contributions	10,000	-
Miscellaneous Revenues	4,208	0
Total Non-Operating Revenue (Expenses)	14,345	574
Income (Loss) Before Contributions and Transfers	(10,501)	25,789
 Capital Contributions	-	61,551
Capital Contributions transferred in from City	889,117	0
Transfers Out	(19,000)	(42,150)
Change in Net Assets	859,616	45,190
Total Net Assets - Beginning	2,198,832	2,153,642
Total Net Assets - Ending	\$ 3,058,448	\$ 2,198,832

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	2010	2009
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 292,192	\$ 285,341
Payments to suppliers	(99,618)	(59,292)
Payments to employees	(199,692)	(175,316)
Net cash provided (used) by operating activities	(7,118)	50,733
 <u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of plant assets	-	(65,602)
Net cash provided for (used by) for capital and related financing activities	-	(65,602)
 <u>Cash Flows From Investing Activities:</u>		
Interest on investments	137	574
Net cash provided from investing activities	137	574
Net increase (decrease) in cash and equivalents	(6,981)	(14,295)
Cash and equivalents - beginning of year	29,961	44,256
Cash and equivalents - end of year	\$ 22,980	\$ 29,961
 <u>Noncash capital and related Financing Activities:</u>		
City financed additions to utility plant	\$ 889,117	\$ 61,551

See accompanying notes to the financial statements

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	2010	2009
Operating income (loss)	\$ (24,846)	\$ 25,215
Adjustments to Reconcile Operating Income to Net Assets		
Cash Provided by Operating Activities:		
Depreciation	36,503	29,743
Transfer out	(19,000)	(42,150)
Changes in Assets and Liabilities:		
Customer accounts receivable	2,966	(5,017)
Due from/to other funds	(15,923)	32,166
Accounts payable	(2,513)	6,690
Accrued liabilities	1,487	4,086
Net cash provided for (used by) by operating activities	(7,118)	50,733
Reconciliation of cash and cash equivalents to statements of net assets accounts		
Cash and cash equivalents	22,980	\$ 29,961
Total cash and investments	22,980	29,961
 Cash and Cash Equivalents	 \$ 22,980	 \$ 29,961

See accompanying notes to the financial statements

WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

Notes to Financial Statements December 31, 2010 and 2009

1. Summary of Significant Accounting Policies

The financial statements of Whitewater Municipal Water, Stormwater, and Wastewater Utilities (utilities) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The financial statements present only the Whitewater Municipal Water, Wastewater, and Stormwater Utilities enterprise funds and are not intended to present fairly the financial position of the City of Whitewater, Wisconsin. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

A. Reporting Entity

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

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

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

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

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

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

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

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

**Notes to Financial Statements
December 31, 2010 and 2009**

C. Assets, Liabilities and Net Assets

1) Deposits and Investments

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

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

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

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

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

2) Receivables/Payables

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

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

3) Materials and Supplies

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

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

**Notes to Financial Statements
December 31, 2010 and 2009**

C. Assets, Liabilities and Net Assets (Continued)

4) Restricted Assets

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

5) Special Assessments Receivable

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

6) Capital Assets

Capital assets are generally defined by the utilities as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

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

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

Stormwater Plant

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

7) Compensated Absences

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

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

**Notes to Financial Statements
December 31, 2010 and 2009**

Assets, Liabilities and Net Assets (Continued)

8) Long-Term Obligations

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

9) Revenues and Expenses

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

10) Charges for Services

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

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

Current wastewater rates and stormwater rates were approved by the city council.

11) Capital Contributions

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

12) Connection Fees

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

13) Transfers

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

WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

Notes to Financial Statements December 31, 2010 and 2009

2. Deposits and Investments

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

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recover of material principal losses may not be significant to individual municipalities.

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

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

The Wisconsin LGIP is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2010 and 2009, the fair value of the LGIP's assets were substantially equal to the utilities' share.

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

Custodial Credit Risk

Deposits:

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

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

**Notes to Financial Statements
December 31, 2010 and 2009**

2. Deposits and Investments (Continued)

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

	2010	2009
	Carrying Value	Carrying Value
Deposits in local financial institutions	\$ 1,579,541	\$ 2,229,541
Deposits exposed to custodial credit risk	\$ 1,579,541	\$ 2,229,541

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

Investments:

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

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

The utilities' investment policy does not address this risk.

Credit Risk

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will adversely affect the fair market value of an investment. The LGIP investments have an average maturity of no more than 90 days. The CLASS-Wisconsin investment has 16.6% of its investments in US government agencies, 13.2% in bank accounts, 7.9% in repurchase agreements, and 48.8% in commercial paper. The remaining amounts are in US government securities and commercial paper. The utilities' investment policy does not address this risk.

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

**Notes to Financial Statements
December 31, 2010 and 2009**

2. Deposits and Investments (Continued)

As of December 31, 2010 the utilities' investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (days)
External investment pool - LGIP	\$ 437,658	90
External investment pool - CLASS	265,787	49
Total	<u>\$ 703,445</u>	

Reconciliation to the Financial Statements

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

	2010	2009
Carrying value of deposits	\$ 1,579,541	\$ 2,229,541
Carrying value of investments	703,445	716,117
	<u>\$ 2,282,986</u>	<u>\$ 2,945,658</u>
Cash and cash equivalents water	\$ 263,241	\$ 470,500
Cash and cash equivalents wastewater	129,981	32,845
Restricted cash water	293,841	555,533
Restricted cash wastewater	1,572,943	1,856,819
Cash and cash equivalents stormwater	22,980	29,961
	<u>\$ 2,282,986</u>	<u>\$ 2,945,658</u>

3. Interfund Receivables/Payables and Transfers

The following is a schedule of interfund balances for the years ending December 31, 2010 and 2009.

		2010		2009	
Due To	Due From	Amount	Principal Purpose	Amount	Principal Purpose
Water	Municipality	\$ 20,635	General operations	\$ 11,757	General operations
Water	Wastewater	\$ 72,779	Joint metering	\$ 59,405	Joint metering
Wastewater	Water	\$ -	General operations	\$ 20,301	General operations
Municipality	Water	\$ 3,491	General operations	\$ 8,167	General operations
Wastewater	Municipality	\$ 18,045	General operations	\$ 4,620	General operations
Municipality	Wastewater	\$ 7,220	General operations	\$ 8,888	General operations
Stormwater	Municipality	\$ 2,733	General operations		
Municipality	Stormwater	\$ 21,677	Operations equipment	\$ 34,867	General operations

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

**Notes to Financial Statements
December 31, 2010 and 2009**

3. Interfund Receivables/Payables and Transfers (continued)

The following is a schedule of transfer balances for the years ending December 31, 2010 and 2009:

Transfer to	Transfer from	2010		2009	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water	\$ 225,118	Tax equivalent	\$213,956	Tax equivalent
Municipality	Stormwater	\$ 19,000	Operations equipment	\$ 42,150	General operations
Water	Municipality	\$ 317,471	Capital contributions	\$ -	
Wastewater	Municipality	\$ 174,424	Capital contributions	\$ -	
Stormwater	Municipality	\$ 889,117	Capital contributions	\$ -	

4. Restricted Assets

Revenue Bond Accounts

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

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

Replacement Account

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

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

**Notes to Financial Statements
December 31, 2010 and 2009**

4. Restricted Assets (Continued)

Restricted Net Assets

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

	2010	2009
Restricted Assets		
Redemption account	\$ 78,420	\$ 7,608
Reserve account	121,500	331,980
Depreciation account	-	25,000
Construction account	93,921	190,945
Total Restricted Assets	293,841	555,533
 Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	(121,500)	(331,980)
 Current Liabilities Payable From Restricted Assets	(29,492)	(29,492)
Total Restricted Net Assets as Calculated	\$ 142,849	\$ 194,061

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

	2010	2009
Restricted Assets		
Redemption account	\$ 214,970	\$ 136,029
Reserve account	123,000	269,120
Depreciation account	25,000	25,000
Connection account	284,737	309,937
Replacement account	925,237	1,116,733
Total Restricted Assets	1,572,944	1,856,819
 Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	(123,000)	(269,120)
 Current Liabilities Payable From Restricted Assets	(11,832)	(21,495)
Total Restricted Net Assets as Calculated	\$ 1,438,112	\$ 1,566,204

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

**Notes to Financial Statements
December 31, 2010 and 2009**

5. Advances to Other Funds

The advances from the wastewater utility to the general fund were repaid in 2010. Principal payments of \$155,000 were repaid in 2009 and 2010. No balance is outstanding as of 12/31/2010.

6. Changes in Capital Assets

Water Utility

A summary of changes in water capital assets for 2010 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Water				
Capital assets not being depreciated				
Land and land rights	\$ 6,727	\$ -	\$ -	\$ 6,727
Construction in progress	-	482,449		482,449
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	633,563		-	633,563
Pumping	1,185,927		-	1,185,927
Water treatment	1,458,742		-	1,458,742
Transmission and distribution	12,035,980	436,267	4,601	12,467,646
Administrative and general assets	405,919	11,734	-	417,653
Total Capital Assets Being Depreciated	<u>15,720,131</u>	<u>448,001</u>	<u>4,601</u>	<u>16,163,531</u>
Total Capital Assets	<u>15,726,858</u>	<u>930,450</u>	<u>4,601</u>	<u>16,652,707</u>
Less: Accumulated depreciation	<u>4,440,533</u>	<u>362,391</u>	<u>4,601</u>	<u>4,798,323</u>
Net Capital Assets	<u>\$ 11,286,325</u>	<u>\$ 568,059</u>	<u>\$ -</u>	<u>\$ 11,854,384</u>

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

**Notes to Financial Statements
December 31, 2010 and 2009**

6. Changes in Capital Assets (Continued)

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

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

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

**Notes to Financial Statements
December 31, 2010 and 2009**

**6. Changes in Capital Assets (Continued)
Wastewater Utility**

A summary of changes in wastewater capital assets for 2010 follows:

<u>Wastewater</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Construction in progress	\$ 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	11,701,927	238,435	-	11,940,362
Treatment and disposal	19,862,044	23,103	2,802	19,882,345
General	787,871	2,147	-	790,018
Total Capital Assets Being Depreciated	<u>32,351,842</u>	<u>263,685</u>	<u>2,802</u>	<u>32,612,725</u>
Total Capital Assets	32,929,086	4,264,799	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>\$ 13,998,887</u>	<u>\$ 3,396,184</u>	<u>\$ -</u>	<u>\$ 17,395,071</u>

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

**Notes to Financial Statements
December 31, 2010 and 2009**

6. Changes in Capital Asset (Continued)

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

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

Stormwater Utility

A summary of changes in stormwater capital assets for 2010 follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Stormwater</u>				
Capital Assets Being Depreciated				
Infrastructure	\$ 2,264,713	\$ 889,117	\$ 10,761	\$ 3,143,069
Less: Accumulated depreciation	99,371	29,232	10,761	117,842
Net Capital Assets	<u>\$ 2,165,342</u>	<u>\$ 859,885</u>	<u>\$ -</u>	<u>\$ 3,025,227</u>

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

**Notes to Financial Statements
December 31, 2010 and 2009**

6. Changes in Capital Asset (Continued)

A summary of activity for 2009 follows:

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

7. Long-Term Obligations

Long-term Debt – Water

The following are water debt issues outstanding:

	Date of Issuance	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/10
<u>Water Utility</u>					
2010 Mortgage revenue bonds	9/7/2010	10/1/2015	2%	\$ 1,215,000	\$ 1,215,000
2010 GO Promissory Note	2/9/2010	12/1/2016	1.2%-2.7%	428,343	371,006
			Total Water Utility		<u>\$ 1,586,006</u>

Water debt service requirements to maturity follows:

Year	Water Totals		
	Principal	Interest	Total
2011	\$ 290,710	\$ 33,134	\$ 323,844
2012	300,710	26,186	326,896
2013	300,710	20,536	321,246
2014	310,710	14,643	325,353
2015	319,083	8,368	327,451
2016	64,083	1,730	65,813
Totals	<u>\$ 1,586,006</u>	<u>\$ 104,597</u>	<u>\$ 1,690,603</u>

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

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

**Notes to Financial Statements
December 31, 2010 and 2009**

7. Long-Term Obligations (Continued)

Long-term Debt – Wastewater

The following wastewater debt issues are outstanding:

	<u>Date of Issuance</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12-31-10</u>
<u>Wastewater Utility</u>					
1996 Clean Water fund loan	7/24/1996	5/1/2016	3.08%	\$ 1,563,900	\$ 595,912
2009 Clean Water Fund Loan	12/9/2009	5/1/2029	2.91%	784,109	784,109
2010 Revenue Bonds	2/9/2010	5/1/2016	2.0%-3.25%	1,230,000	1,230,000
2010 Promissory Note	2/9/2010	12/1/2016	1.2%-2.7%	206,657	178,994
Capital Lease	12/1/2005	1/1/2017	3.90%	39,721	30,606
			Total Wastewater Utility		\$ 2,819,621

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

<u>Year</u>	Wastewater Totals		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 347,721	\$ 70,120	\$ 417,841
2012	351,469	63,272	414,741
2013	360,331	54,991	415,322
2014	374,310	45,799	420,109
2015	380,038	35,246	415,284
2016-2020	550,531	82,173	632,704
2021-2025	222,318	45,978	268,296
2026-2029	202,297	11,985	214,282
	<u>\$ 2,789,015</u>	<u>\$ 409,564</u>	<u>\$ 3,198,579</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,524	\$ 1,156	\$ 4,680
2012	4,001	1,015	5,016
2013	4,520	854	5,374
2014	5,085	673	5,758
2015	5,703	469	6,172
2016-2017	7,773	269	8,042
Total	<u>\$ 30,606</u>	<u>\$ 4,436</u>	<u>\$ 35,042</u>

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

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

**Notes to Financial Statements
December 31, 2010 and 2009**

7. Long-Term Obligations (Continued)

Long-Term Obligations Summary – Water

Long term debt activity for the year ended December 31, 2010 for the water is as follows:

	Balance 1/01/2010	Additions	Reductions	Balance 12/31/2010	Due Within One Year
Revenue Bonds and GO	\$ 2,089,370	\$ 1,643,343	\$ 2,146,707	\$ 1,586,006	\$ 290,710
Refundings - Gains/(Losses)	(18,638)		(18,638)	-	-
Vested Compensated Absences	46,371	6,745		53,116	-
Total Other Liabilities	<u>\$ 2,117,103</u>	<u>\$ 1,650,088</u>	<u>\$ 2,128,069</u>	<u>\$ 1,639,122</u>	<u>\$ 290,710</u>

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

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

Long-Term Obligations Summary – Wastewater

Long-term debt activity for the year ended December 31, 2010 for the wastewater utility is as follows:

	Balance 1/01/2010	Additions	Reductions	Balance 12/31/2010	Due Within One Year
Revenue Bonds and GO	\$ 2,499,860	\$ 2,170,766	\$ 1,881,611	\$ 2,789,015	\$ 347,721
Capital Lease	33,696		3,090	30,606	3,524
Vested compensated Absences	48,366	4,427	-	52,793	-
Total Other Liabilities	<u>\$ 2,581,922</u>	<u>\$ 2,175,193</u>	<u>\$ 1,884,701</u>	<u>\$ 2,872,414</u>	<u>\$ 351,245</u>

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

**Notes to Financial Statements
December 31, 2010 and 2009**

7. Long-Term Obligations (Continued)

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

	Balance 1/01/2009	Additions	Reductions	Balance 12/31/2009	Due Within One Year
Revenue Bonds	\$ 2,772,226	\$ -	\$ 272,366	\$ 2,499,860	\$ 304,741
Capital Lease	36,387		2,691	33,696	3,090
Vested Compensated Absences	53,046	-	4,680	48,366	-
Total Other Liabilities	<u>\$ 2,861,659</u>	<u>\$ -</u>	<u>\$ 279,737</u>	<u>\$ 2,581,922</u>	<u>\$ 307,831</u>

Bond Covenant Disclosures

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

Insurance

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

The utilities are covered under the following insurance policies at December 31, 2010:

Type	Coverage	
R&R Insurance Services, Inc.		
General Liability	\$ 3,000,000	BI & PD
Automobile	3,000,000	BI & PD
Workers Compensation	2,000,000	
Law Enforcement	3,000,000	
Public Officials	3,000,000	
Motor Vehicle Comprehensive –		
Replacement Cost	5,193,091	
Motor Vehicle Collision	5,193,091	
Uninsured Motorist	100,000/ 300,000	
Prior Acts	3,000,000	
Prior Errors & Omission	3,000,000	
Local Government Insurance Fund		
Building/Personal Property/Inland Marine	59,829,732	
Contractors Equipment	2,199,222	
Monies and Securities	10,000	
Employee Tools	42,321	

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

**Notes to Financial Statements
December 31, 2010 and 2009**

7. Long-Term Obligations (Continued)

Debt Coverage – Water

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

	2010	2009
Operating revenues	\$ 1,413,226	\$ 1,383,801
Investment income	14,336	12,324
Less: Operation and maintenance expenses	(907,979)	(894,799)
 Net Defined Earnings	 \$ 519,583	 \$ 501,326
 Minimum Required Earnings per Resolution:		
Highest annual debt services	\$ 260,100	\$ 331,980
Coverage factor	1.20	1.20
 Minimum Required Earnings	 \$ 312,120	 \$ 398,376

Debt Coverage – Wastewater

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

	2010	2009
Operating revenues	\$ 1,922,048	\$ 1,723,087
Investment income	18,446	49,839
Connection fees	18,240	122,952
Less: Operation and maintenance expenses	(1,230,020)	(1,262,456)
 Net Defined Earnings	 \$ 728,714	 \$ 633,422
 Minimum Required Earnings per Resolution:		
Highest annual debt services	388,627	381,296
Coverage factor	1.20	1.20
 Minimum Required Earnings	 \$ 466,352	 \$ 457,555

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

**Notes to Financial Statements
December 31, 2010 and 2009**

7. Long-Term Obligations (Continued)

Number of Customers – Water

The utility has the following number of customers and billed volumes for 2010 and 2009:

	Customers		Sales (000 gals)	
	2010	2009	2010	2009
Residential	3,116	3,103	124,534	116,330
Commercial	382	381	82,538	91,781
Industrial	40	40	240,004	275,441
Public Authority	101	102	78,427	63,853
Totals	<u>3,639</u>	<u>3,626</u>	<u>525,503</u>	<u>547,405</u>

Number of Customers – Wastewater

The utility has the following number of customers and billed volumes for 2010 and 2009:

	Customers		Sales (000 gals)	
	2010	2009	2010	2009
Residential	3,116	3,103	118,429	108,486
Commercial	382	381	80,283	82,457
Industrial	40	40	18,648	15,125
Public Authority	101	102	72,826	54,815
Totals	<u>3,639</u>	<u>3,626</u>	<u>290,186</u>	<u>260,883</u>

8. Net Assets

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

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

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

**Notes to Financial Statements
December 31, 2010 and 2009**

8. Net Assets (Continued)

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

Unrestricted net assets – The component of net asset consist of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

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

	2010	2009
Water Utility		
Capital Assets net of depreciation	\$ 11,754,384	\$ 11,286,325
Less: related long-term debt outstanding	(1,586,006)	(2,089,370)
Total Invested in Capital Assets	10,168,378	9,196,955
Unamortized loss on advancing refunding	-	18,368
Unamortized debt issuance costs	25,536	17,364
Sub-Total	25,536	35,732
Reserve from borrowing	121,500	331,980
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 10,315,414	\$ 9,564,667

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

	2010	2009
Wastewater Utility		
Capital Assets net of depreciation	\$ 17,395,071	\$ 13,998,887
Less: related long-term debt outstanding	(2,819,621)	(2,533,556)
Total Invested in Capital Assets	14,575,450	11,465,331
Unamortized debt issuance costs	20,931	28,582
Sub-Total	20,931	28,582
Reserve from borrowing	123,000	269,120
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 14,719,381	\$ 11,763,033

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

**Notes to Financial Statements
December 31, 2010 and 2009**

8. Net Assets (Continued)

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

	2010	2009
Stormwater Utility		
Capital Assets net of depreciation	\$ 3,017,957	\$ 2,165,342
Total Invested in Capital Assets	3,017,957	2,165,342
 Total Net Assets Invested in Capital Assets, Net of Related Debt	 \$ 3,017,957	 \$ 2,165,342

9. Employees Retirement System

All eligible employees of the utilities participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.0% and 5.6% of their salary to the plan in 2010 and 2009, respectively. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits. Covered payroll listed below is substantially the same as total payroll.

Water Utility

	Year Ended December 31		
	2010	2009	2008
Total Covered Employee Payroll	\$ 322,339	\$ 321,903	\$ 325,113
Total Required Contributions	\$ 38,381	\$ 33,156	\$ 34,363
Total Required Contribution %	11.9%	10.3%	10.6%

Wastewater Utility

	Year Ended December 31		
	2010	2009	2008
Total Covered Employee Payroll	\$ 513,481	\$ 507,974	\$ 540,950
Total Required Contributions	\$ 53,275	\$ 52,321	\$ 56,739
Total Required Contribution %	10.4%	10.3%	10.5%

Stormwater Utility

	Year Ended December 31		
	2010	2009	2008
Total Covered Employee Payroll	\$ 142,330	\$ 124,479	\$ 106,927
Total Required Contributions	\$ 14,785	\$ 12,821	\$ 11,334
Total Required Contribution %	10.4%	10.3%	10.6%

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

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

**Notes to Financial Statements
December 31, 2010 and 2009**

10. Significant Customers

Water Utility

The utility has one significant customer who was responsible for approximately 17% of operating revenues.

12. Commitments and Contingencies

Sewer Upgrade

The City is in the process of a sewer upgrade. Total costs are anticipated to be \$5,560,000. Of this half is anticipated to be funded through a clean water fund loan borrowing and half through grants. Through 2010, the City has accrued approximately \$4.4 million in costs. A clean water fund loan draw of \$784,109 was made. The remaining amounts were paid in grants. The City anticipates completing the remainder of the project in 2011.

Water Meter Replacement Project

The water utility is undergoing an automated meter reading upgrade. The total costs are anticipated to be \$750,000. The utility accrued approximately \$482,000 in costs to date.

SUPPLEMENTAL INFORMATION

Whitewater Municipal Water Utility

**Water Utility Plant
December 31, 2010**

	Balance 1/01/2010	Additions	Retirements	Balance 12/31/2010
Source of Supply				
Land and land rights	\$ 3,603	\$ -	\$ -	\$ 3,603
Structures and improvements	30,984	-	-	30,984
Wells and springs	585,549	-	-	585,549
Supply mains	17,029	-	-	17,029
Total Source of Supply	<u>637,165</u>	<u>-</u>	<u>-</u>	<u>637,165</u>
Pumping				
Structures and improvements	463,697	-	-	463,697
Electric pumping equipment	659,052	-	-	659,052
Diesel pumping equipment	51,851	-	-	51,851
Other pumping equipment	11,327	-	-	11,327
Total Pumping	<u>1,185,927</u>	<u>-</u>	<u>-</u>	<u>1,185,927</u>
Water Treatment				
Structures and improvements	370,874	-	-	370,874
Water treatment equipment	1,087,868	-	-	1,087,868
Total Water Treatment	<u>1,458,742</u>	<u>-</u>	<u>-</u>	<u>1,458,742</u>
Transmission and Distribution				
Land and land rights	898	-	-	898
Distribution reservoirs and standpipes	504,482	-	-	504,482
Transmission and distribution mains	8,944,568	377,769	3,880	9,318,457
Services	1,258,021	15,046	420	1,272,647
Meters	351,863	10,811	-	362,674
Hydrants	977,047	32,640	300	1,009,387
Total Transmission and Distribution	<u>12,036,879</u>	<u>436,266</u>	<u>4,600</u>	<u>12,468,545</u>
General				
Land and land rights	2,226	-	-	2,226
Structures and improvements	92,182	-	-	92,182
Office furniture and equipment	19,334	-	-	19,334
Computer equipment	54,246	-	-	54,246
Transportation equipment	79,449	-	-	79,449
Stores equipment	392	-	-	392
Tools, shop and garage equipment	21,511	11,734	-	33,245
Laboratory equipment	1,371	-	-	1,371
Power-operated equipment	37,187	-	-	37,187
Communication equipment	15,082	-	-	15,082
SCADA equipment	79,700	-	-	79,700
Miscellaneous equipment	5,465	-	-	5,465
Total General	<u>408,145</u>	<u>11,734</u>	<u>-</u>	<u>419,879</u>
Construction Work In Progress	<u>-</u>	<u>482,449</u>	<u>-</u>	<u>482,449</u>
Total Water Utility Plant	<u>\$ 15,726,858</u>	<u>\$ 930,449</u>	<u>\$ 4,600</u>	<u>\$ 16,652,707</u>

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

December 31, 2010 and 2009

	Water	
	2010	2009
Utility Plant in Service (excluding contributed plant)		
Beginning of year	\$ 7,875,893	\$ 7,862,518
End of year	7,896,303	7,875,893
Average	7,886,098	7,869,206
Accumulated Depreciation		
Beginning of year	(2,461,073)	(2,277,119)
End of year	(2,651,493)	(2,461,073)
Average	(2,556,283)	(2,369,096)
Materials and Supplies		
Beginning of year	11,170	13,014
End of year	10,407	11,170
Average	10,789	12,092
Regulatory Liability		
Beginning of year	(713,878)	(764,870)
End of year	(662,888)	(713,878)
Average	(688,383)	(739,374)
Average Net Rate Base	\$ 4,652,221	\$ 4,772,828
Operating Income - Regulatory Basis	\$ 102,057	\$ 95,268
Rate of Return (Percent)	2.19%	2.00%

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

Whitewater Municipal Wastewater Utility

**Wastewater Utility Plant
December 31, 2010**

	<u>Balance 1/01/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2010</u>
Collecting System				
Lift stations	\$ 1,033,896	\$ 2,751	\$ -	\$ 1,036,647
Collecting mains	7,778,327	232,685	2,802	8,008,210
Interceptor mains	2,773,904	-	-	2,773,904
Force mains	115,800	-	-	115,800
Total Collecting System	<u>11,701,927</u>	<u>235,436</u>	<u>2,802</u>	<u>11,934,561</u>
Treatment and Disposal				
Land and improvements	168,179	-	-	168,179
Structures and improvements	7,293,097	1,034	-	7,294,131
Preliminary treatment equipment	1,363,885	2,849	-	1,366,734
Primary treatment equipment	313,958	-	-	313,958
Secondary treatment equipment	4,789,937	18,910	-	4,808,847
Advanced treatment equipment	955,910	-	-	955,910
Chlorination equipment	87,875	-	-	87,875
Sludge treatment and disposal equipment	2,983,263	-	-	2,983,263
Plant site piping	1,738,740	-	-	1,738,740
Flow metering and monitoring equipment	48,350	3,309	-	51,659
Flow metering and monitoring equipment	232,936	-	-	232,936
Flow metering and monitoring equipment	54,093	-	-	54,093
Total Treatment and Disposal	<u>20,030,223</u>	<u>26,102</u>	<u>-</u>	<u>20,056,325</u>
General				
Structures and improvements	61,637	-	-	61,637
Office furniture and equipment	62,557	-	-	62,557
Computer equipment	57,898	-	-	57,898
Transportation equipment	190,943	-	-	190,943
Communication equipment	186,132	-	-	186,132
Other general equipment	228,704	2,147	-	230,851
Total General	<u>787,871</u>	<u>2,147</u>	<u>-</u>	<u>790,018</u>
Construction Work In Progress	<u>409,065</u>	<u>4,001,114</u>	<u>-</u>	<u>4,410,179</u>
Total Wastewater Utility Plant	<u>\$ 32,929,086</u>	<u>\$ 4,264,799</u>	<u>\$ 2,802</u>	<u>\$ 37,191,083</u>