



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, 2012 and 2011

Quality service through our commitment to clients and staff.

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

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December 31, 2012 and 2011

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

April 18, 2013

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

We have audited the accompanying financial statements of the Whitewater Municipal Water, Wastewater, and Stormwater Utilities, enterprise funds of the City of Whitewater, Wisconsin, as of the years ended December 31, 2012 and 2011, which collectively comprise the utilities' basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Whitewater Municipal Water, Wastewater, and Stormwater Utilities, enterprise funds of the City of Whitewater, Wisconsin, as of the years ended December 31, 2012 and 2011, and the respective



changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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.

New Accounting Policy

As discussed in Note 1 to the financial statements, in 2012, the Whitewater Municipal Water, Wastewater, and Stormwater Utilities adopted new accounting guidance. Our opinion is not modified with respect to this matter.

Report on Required Supplementary Information

Whitewater Municipal Water, Wastewater, and Stormwater Utilities has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 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.

Report on Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Whitewater Municipal Water, Wastewater, and Stormwater Utilities of the City of Whitewater, Wisconsin's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 Position
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 952,426	\$ 37,920
Receivables		
Accounts	143,491	176,507
Interest	4,480	4,480
Due from Other Funds	28,295	88,049
Inventories	12,356	11,591
Total Current Assets	1,141,048	318,547
Restricted:		
Restricted Cash	435,789	873,648
Total Restricted Assets	435,789	873,648
Capital Assets:		
Land and Improvements	17,368,220	16,840,266
Less Accumulated Depreciation	(5,273,099)	(4,897,879)
Net Capital Assets	12,095,121	11,942,387
Noncurrent Assets:		
Unamortized Debt Discount	-	42,474
Special Assessments	1,901	2,376
Total Noncurrent Assets	1,901	44,850
Total Assets	\$ 13,673,859	\$ 13,179,432

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Net Position
December 31, 2012 and 2011

	2012	2011
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 33,536	\$ 6,957
Accrued Liabilities	5,426	8,230
Accrued Interest Payable	11,208	12,679
Due to Other Funds	16,128	269,819
Compensated Absences	22,523	24,219
Current Portion of Long-Term Debt:	400,710	350,710
Total Current Liabilities	489,531	672,614
Non-Current Liabilities:		
Long-Term Debt		
Notes and Bonds Payable	2,338,876	1,884,586
Total Long-Term Debt	2,338,876	1,884,586
Other Liabilities		
Compensated Absences	50,259	56,210
Total Other Liabilities	50,259	56,210
Total Non-Current Liabilities	2,389,135	1,940,796
Total Liabilities	2,878,666	2,613,410
NET POSITION		
Net Investment in Capital Assets	9,621,587	9,954,217
Restricted	158,529	245,249
Unrestricted	1,015,077	366,556
Total Net Postion	10,795,193	10,566,022
Total Liabilities and Position	\$ 13,673,859	\$ 13,179,432

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Revenues, Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Charges for Services	\$ 1,885,641	\$ 1,429,490
Total Operating Revenues	1,885,641	1,429,490
OPERATING EXPENSES		
Operation and Maintenance	907,403	1,052,300
Depreciation	375,521	363,677
Total Operating Expenses	1,282,924	1,415,977
Operating Income (Loss)	602,717	13,513
NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	2,025	7,075
Miscellaneous Non-Operating Revenue	730	53,920
Interest Expense	(60,528)	(47,463)
Amortization Expense	-	(5,987)
Total Non-Operating Revenue (Expenses)	(57,773)	7,545
Income (Loss) Before Contributions and Transfers	544,944	21,058
Capital Contributions	3,675	126,567
Transfers Out (Tax Equivalent)	(276,974)	(260,437)
Change in Net Position	271,645	(112,812)
Total Net Position - Beginning (Restated)	10,523,548	10,678,834
Total Net Position - Ending	\$ 10,795,193	\$ 10,566,022

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 1,918,657	\$ 1,560,752
Payments to suppliers	(615,228)	(769,877)
Payments to employees	(427,471)	(449,786)
Taxes paid	(276,974)	(260,437)
Net cash provided (used) by operating activities	598,984	80,652
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Proceeds of special assessments	475	476
Acquisition and construction of plant assets	(567,128)	(340,737)
Proceeds of debt	855,000	940,000
Principal payments on long-term debt	(350,710)	(290,710)
Interest paid	(61,999)	(42,270)
Net cash provided (used) by capital and related financing activities	(124,362)	266,759
<u>Cash Flows From Investing Activities:</u>		
Interest on investments	2,025	7,075
Purchase of non-cash equivalents	-	(30,000)
Sale of non-cash equivalents	-	100,000
Net cash provided from investing activities	2,025	77,075
Net increase (decrease) in cash and equivalents	476,647	424,486
Cash and equivalents - beginning of year	881,568	457,082
Cash and equivalents - end of year	\$ 1,358,215	\$ 881,568
<u>Noncash Capital and Related Financing Activities:</u>		
Plant additions financed through accounts payable	\$ -	\$ -
Developer financed additions to utility plant	\$ 3,675	\$ 126,567

See accompanying notes to the basic financial statements.

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	2012	2011
Operating income	\$ 602,717	\$ 13,513
Prior period adjustment	(42,474)	-
Joint meter	21,274	15,624
Cash Provided by Operating Activities:		
Amortization	42,474	(22,925)
Depreciation	396,795	363,677
Transfer out (tax equivalent)	(276,974)	(260,437)
Changes in Assets and Liabilities:		
Customer accounts receivable	33,016	131,262
Due from/to other funds	(193,937)	271,693
Material & supplies	(765)	(1,184)
Other	730	53,920
Accounts payable	26,579	(487,148)
Accrued liabilities	(10,451)	2,657
Net cash provided (used) by operating activities	\$ 598,984	\$ 80,652
Reconciliation of cash and cash equivalents to statements of net assets accounts		
Cash and cash equivalents	\$ 952,426	\$ 37,920
Restricted Cash	435,789	873,648
Total cash and investments	1,388,215	911,568
Less: Noncash equivalents	(30,000)	(30,000)
Cash and Cash Equivalents	\$ 1,358,215	\$ 881,568

See accompanying notes to the basic financial statements.

WASTEWATER UTILITY

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Net Position
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,311,831	\$ 312,511
Receivables		
Accounts	228,852	249,302
Interest	1,559	1,559
Due from Other Funds	-	241,224
Total Current Assets	1,542,242	804,596
Restricted:		
Restricted Cash and Cash Equivalents	2,658,621	2,099,623
Total Restricted Assets	2,658,621	2,099,623
Capital Assets:		
Land and Improvements	39,716,958	38,393,487
Less Accumulated Depreciation	(21,657,067)	(20,673,020)
Net Capital Assets	18,059,891	17,720,467
Noncurrent Assets		
Unamortized Debt Discount	-	17,442
Total Noncurrent Assets	-	17,442
Total Assets	\$ 22,260,754	\$ 20,642,128

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Net Position
December 31, 2012 and 2011

	2012	2011
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 9,552	\$ 8,537
Accrued Liabilities	16,497	17,872
Accrued Interest Payable	20,950	19,435
Due to Other Funds	29,130	90,106
Compensated Absences	32,953	37,121
Current Portion of Long-Term Debt	565,432	432,566
Total Current Liabilities	674,514	605,637
Non-Current Liabilities:		
Long-Term Debt		
Capital Lease Obligation	18,561	23,081
Compensated Absences	42,834	52,039
Notes Payable	91,124	120,414
Bonds and Loans Payable	5,361,307	3,692,363
Total Long-Term Debt	5,513,826	3,887,897
Total Liabilities	6,188,340	4,493,534
NET POSITION		
Net Investment in Capital Assets	12,269,547	13,615,566
Restricted	2,384,671	1,957,188
Unrestricted	1,418,196	575,840
Total Net Position	16,072,414	16,148,594
Total Liabilities and Net Position	\$ 22,260,754	\$ 20,642,128

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Revenues, Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Charges for Services	\$ 2,296,128	\$ 2,175,391
Total Operating Revenues	2,296,128	2,175,391
OPERATING EXPENSES		
Operation and Maintenance	1,259,724	1,363,527
Depreciation	1,031,168	898,479
Total Operating Expenses	2,290,892	2,262,006
Operating Income (Loss)	5,236	(86,615)
NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	6,278	14,463
Miscellaneous Non-Operating Revenue	36,205	9,595
Interest Expense	(133,343)	(104,346)
Amortization Expense	-	(9,489)
Total Non-Operating Revenue (Expenses)	(90,860)	(89,777)
Income (Loss) Before Contributions and Transfers	(85,624)	(176,392)
Capital Contributions	26,886	41,496
Capital Grants	-	70,342
Change in Net Position	(58,738)	(64,554)
Total Net Position - Beginning (Restated)	16,131,152	16,213,148
Total Net Position - Ending	\$ 16,072,414	\$ 16,148,594

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 2,316,578	\$ 2,444,589
Payments to suppliers	(320,038)	(1,187,364)
Payments to employees	(758,242)	(818,126)
Net cash provided (used) by operating activities	1,238,298	439,099
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of plant assets	(1,349,318)	(1,208,251)
Proceeds of debt	2,200,566	1,833,909
Principal payments on long-term debt	(432,566)	(385,107)
Interest paid	(131,828)	(96,743)
Capital grants	26,888	111,840
Net cash provided (used) by capital and related financing activities	313,742	255,648
<u>Cash Flows From Investing Activities:</u>		
Interest on investments	6,278	14,463
Purchase of non-cash equivalents	-	(290,250)
Sale of non-cash equivalents	-	600,953
Net cash provided (used) by investing activities	6,278	325,166
Net increase (decrease) in cash and equivalents	1,558,318	1,019,913
Cash and equivalents - beginning of year	2,121,884	1,101,971
Cash and equivalents - end of year	\$ 3,680,202	\$ 2,121,884

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	2012	2011
Operating income (loss)	\$ 5,236	\$ (86,615)
Prior period adjustment	(17,442)	-
Joint meter	(21,274)	(15,624)
Cash Provided by Operating Activities:		
Amortization	17,442	(6,000)
Depreciation	1,031,168	898,479
Changes in Assets and Liabilities:		
Customer accounts receivable	20,450	269,198
Due from/to other funds	180,248	(210,928)
Other assets	36,203	9,595
Accounts payable	1,015	(423,729)
Accrued liabilities	(14,748)	4,723
Net cash provided (used) by operating activities	\$ 1,238,298	\$ 439,099

Reconciliation of cash and cash equivalents to statements of net assets accounts

Cash and cash equivalents	\$ 1,311,831	\$ 312,511
Restricted Cash	2,658,621	2,099,623
Total cash and investments	3,970,452	2,412,134
Less: Noncash equivalents	(290,250)	(290,250)
Cash and Cash Equivalents	\$ 3,680,202	\$ 2,121,884

See accompanying notes to the financial statements.

STORMWATER UTILITY

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statements of Net Position
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 232,986	\$ 185,762
Receivables		
Accounts	23,432	33,510
Total Current Assets	256,418	219,272
Capital Assets:		
Utility Plant	3,569,449	3,274,910
Less Accumulated Depreciation	(201,111)	(167,008)
Net Capital Assets	3,368,338	3,107,902
Total Assets	\$ 3,624,756	\$ 3,327,174

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statements of Net Position
December 31, 2012 and 2011

	2012	2011
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 5,462	\$ 1,205
Accrued Liabilities	400	-
Due to Other Funds	1,012	809
Compensated Absences	8,028	8,569
Total Current Liabilities	14,902	10,583
Non-Current Liabilities:		
Compensated Absences	15,581	18,454
Notes Payable	455,000	227,000
Total Other Liabilities	470,581	245,454
Total Liabilities	485,483	256,037
NET POSITION		
Net Investment in Capital Assets	2,913,338	3,107,902
Unrestricted	225,935	(36,765)
Total Net Position	3,139,273	3,071,137
Total Liabilities and Net Position	\$ 3,624,756	\$ 3,327,174

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statement of Revenues, Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Charges for Services	\$ 333,574	\$ 335,071
Total Operating Revenues	333,574	335,071
OPERATING EXPENSES		
Operation and Maintenance	256,249	263,652
Depreciation	46,199	43,321
Total Operating Expenses	302,448	306,973
Operating Income (Loss)	31,126	28,098
NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	-	96
Miscellaneous Revenues	690	-
Interest Expense	(1,131)	-
Total Non-Operating Revenue (Expenses)	(441)	96
Income (Loss) Before Contributions and Transfers	30,685	28,194
Capital Contributions transferred in from City	56,451	3,495
Transfers Out	(19,000)	(19,000)
Change in Net Position	68,136	12,689
Total Net Position - Beginning	3,071,137	3,058,448
Total Net Position - Ending	\$ 3,139,273	\$ 3,071,137

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 343,652	\$ 371,901
Payments to suppliers	(94,288)	(125,894)
Payments to employees	(178,825)	(180,551)
Net cash provided (used) by operating activities	70,539	65,456
 <u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of plant assets	(250,184)	(129,771)
Proceeds of debt	228,000	227,000
Interest paid	(1,131)	-
Net cash provided for (used by) for capital and related financing activities	(23,315)	97,229
 <u>Cash Flows From Investing Activities:</u>		
Interest on investments	-	97
Net cash provided from investing activities	-	97
Net increase (decrease) in cash and equivalents	47,224	162,782
Cash and equivalents - beginning of year	185,762	22,980
Cash and equivalents - end of year	\$ 232,986	\$ 185,762
 <u>Noncash capital and related Financing Activities:</u>		
City financed additions to utility plant	\$ 56,451	\$ 3,495

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	2012	2011
Operating income (loss)	\$ 31,126	\$ 28,098
Adjustments to Reconcile Operating Income (Loss) to Net Assets		
Cash Provided by Operating Activities:		
Miscellaneous	690	-
Depreciation	46,199	43,321
Transfer out	(19,000)	(19,000)
Changes in Assets and Liabilities:		
Customer accounts receivable	10,078	36,826
Due from/to other funds	203	(18,135)
Accounts payable	4,257	(3,867)
Accrued liabilities	(3,014)	(1,787)
Net cash provided for (used by) by operating activities	\$ 70,539	\$ 65,456
Reconciliation of cash and cash equivalents to statements of net assets accounts		
Cash and cash equivalents	\$ 232,986	\$ 185,762
Total cash and investments	232,986	185,762
Cash and Cash Equivalents	\$ 232,986	\$ 185,762

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

Notes to Financial Statements December 31, 2012 and 2011

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, 2012 and 2011**

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

New Accounting Pronouncements

Effective January 1, 2012, the utilities implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, introduced and defined in GASB Concepts Statement No. 4. This Statement amends the net assets reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Effective January 1, 2012, the utilities also implemented GASB Statement No. 65, *Reporting Items Previously Recognized as Assets and Liabilities*. GASB Statement No. 65 defines deferred outflows and deferred inflows of resources, which are to be separated from assets and liabilities under GASB 63. The financial statement effect of implementing these standards resulted in a restatement of net position. See Note 11.

WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

Notes to Financial Statements December 31, 2012 and 2011

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) 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 Board, 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 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.

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

**Notes to Financial Statements
December 31, 2012 and 2011**

C. Assets, Liabilities and Net Assets (Continued)

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.

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.

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

**Notes to Financial Statements
December 31, 2012 and 2011**

C. Assets, Liabilities and Net Assets (Continued)

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.

8) Long-Term Obligations

Long-term debt and other obligations are reported as utility liabilities. Bond premiums and discounts 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.

WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

Notes to Financial Statements December 31, 2012 and 2011

C. Assets, Liabilities and Net Assets (Continued)

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 November 23, 2011.

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, 2012 and 2011**

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 (SDGF) 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, 2012 and 2011, the fair value of the LGIP's assets were substantially equal to the utilities' share. The City utilities did not participate in the LGIP in 2012.

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. The City utilities did not participate in the CLASS investment in 2012.

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, 2012 and 2011**

2. Deposits and Investments (Continued)

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

	2012	2011
	Carrying Value	Carrying Value
Deposits in local financial institutions	\$ 5,591,653	\$ 3,182,648
Deposits exposed to custodial credit risk	\$ 5,591,653	\$ 3,182,648

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 rated AAAM by Standard and Poors.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The LGIP investments had an average maturity of no more than 97 days in 2011. The CLASS-Wisconsin investment has 6.4% of its investments in US government agencies, 5.0% in U.S. Treasury securities, 35.5% in repurchase agreements, and 53.1% in commercial paper in 2011. The utilities' investment policy does not address this risk.

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

**Notes to Financial Statements
December 31, 2012 and 2011**

2. Deposits and Investments (Continued)

Reconciliation to the Financial Statements

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

	2012	2011
Carrying value of deposits	\$ 5,591,653	\$ 3,182,648
Carrying value of investments	-	326,816
	\$ 5,591,653	\$ 3,509,464
Cash and cash equivalents water	\$ 952,426	\$ 37,920
Cash and cash equivalents wastewater	1,311,831	312,511
Restricted cash water	435,789	873,648
Restricted cash wastewater	2,658,621	2,099,623
Cash and cash equivalents stormwater	232,986	185,762
	\$ 5,591,653	\$ 3,509,464

3. Interfund Receivables/Payables and Transfers

The following is a schedule of interfund balances for the years ending December 31, 2012 and 2011:

		2012		2011	
Due To	Due From	Amount	Principal Purpose	Amount	Principal Purpose
Water	Wastewater	\$ 27,630	General operations	\$ 37,396	General operations
Water	Wastewater	\$ -	Joint metering	\$ 49,999	Joint metering
Municipality	Water	\$ 16,128	General operations	\$ 28,594	General operations
Wastewater	Water	\$ -	General operations	\$ 241,224	General operations
Municipality	Wastewater	\$ 1,500	General operations	\$ 2,711	General operations
Municipality	Stormwater	\$ 1,012	Operations equipment	\$ 809	General operations

The following is a schedule of transfer balances for the years ending December 31, 2012 and 2011:

		2012		2011	
Transfer to	Transfer from	Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water	\$ 276,974	Tax equivalent	\$ 260,437	Tax equivalent
Municipality	Stormwater	\$ 19,000	Operations equipment	\$ 19,000	General operations
Stormwater	Municipality	\$ 56,451	Capital contributions	\$ 3,495	Capital contributions

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

**Notes to Financial Statements
December 31, 2012 and 2011**

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.

Restricted Net Position

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

	2012	2011
Restricted Assets		
Redemption account	\$ 169,737	\$ 257,928
Reserve account	266,052	204,652
Construction account	-	411,068
Total Restricted Assets	435,789	873,648
Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	(266,052)	(204,652)
Construction reserve from borrowing	-	(411,068)
	(266,052)	(615,720)
Current Liabilities Payable From Restricted Assets	(11,208)	(12,679)
Total Restricted Net Position as Calculated	\$ 158,529	\$ 245,249

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

**Notes to Financial Statements
December 31, 2012 and 2011**

4. Restricted Assets (Continued)

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

	<u>2012</u>	<u>2011</u>
Restricted Assets		
Redemption account	\$ 344,242	\$ 34,096
Reserve account	223,000	123,000
Depreciation account	25,000	25,000
Connection account	276,568	284,077
Replacement account	<u>1,759,811</u>	<u>1,633,450</u>
Total Restricted Assets	<u>2,628,621</u>	<u>2,099,623</u>
 Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	<u>(223,000)</u>	<u>(123,000)</u>
 Current Liabilities Payable From Restricted Assets	<u>(20,950)</u>	<u>(19,435)</u>
 Total Restricted Net Position as Calculated	<u><u>\$ 2,384,671</u></u>	<u><u>\$ 1,957,188</u></u>

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

**Notes to Financial Statements
December 31, 2012 and 2011**

5. Changes in Capital Assets

Water Utility

A summary of changes in water capital assets for 2012 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Water</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	13,137,654	542,969	21,575	13,659,048
Administrative and general assets	<u>417,653</u>	<u>6,560</u>	<u>-</u>	<u>424,213</u>
Total Capital Assets Being Depreciated	<u>16,833,539</u>	<u>549,529</u>	<u>21,575</u>	<u>17,361,493</u>
Total Capital Assets	<u>16,840,266</u>	<u>549,529</u>	<u>21,575</u>	<u>17,368,220</u>
Less: Accumulated depreciation	<u>4,897,879</u>	<u>396,795</u>	<u>21,575</u>	<u>5,273,099</u>
Net Capital Assets	<u>\$ 11,942,387</u>	<u>\$ 152,734</u>	<u>\$ -</u>	<u>\$ 12,095,121</u>

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

**Notes to Financial Statements
December 31, 2012 and 2011**

5. Changes in Capital Assets (Continued)

A summary of changes in water capital assets for 2011 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
Construction in Progress	482,449	-	482,449	-
Total Capital Assets Not Being Depreciated	<u>489,176</u>	<u>-</u>	<u>482,449</u>	<u>6,727</u>
Capital assets being depreciated				
Source of supply	633,563		-	633,563
Pumping	1,185,927	-	-	1,185,927
Water treatment	1,458,742	-	-	1,458,742
Transmission and distribution	12,467,646	949,753	279,745	13,137,654
Administrative and general assets	417,653	-	-	417,653
Total Capital Assets Being Depreciated	<u>16,163,531</u>	<u>949,753</u>	<u>279,745</u>	<u>16,833,539</u>
Total Capital Assets	<u>16,652,707</u>	<u>949,753</u>	<u>762,194</u>	<u>16,840,266</u>
Less: Accumulated depreciation	<u>4,798,323</u>	<u>379,301</u>	<u>279,745</u>	<u>4,897,879</u>
Net Capital Assets	<u>\$ 11,854,384</u>	<u>\$ 570,452</u>	<u>\$ 482,449</u>	<u>\$ 11,942,387</u>

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

**Notes to Financial Statements
December 31, 2012 and 2011**

5. Changes in Capital Assets (Continued)

Wastewater Utility

A summary of changes in wastewater capital assets for 2012 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	\$ 5,362,796	\$ 574,945	\$ 5,377,199	\$ 560,542
Land and land rights	168,179	-	-	168,179
Total Capital Assets Not Being Depreciated	<u>5,530,975</u>	<u>574,945</u>	<u>5,377,199</u>	<u>728,721</u>
Capital Assets Being Depreciated				
Collection system	12,009,626	701,635	25,847	12,685,414
Treatment and disposal	19,895,458	5,410,080	-	25,305,538
General	957,428	39,857	-	997,285
Total Capital Assets Being Depreciated	<u>32,862,512</u>	<u>6,151,572</u>	<u>25,847</u>	<u>38,988,237</u>
Total Capital Assets	38,393,487	6,726,517	5,403,046	39,716,958
Less: Accumulated Depreciation	<u>20,673,020</u>	<u>1,009,894</u>	<u>25,847</u>	<u>21,657,067</u>
Net Capital Assets	<u>\$ 17,720,467</u>	<u>\$ 5,716,623</u>	<u>\$ 5,377,199</u>	<u>\$ 18,059,891</u>

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

**Notes to Financial Statements
December 31, 2012 and 2011**

5. Changes in Capital Asset (Continued)

A summary of changes in wastewater capital assets for 2011 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Wastewater</u>				
Capital Assets Not Being Depreciated				
Construction in progress	\$ 4,410,179	\$ 952,617	-	\$ 5,362,796
Land and land rights	168,179	-	-	168,179
Total Capital Assets Not Being Depreciated	<u>4,578,358</u>	<u>952,617</u>	<u>-</u>	<u>5,530,975</u>
Capital Assets Being Depreciated				
Collection system	11,934,561	80,913	5,848	12,009,626
Treatment and disposal	19,888,146	7,312	-	19,895,458
General	790,018	167,410	-	957,428
Total Capital Assets Being Depreciated	<u>32,612,725</u>	<u>255,635</u>	<u>5,848</u>	<u>32,862,512</u>
Total Capital Assets	37,191,083	1,208,252	5,848	38,393,487
Less: Accumulated Depreciation	<u>19,796,012</u>	<u>882,856</u>	<u>5,848</u>	<u>20,673,020</u>
Net Capital Assets	<u><u>\$ 17,395,071</u></u>	<u><u>\$ 325,396</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,720,467</u></u>

Stormwater Utility

A summary of changes in stormwater capital assets for 2012 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Stormwater</u>				
Capital Assets Being Depreciated				
Infrastructure	\$ 3,274,910	\$ 306,635	\$ 12,096	\$ 3,569,449
Less: Accumulated depreciation	<u>167,008</u>	<u>46,199</u>	<u>12,096</u>	<u>201,111</u>
Net Capital Assets	<u><u>\$ 3,107,902</u></u>	<u><u>\$ 260,436</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,368,338</u></u>

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

**Notes to Financial Statements
December 31, 2012 and 2011**

5. Changes in Capital Asset (Continued)

A summary of changes in stormwater capital assets for 2011 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Stormwater</u>				
Capital Assets Being Depreciated				
Infrastructure	\$ 3,143,069	\$ 133,267	\$ 1,426	\$ 3,274,910
Less: Accumulated depreciation	<u>125,112</u>	<u>43,322</u>	<u>1,426</u>	<u>167,008</u>
Net Capital Assets	<u><u>\$ 3,017,957</u></u>	<u><u>\$ 89,945</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,107,902</u></u>

6. Long-Term Obligations

Long-term Debt – Water

The following are water debt issues outstanding:

	<u>Date of Issuance</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/12</u>
<u>Water Utility</u>					
2010 Mortgage Revenue Bonds	9/7/2010	10/1/2015	2.0%	\$ 1,215,000	\$ 745,000
2011 Mortgage Revenue Bonds	6/7/2011	10/1/2026	1.6-4.0%	940,000	890,000
2012 Mortgage Revenue Bonds	5/17/2012	10/1/2027	0.85-2.85%	855,000	855,000
2010 GO Promissory Note	2/9/2010	12/1/2016	1.2-2.7%	428,343	249,586
			Total Water Utility		<u><u>\$ 2,739,586</u></u>

Water debt service requirements to maturity are as follows:

<u>Year</u>	Water Totals		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 400,710	\$ 67,292	\$ 468,002
2014	410,710	60,174	470,884
2015	424,083	52,674	476,757
2016	169,083	44,292	213,375
2017	110,000	40,116	150,116
2018-2022	605,000	154,565	759,565
2023-2027	620,000	56,677	676,677
	<u><u>\$ 2,739,586</u></u>	<u><u>\$ 475,790</u></u>	<u><u>\$ 3,215,376</u></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, 2012 and 2011**

6. 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 12/31/12</u>
<u>Wastewater Utility</u>					
1996 Clean Water Fund Loan	7/24/1996	5/1/2016	3.08%	\$ 1,563,900	\$ 409,197
2009 Clean Water Fund Loan	12/9/2009	5/1/2029	2.91%	784,109	2,596,622
2011 Clean Water Fund Loan	7/27/2011	5/1/2031	2.40%	115,954	562,110
2010 Revenue Bonds	2/9/2010	5/1/2016	2.0-3.25%	1,230,000	840,000
2012 Revenue Bonds	5/17/2012	11/1/2027	0.85-2.85%	1,485,000	1,485,000
2010 GO Promissory Note	2/9/2010	12/1/2016	1.2-2.7%	206,657	120,414
Capital Lease	12/1/2005	1/1/2017	3.90%	39,721	23,081
			Total Wastewater Utility		<u>\$ 6,036,424</u>

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

<u>Year</u>	<u>Wastewater Totals</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 560,912	\$ 140,444	\$ 701,356
2014	577,989	127,808	705,797
2015	586,900	113,734	700,634
2016	604,399	97,859	702,258
2017	250,906	86,011	336,917
2018-2022	1,365,412	337,199	1,702,611
2023-2027	1,551,451	160,114	1,711,565
2028-2031	515,374	12,348	527,722
	<u>\$ 6,013,343</u>	<u>\$ 1,075,517</u>	<u>\$ 7,088,860</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>
2013	4,520	854	5,374
2014	5,085	673	5,758
2015	5,703	469	6,172
2016	6,374	241	6,615
2017	1,399	27	1,426
Total	<u>\$ 23,081</u>	<u>\$ 2,264</u>	<u>\$ 25,345</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, 2012 and 2011**

6. Long-Term Obligations (Continued)

Long-term Debt – Stormwater

The following stormwater debt issue is outstanding:

	<u>Date of Issuance</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/12</u>
<u>Stormwater Utility</u>					
2012 GO Refunding Bonds	5/17/2012	9/1/2031	0.85-3.25%	\$ 455,000	\$ 455,000
			Total Stormwater Utility		<u>\$ 455,000</u>

Stormwater debt service requirements to maturity are as follows:

<u>Year</u>	Wastewater Totals		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 13,965	\$ 13,965
2014	-	10,835	10,835
2015	20,000	10,835	30,835
2016	20,000	10,665	30,665
2017	20,000	10,265	30,265
2018-2022	125,000	44,850	169,850
2023-2027	150,000	29,250	179,250
2028-2031	120,000	9,555	129,555
	<u>\$ 455,000</u>	<u>\$ 140,220</u>	<u>\$ 595,220</u>

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

Long-Term Obligations Summary – Water

Long term debt activity for the year ended December 31, 2012 for the water utility is as follows:

	<u>Balance 1/01/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2012</u>	<u>Due Within One Year</u>
Revenue Bonds and GO Notes	\$ 2,235,296	\$ 855,000	\$ 350,710	\$ 2,739,586	\$ 400,710
Vested Compensated Absences	56,210	-	5,951	50,259	-
Total Other Liabilities	<u>\$ 2,291,506</u>	<u>\$ 855,000</u>	<u>\$ 356,661</u>	<u>\$ 2,789,845</u>	<u>\$ 400,710</u>

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

**Notes to Financial Statements
December 31, 2012 and 2011**

6. Long-Term Obligations (Continued)

Long-Term Obligations Summary – Water (Continued)

Long-term debt activity for the year ended December 31, 2011 for the water utility is as follows:

	Balance 1/01/2011	Additions	Reductions	Balance 12/31/2011	Due Within One Year
Revenue Bonds and GO Notes	\$ 1,586,006	\$ 940,000	\$ 290,710	\$ 2,235,296	\$ 350,710
Vested Compensated Absences	53,116	3,094	-	56,210	-
Total Other Liabilities	<u>\$ 1,639,122</u>	<u>\$ 943,094</u>	<u>\$ 290,710</u>	<u>\$ 2,291,506</u>	<u>\$ 350,710</u>

Long-Term Obligations Summary – Wastewater

Long-term debt activity for the year ended December 31, 2012 for the wastewater utility is as follows:

	Balance 1/01/2012	Additions	Reductions	Balance 12/31/2012	Due Within One Year
Revenue Bonds and GO Notes	\$ 4,241,342	\$ 2,200,566	\$ 428,565	\$ 6,013,343	\$ 560,912
Capital Lease	27,082	-	4,001	23,081	4,520
Vested Compensated Absences	52,039	-	9,205	42,834	-
Total Other Liabilities	<u>\$ 4,320,463</u>	<u>\$ 2,200,566</u>	<u>\$ 441,771</u>	<u>\$ 6,079,258</u>	<u>\$ 565,432</u>

Long-term debt activity for the year ended December 31, 2011 for the wastewater utility is as follows:

	Balance 1/01/2011	Additions	Reductions	Balance 12/31/2011	Due Within One Year
Revenue Bonds and GO Notes	\$ 2,789,015	\$ 1,833,909	\$ 381,582	\$ 4,241,342	\$ 428,565
Capital Lease	30,606	-	3,524	27,082	4,001
Vested Compensated Absences	52,793	-	754	52,039	-
Total Other Liabilities	<u>\$ 2,872,414</u>	<u>\$ 1,833,909</u>	<u>\$ 385,860</u>	<u>\$ 4,320,463</u>	<u>\$ 432,566</u>

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

**Notes to Financial Statements
December 31, 2012 and 2011**

6. Long-Term Obligations (Continued)

Long-Term Obligations Summary – Stormwater

Long-term debt activity for the year ended December 31, 2012 for the stormwater utility is as follows:

	Balance 1/01/2012	Additions	Reductions	Balance 12/31/2012	Due Within One Year
GO Refunding Bonds	\$ 227,000	\$ 455,000	\$ 227,000	\$ 455,000	\$ -
Total Other Liabilities	<u>\$ 227,000</u>	<u>\$ 455,000</u>	<u>\$ 227,000</u>	<u>\$ 455,000</u>	<u>\$ -</u>

Long-term debt activity for the year ended December 31, 2011 for the stormwater utility is as follows:

	Balance 1/01/2012	Additions	Reductions	Balance 12/31/2012	Due Within One Year
GO Note	\$ -	\$ 227,000	\$ -	\$ 227,000	\$ -
Total Other Liabilities	<u>\$ -</u>	<u>\$ 227,000</u>	<u>\$ -</u>	<u>\$ 227,000</u>	<u>\$ -</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.

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

**Notes to Financial Statements
December 31, 2012 and 2011**

6. Long-Term Obligations (Continued)

**Bond Covenant Disclosures (Continued)
Insurance (Continued)**

The utilities are covered under the following insurance policies as of December 31, 2012:

Type	Coverage	
Cities and Villages Mutual Insurance		
General Liability	\$ 10,000,000	BI & PD
Automobile	10,000,000	BI & PD
Workers Compensation	Statutory	
Law Enforcement	10,000,000	
Public Officials	10,000,000	
Employment Liability	1,000,000	
Motor Vehicle Comprehensive –		
Replacement Cost	6,316,748	
Motor Vehicle Collision	6,316,748	
Uninsured Motorist	25,000	
Prior Acts	10,000,000	
Prior Errors & Omission	10,000,000	
Local Government Insurance Fund		
Building/Personal Property/Inland Marine	69,753,428	
Contractors Equipment	2,289,663	
Monies and Securities	10,000	
Employee Tools	42,321	

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

**Notes to Financial Statements
December 31, 2012 and 2011**

6. 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:

	2012	2011
Operating revenues	\$ 1,885,641	\$ 1,429,490
Investment income	2,025	7,075
Less: Operation and maintenance expenses	(907,403)	(1,052,300)
 Net Defined Earnings	 \$ 980,263	 \$ 384,265
 Minimum Required Earnings per Resolution:		
Highest annual debt services	\$ 409,406	\$ 341,550
Coverage factor	1.20	1.20
 Minimum Required Earnings	 \$ 491,287	 \$ 409,860

The water utility increased rates late in 2011.

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:

	2012	2011
Operating revenues	\$ 2,296,128	\$ 2,175,391
Investment income	6,277	14,463
Connection fees	25,536	41,496
Less: Operation and maintenance expenses	(1,259,724)	(1,363,527)
 Net Defined Earnings	 \$ 1,068,217	 \$ 867,823
 Minimum Required Earnings per Resolution:		
Highest annual debt services	705,797	516,339
Coverage factor	1.20	1.20
 Minimum Required Earnings	 \$ 846,956	 \$ 619,607

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

**Notes to Financial Statements
December 31, 2012 and 2011**

6. Long-Term Obligations (Continued)

Number of Customers – Water

The utility has the following number of customers and billed volumes for 2012 and 2011:

	Customers		Sales (000 gals)	
	2012	2011	2012	2011
Residential	2,960	2,988	135,987	142,329
Commercial	399	383	88,808	79,303
Industrial	39	36	316,061	207,039
Public Authority	76	77	107,210	86,538
Totals	<u>3,474</u>	<u>3,484</u>	<u>648,066</u>	<u>515,209</u>

Number of Customers – Wastewater

The utility has the following number of customers and billed volumes for 2012 and 2011:

	Customers		Sales (000 gals)	
	2012	2011	2012	2011
Residential	2,901	2,988	121,426	134,129
Commercial	367	383	82,334	77,103
Industrial	30	36	13,217	12,901
Public Authority	64	77	88,576	80,438
Totals	<u>3,362</u>	<u>3,484</u>	<u>305,553</u>	<u>304,571</u>

7. Net Position

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

Net Investment in Capital Assets – This component of net position 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 position component as the unspent proceeds.

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

**Notes to Financial Statements
December 31, 2012 and 2011**

7. Net Position (Continued)

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

Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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 utility net assets invested in capital assets, net of related debt:

	2012	2011
Water Utility		
Capital Assets net of depreciation	\$ 12,095,121	\$ 11,942,387
Less: related long-term debt outstanding	(2,739,586)	(2,235,296)
Total Invested in Capital Assets	9,355,535	9,707,091
Reserve from borrowing	266,052	204,652
Total Net Position - Net Investment in Capital Assets	\$ 9,621,587	\$ 9,954,217

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

	2012	2011
Wastewater Utility		
Capital Assets net of depreciation	\$ 18,059,891	\$ 17,720,467
Less: related long-term debt outstanding	(6,013,344)	(4,245,343)
Total Invested in Capital Assets	12,046,547	13,475,124
Reserve from borrowing	223,000	123,000
Total Net Position - Net Investment in Capital Assets	\$ 12,269,547	\$ 13,615,566

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

**Notes to Financial Statements
December 31, 2012 and 2011**

7. Net Position (Continued)

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

	2012	2011
Stormwater Utility		
Capital Assets net of depreciation	\$ 3,368,338	\$ 3,107,902
Less: related long-term debt outstanding	(455,000)	(227,000)
Total Invested in Capital Assets	2,913,338	2,880,902
Total Net Position - Net Investment in Capital Assets	\$ 2,913,338	\$ 2,880,902

8. Employees Retirement System

All eligible employees of the utilities 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 and hired prior to July 1, 2011 are eligible to participate in the WRS. Employees hired after July 1, 2011 are eligible to participate if expected to work at least 1,200 hours per year and are expected to be employed for at least one year from the hire date. Covered employees in the General category are required by statute to contribute 5.9% and 5.8% of their salary to the plan in 2012 and 2011, respectively. For pay periods prior to June 29, 2011, employers generally made these contributions to the plan on behalf of employees. For pay periods after June 29, 2011, employers were no longer allowed to pay the employee required contributions for most 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.

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

**Notes to Financial Statements
December 31, 2012 and 2011**

8. Employees Retirement System (Continued)

Water Utility

	Year Ended December 31		
	2012	2011	2010
	<u> </u>	<u> </u>	<u> </u>
Total Covered Employee Payroll	\$ 338,033	\$ 328,304	\$ 322,339
Total Required Contributions	<u>\$ 19,191</u>	<u>\$ 32,708</u>	<u>\$ 38,381</u>
Total Required Contribution %	<u>5.7%</u>	<u>10.0%</u>	<u>11.9%</u>

Wastewater Utility

	Year Ended December 31		
	2012	2011	2010
	<u> </u>	<u> </u>	<u> </u>
Total Covered Employee Payroll	\$ 569,489	\$ 570,646	\$ 513,481
Total Required Contributions	<u>\$ 30,385</u>	<u>\$ 56,241</u>	<u>\$ 53,275</u>
Total Required Contribution %	<u>5.3%</u>	<u>9.9%</u>	<u>10.4%</u>

Stormwater Utility

	Year Ended December 31		
	2012	2011	2010
	<u> </u>	<u> </u>	<u> </u>
Total Covered Employee Payroll	\$ 136,154	\$ 134,389	\$ 142,330
Total Required Contributions	<u>\$ 7,036</u>	<u>\$ 12,188</u>	<u>\$ 14,785</u>
Total Required Contribution %	<u>5.2%</u>	<u>9.1%</u>	<u>10.4%</u>

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

9. Significant Customers

Water Utility

The utility has one significant customer who was responsible for approximately 23% of operating revenues.

10. Commitments and Contingencies

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.

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

**Notes to Financial Statements
December 31, 2012 and 2011**

11. Prior Period Adjustment

The implementation of new accounting standards resulted in a prior period adjustment restating deferred assets related to bond issue costs. See Note 1C.

	Water Utility	Wastewater Utility
Total net position as previously reported	\$ 10,566,022	\$ 16,148,594
Unamortized debt issue costs adjustment	(42,474)	(17,442)
Total net position, restated	<u>\$ 10,523,548</u>	<u>\$ 16,131,152</u>

SUPPLEMENTAL INFORMATION

Whitewater Municipal Water Utility

**Water Utility Plant
December 31, 2012**

	<u>Balance 1/01/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2012</u>
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	<u>17,029</u>	<u>-</u>	<u>-</u>	<u>17,029</u>
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	<u>11,327</u>	<u>-</u>	<u>-</u>	<u>11,327</u>
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	<u>1,087,868</u>	<u>-</u>	<u>-</u>	<u>1,087,868</u>
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	9,541,376	421,618	19,351	9,943,643
Services	1,281,268	71,911	1,974	1,351,205
Meters	773,585	-	-	773,585
Hydrants	<u>1,036,944</u>	<u>49,440</u>	<u>250</u>	<u>1,086,134</u>
Total Transmission and Distribution	<u>13,138,553</u>	<u>542,969</u>	<u>21,575</u>	<u>13,659,947</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	33,245	-	-	33,245
Laboratory equipment	1,371	-	-	1,371
Power-operated equipment	37,187	6,560	-	43,747
Communication equipment	15,082	-	-	15,082
SCADA equipment	79,700	-	-	79,700
Miscellaneous equipment	<u>5,465</u>	<u>-</u>	<u>-</u>	<u>5,465</u>
Total General	<u>419,879</u>	<u>6,560</u>	<u>-</u>	<u>426,439</u>
Construction Work In Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Water Utility Plant	<u>\$ 16,840,266</u>	<u>\$ 549,529</u>	<u>\$ 21,575</u>	<u>\$ 17,368,220</u>

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

December 31, 2012 and 2011

	Water	
	2012	2011
Utility Plant in Service (excluding contributed plant)		
Beginning of year	\$ 9,557,952	\$ 7,896,303
End of year	10,085,905	9,557,952
Average	9,821,929	8,727,128
Accumulated Depreciation		
Beginning of year	(2,585,341)	(2,651,493)
End of year	(2,801,993)	(2,585,341)
Average	(2,693,667)	(2,618,417)
Materials and Supplies		
Beginning of year	11,591	10,407
End of year	12,356	11,591
Average	11,974	10,999
Regulatory Liability		
Beginning of year	(611,897)	(662,888)
End of year	(560,906)	(611,897)
Average	(586,402)	(637,393)
Average Net Rate Base	\$ 6,553,834	\$ 5,482,317
Operating Income - Regulatory Basis	\$ 487,170	\$ 3,336
Rate of Return (Percent)	7.43%	0.06%

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, 2012**

	<u>Balance 1/01/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2012</u>
Collecting System				
Lift stations	\$ 1,045,957	\$ -	\$ -	\$ 1,045,957
Collecting mains	8,073,965	701,635	25,847	8,749,753
Interceptor mains	2,773,904	-	-	2,773,904
Force mains	115,800	-	-	115,800
Total Collecting System	<u>12,009,626</u>	<u>701,635</u>	<u>25,847</u>	<u>12,685,414</u>
Treatment and Disposal				
Land and improvements	168,179	-	-	168,179
Structures and improvements	7,294,130	662,798	-	7,956,928
Preliminary treatment equipment	1,366,734	376,404	-	1,743,138
Primary treatment equipment	317,440	337,979	-	655,419
Secondary treatment equipment	4,810,578	322,632	-	5,133,210
Advanced treatment equipment	958,010	645,264	-	1,603,274
Chlorination equipment	87,875	699,036	-	786,911
Sludge treatment and disposal equipment	2,983,263	2,043,336	-	5,026,599
Plant site piping	1,738,740	215,088	-	1,953,828
Flow metering and monitoring equipment	51,659	107,544	-	159,203
Flow metering and monitoring equipment	232,936	-	-	232,936
Flow metering and monitoring equipment	54,093	-	-	54,093
Total Treatment and Disposal	<u>20,063,637</u>	<u>5,410,081</u>	<u>-</u>	<u>25,473,718</u>
General				
Structures and improvements	61,637	-	-	61,637
Office furniture and equipment	62,556	-	-	62,556
Computer equipment	57,898	-	-	57,898
Transportation equipment	346,286	-	-	346,286
Communication equipment	186,132	-	-	186,132
Other general equipment	242,919	39,856	-	282,775
Total General	<u>957,428</u>	<u>39,856</u>	<u>-</u>	<u>997,284</u>
Construction Work In Progress	<u>5,362,796</u>	<u>574,945</u>	<u>5,377,199</u>	<u>560,542</u>
Total Wastewater Utility Plant	<u>\$ 38,393,487</u>	<u>\$ 6,726,517</u>	<u>\$ 5,403,046</u>	<u>\$ 39,716,958</u>