

**CITY OF KENOSHA WATER UTILITY**  
**(An Enterprise Fund of the**  
**City of Kenosha, Wisconsin)**  
**Kenosha, Wisconsin**

**BASIC FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

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## Independent Auditor's Report

Board of Water Commissioners  
City of Kenosha Water Utility  
Kenosha, Wisconsin

We have audited the accompanying statement of net assets of the City of Kenosha Water Utility, an enterprise fund of the City of Kenosha, Wisconsin as of December 31, 2009 and 2008 and the related statements of revenues, expenses and changes in fund net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Utility's management. Our responsibility is to express opinions on these financial statements based on our audits.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in the Note 1, the financial statements present only the City of Kenosha Water Utility and do not purport to, and do not, present fairly the financial position of the City of Kenosha, Wisconsin, as of December 31, 2009 and 2008, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12, the Utility implemented the Governmental Accounting Standards Board Statement No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* effective January 1, 2008.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Kenosha Water Utility as of December 31, 2009 and 2008, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole. The water tax equivalent calculation schedule listed on page 50 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Clifton Gunderson LLP*

Racine, Wisconsin  
March 31, 2010

## Management's Discussion and Analysis

The management discussion and analysis of the Kenosha Water Utility's financial performance provides an overall review of financial activities for the years ended December 31, 2009 and 2008. This information should be read in conjunction with the financial statements.

### 2009 Financial Highlights

The Utility's combined net assets increased to \$155.4 million from \$153.5 million. Events that had significant impact on the financial statements were:

- Construction in progress increased \$2.7 million. The Highway N sewer extension was approximately \$2.2 million. An additional \$0.5 million was added for water main projects.
- The Utility filed a Simplified Rate Case with the Public Service Commission of Wisconsin (PSCW) which authorized a 3.0% rate increase effective December 31, 2008. In addition, a 3.0% sewage rate increase was authorized by the Board of Water Commissioners also effective on December 31, 2008.
- The Utility recorded deferred charges associated with the Town of Somers inter-municipal agreement as well as some deferred city charges. Deferred charges are recorded for Utility installed infrastructure which are not currently assessable due to reasons such as being non-city property or being zoned agricultural. The 2008 financial statements have been restated due to this; see Note 13 to the financial statements for further details. The deferred charges totaled approximately \$3.5 million.

### 2008 Financial Highlights

The Utility's combined net assets increased to \$153.5 million from \$148.9 million. Events that had significant impact on the financial statements were:

- Developer installed infrastructure, both water and sewer, was added to the Utility's assets valued at approximately \$1.5 and \$1.3 million (not including assessments and impact fees), respectively.
- Construction in progress increased \$0.6 million. Projects that were completed during the year included water main projects (\$0.3 million) and water and sewer building and equipment upgrades (\$0.2 million). Projects added during the year included sewer main projects (\$0.9 million) including the Highway N sewer extension (\$0.5 million).
- The Highway N sewer extension project (\$1.0 million) was started and completed during 2008. This is a three mile long 24-inch diameter trunk sewer. It is serving new industrial development in the area.
- On September 4, 2008, Water System Revenue Refunding Bonds valued at \$22.59 million were issued. These refunded Series 1998 Revenue Bonds which were called at a premium of 2%. Due to lower interest rates the 2008 issue generated a savings of \$965,495 and an economic gain of \$779,601.

## Overview of Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditor's report, and the basic financial statements of the Utility. The financial statements also include notes that explain in more detail some of the information in the financial statements. Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with the basic audited financial statements and supplementary schedules. The MD&A represents management's examination and analysis of the Utility's financial condition and performance.

The financial statements report information about the Utility using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a statement of net assets; a statement of revenues, expenses, and changes in net assets; a statement of cash flows; and notes to the financial statements.

The **statement of net assets** presents the financial position of the Utility on a full accrual historical cost basis. The statement of net assets presents information on all of the Utility's assets and liabilities, with the difference reported as net assets. This statement provides information about the nature and amount of investments in resources (assets) and the obligations to Utility creditors (liabilities). Over time, increases and decreases in net assets is an indicator of whether the financial position of the Utility is improving or deteriorating. It also provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Utility.

While the statement of net assets provides information about the nature and amount of resources and obligations at year-end, the **statement of revenues, expenses, and changes in net assets** presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Utility's operations over the past year and can be used to determine whether the Utility has successfully recovered all its costs through its user fees and other charges, as well as the Utility's profitability and credit worthiness.

The **statement of cash flows** presents changes in cash and cash equivalents, resulting from operating, financing, and investing activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in the cash balance during the reporting period.

The **notes to the financial statements** provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Utility's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

The **supplemental schedules** provide more detail than the preceding statements. A Schedule of Capital Assets is provided for the Water, Sewerage, and Household Hazardous Waste units. Detailed debt repayment schedules are provided for all debt issues. Detailed operating revenue and expense schedules are provided as well as the water tax equivalent calculation.

## **Summary of Organization and Business**

The Kenosha Water Utility's mission is:

"Providing and Protecting Kenosha's Greatest Natural Resource – *Water*"

The Kenosha Water Utility (KWU) provides water and wastewater service to more than 100,000 persons in the greater Kenosha area, including the City of Kenosha, Village of Pleasant Prairie, Town of Somers and Town of Bristol. The Kenosha Water Utility also provides a monthly household hazardous waste collection service for City of Kenosha residents.

The Kenosha Water Utility is a municipally-owned, fiscally-independent public utility organized under authority of Section 66.0805 of the Wisconsin State Statutes and Chapter XXXII of the City of Kenosha Code of General Ordinances. The Utility is an enterprise fund of the City of Kenosha and is solely financed by service charges operating like a private business entity. The Utility has no taxing power and receives no tax revenues from the City of Kenosha. Operational and maintenance costs are funded from customer fees and charges. The acquisition and construction of capital assets are funded by capital (cash and systems) contributions from customers, developers, federal and state grants and loans, bond sales, and Utility revenues.

The Board of Water Commissioners is composed of six aldermen appointed under authority of Section 1.06H of the City of Kenosha Code of General Ordinances. The powers and duties of the Board of Water Commissioners include establishing policy, adopting rules and regulations, adopting an annual budget, establishing rates and fees, and approving contracts and agreements. The management and operation of the Water Utility is under the direction of the General Manager who is appointed by the Board of Water Commissioners.

Surface water from Lake Michigan has been Kenosha's source of water since 1894. Lake Michigan water is valued for both its quality and quantity. The Utility provides reliable high quality supplies of potable water used for drinking, irrigation, fire protection, and other purposes. The wastewater treatment plant provides primary and secondary treatment with disinfection in accordance with permits from the State of Wisconsin Department of Natural Resources. The treated wastewater is discharged to Lake Michigan and the solids are transported to a landfill. Both plants are in compliance with all state and federal regulations. The Household Hazardous Waste program was established in 1992 and provides for a monthly drop-off service to city residential customers; wastes are disposed of by licensed wastehaulers.

## **Financial Analysis of the Utility**

The Utility's financial condition is consistent with prior years with adequate liquid assets, reliable up to date facilities, and systems to meet demand as well as a reasonable level of unrestricted net assets. Management feels that the current financial condition, technical support staff capabilities and operating and expansion plans will meet anticipated customer needs.

The condensed financial information and associated narrative are intended to provide additional information that is essential to the full understanding of the data provided in the audited financial statements and associated notes.

## Condensed Summary of Net Assets

	December 31			Variance of 2009 to 2008 Increase (decrease)	
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>Dollars</u>	<u>%</u>
	Capital assets:				
Net plant in service	\$154,541,519	\$157,822,094	\$157,077,607	\$(3,280,575)	(2.1) %
Construction in progress	4,193,750	1,544,345	942,793	2,649,405	171.6
Other capital assets	894,794	909,281	923,769	(14,487)	(1.6)
Current, restricted and other assets	<u>32,956,667</u>	<u>34,650,202</u>	<u>32,970,469</u>	<u>(1,693,535)</u>	<u>(4.9)</u>
Total assets	<u>192,586,730</u>	<u>194,925,922</u>	<u>191,914,638</u>	<u>(2,339,192)</u>	<u>(1.2)</u>
Current liabilities	8,747,295	8,608,553	8,095,242	138,742	1.6
Long-term liabilities	<u>28,433,103</u>	<u>32,850,666</u>	<u>34,941,553</u>	<u>(4,417,563)</u>	<u>(13.4)</u>
Total liabilities	<u>37,180,398</u>	<u>41,459,219</u>	<u>43,036,795</u>	<u>(4,278,821)</u>	<u>(10.3)</u>
Net assets:					
Invested in capital assets, net of related debt	131,290,900	127,520,758	121,088,835	3,770,142	3.0
Restricted for debt service	12,423,302	12,062,013	9,806,142	361,289	3.0
Unrestricted	<u>11,692,130</u>	<u>13,883,932</u>	<u>17,982,866</u>	<u>(2,191,802)</u>	<u>(15.8)</u>
Total net assets	<u>\$155,406,332</u>	<u>\$153,466,703</u>	<u>\$148,877,843</u>	<u>\$ 1,939,629</u>	<u>1.3 %</u>

In 2009, total net assets increased \$1.9 million or 1.3%. This is due to combined net income of the water, sewerage, and household hazardous waste units of \$1.1 million and capital contributions of \$0.75 million. Capital contributions consisted of assessment and impact fees.

In 2008, total net assets increased \$4.6 million or 3.2%. This is due to combined net income of the water, sewerage, and household hazardous waste units of \$1.1 million and capital contributions of \$3.4 million. Capital contributions consisted of approximately \$2.8 million of infrastructure donated by developers and \$0.6 million in assessment and impact fees.

In 2009, total assets decreased \$2.3 million or 1.2%. Capital assets increased \$3.1 million; accumulated depreciation increased \$3.8 million for a net decrease of approximately \$.6 million. Construction in progress increased \$2.7 million. The Highway N extension project had \$2.2 million of work completed. An additional \$0.5 million was added to water main projects. Current, restricted and other assets decreased \$1.7 million or 4.9%.

In 2008, total assets increased \$3.0 million or 1.6%. Capital assets increased \$4.9 million; accumulated depreciation increased \$3.6 million for a net increase of approximately \$1.3 million. Plant in service increased \$4.3 million primarily due to infrastructure donated by developers and completion of the Highway N water main extension project. Construction in Progress increased \$0.6 million. Projects not yet completed include the Highway N sewer main extension (\$.5 million). Current, restricted and other assets increased \$6.6 million.

The Water, Sewerage, and Household Hazardous Waste units are self-supporting divisions. Net assets of one division are not permanently used by other divisions.

## Condensed Summary of Revenues, Expenses and Changes in Fund Net Assets

	Year ended December 31			Variance of 2009 to 2008 Increase (decrease)	
	2009	2008	2007	Dollars	%
Revenues:					
Water service revenues	\$ 9,424,399	\$ 9,353,333	\$ 9,506,040	\$ 71,066	0.8 %
Sewerage service revenues	10,287,937	10,098,646	9,987,219	189,291	1.9
Household Hazardous Waste revenues	166,099	165,270	163,842	829	0.5
Other revenues	<u>3,481,521</u>	<u>3,386,620</u>	<u>3,118,893</u>	<u>94,901</u>	<u>2.8</u>
Total operating revenues	<u>23,359,956</u>	<u>23,003,869</u>	<u>22,775,994</u>	<u>356,087</u>	<u>1.5</u>
Expenses:					
Operating and maintenance, before depreciation and taxes					
Water operations	3,950,051	4,011,902	3,503,437	(61,851)	(1.5)
Sewerage operations	5,261,960	5,285,108	5,070,564	(23,148)	(0.4)
Household Hazardous Waste	138,771	144,096	141,116	(5,325)	(3.7)
Depreciation	4,884,269	4,895,496	4,728,330	(11,227)	(0.2)
Customer accounting and collecting, administrative and general	<u>4,713,319</u>	<u>4,671,688</u>	<u>4,226,257</u>	<u>41,631</u>	<u>0.9</u>
Total operating expenses	<u>18,948,370</u>	<u>19,008,290</u>	<u>17,669,704</u>	<u>(59,920)</u>	<u>(0.3)</u>
Operating income	<u>4,411,586</u>	<u>3,995,579</u>	<u>5,106,290</u>	<u>416,007</u>	<u>10.4</u>
Nonoperating revenues	294,399	892,384	1,127,318	(597,985)	(67.0)
Nonoperating expenses	<u>1,710,731</u>	<u>2,015,033</u>	<u>2,007,690</u>	<u>(304,302)</u>	<u>(15.1)</u>
Increase in net assets, before capital contributions and transfers	<u>2,995,254</u>	<u>2,872,930</u>	<u>4,225,918</u>	<u>122,324</u>	<u>4.3</u>
Capital contributions:					
Assessments and impact fees	753,901	578,530	665,731	175,371	30.3
Donated by developers	-	2,829,732	1,586,721	(2,829,732)	(100.0)
Transfers out	<u>(1,809,526)</u>	<u>(1,692,332)</u>	<u>(1,579,139)</u>	<u>117,194</u>	<u>6.9</u>
Increase in net assets	1,939,629	4,588,860	4,899,231	(2,649,231)	(57.7)
Net assets at beginning of year	<u>153,466,703</u>	<u>148,877,843</u>	<u>143,978,612</u>	<u>4,588,860</u>	<u>3.1</u>
Net assets at end of year	<u>\$155,406,332</u>	<u>\$153,466,703</u>	<u>\$148,877,843</u>	<u>\$ 1,939,629</u>	<u>1.3 %</u>

Revenues from operations fall into four general categories: water service, sewerage service, household hazardous waste and other charges. Other charges include penalty fees and charges for miscellaneous billed services. A water rate increase was approved by the PSCW on December 22, 2009. This resulted in a uniform 3.8% rate increase for general service, public fire protection, and wholesale service effective December 31, 2009.

On November 26, 2008, the PSCW approved a uniform 3.0% rate increase for general service, public fire protection, and wholesale service effective December 31, 2008. On October 27, 2008 a sewer rate increase was approved by the Board of Water Commissioners which was effective December 31, 2008.

The number of metered customers increased 0.5% during 2009. Water consumption decreased 2.8%. Water services revenue increased approximately \$71,000 or 0.8%. Sewerage service revenues increased approximately \$189,000 or 1.9%. Decreased consumption was offset by rate increases.

Operating expenses decreased 0.3% or \$59,920 during 2009. Water Unit operating expenses decreased 1.5% or \$61,851. Sewerage Unit operating expenses decreased 0.4% or \$23,148.

Operating income for 2009 increased 10.4% or \$416,007. Nonoperating revenues decreased 67.0% or \$597,985 due to a decrease in interest earned on investments. Nonoperating expenses decreased 15.1% or \$304,302 due to a decrease in interest expense.

The number of metered customers increased 1.0% during 2008. Water consumption decreased 1.2% with a decrease in water services revenue of approximately \$153,000 or 1.6%. Sewerage service revenues increased approximately \$111,000 or 1.1%. A slight decrease in consumption and sales to general customers was offset by an increase in volume and sales to the Village of Pleasant Prairie and the Town of Somers.

Operating expenses increased 7.6% or \$1,338,586 during 2008. Water Unit operating expenses increased 14.5% or \$508,465 due to an increase in expenses for tank painting and maintenance of mains. Sewerage Unit operating expenses increased 4.2% or \$214,544 due to increases in the cost of chemicals and lift station repair and maintenance.

Operating income for 2008 decreased 21.8% or \$1,110,711. Nonoperating revenues decreased 13.1% or \$147,434 due to a decrease in interest earned on investments. Nonoperating expenses increased 4.7% or \$94,843 mainly due to increased interest on long term debt.

For 2009, the increase in net assets of \$1,939,629 was \$2,649,231 less than the previous year's increase of \$4,588,860 or a decrease of 57.7%. This was mainly attributable to a decrease in infrastructure donated by developers of \$2,829,732. The increase in net assets attributable to the Water unit was \$35,920; the amount attributable to the Sewerage unit was \$1,859,188. The Household hazardous waste unit accounted for the remaining \$44,521 of the increase for 2009.

For 2008, the increase in net assets of \$4,588,860 was \$310,371 less than the previous year's increase of \$4,899,231 or a decrease of 6.8%. This was mainly attributable to a decrease in operating income of \$1,110,711, a decrease in nonoperating revenue of \$147,434, an increase in nonoperating expense of \$94,843, and an increase in infrastructure donated by developers of \$1,243,011. The increase in net assets attributable to the Water unit was \$1,464,119; the amount attributable to the Sewerage unit was \$3,085,071. The Household hazardous waste unit accounted for the remaining \$39,670 of the increase for 2008.

## Capital Assets and Debt Administration

### Capital Assets Changes in Capital Assets

	<u>Balance Jan. 1, 2009</u>	<u>Additions/ reclass- ifications</u>	<u>Deletions/ reclass- ifications</u>	<u>Balance Dec. 31, 2009</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 2,145,488	\$ 5,990	\$ -	\$ 2,151,478
Construction in progress	<u>1,544,345</u>	<u>3,632,039</u>	<u>982,634</u>	<u>4,193,750</u>
Total capital assets not being depreciated	<u>3,689,833</u>	<u>3,638,029</u>	<u>982,634</u>	<u>6,345,228</u>
Capital assets being depreciated:				
Revenue producing and service equipment:				
Wastewater collection system	1,350,778	-	32,507	1,318,271
Production pumping	4,402,892	156,085	124,814	4,434,163
Collection system pumping	9,101,833	-	1,815	9,100,018
Production purification	15,101,412	12,029	-	15,113,441
Wastewater treatment and disposal	<u>20,988,507</u>	<u>226,647</u>	<u>207,171</u>	<u>21,007,983</u>
Total revenue producing and service equipment	<u>50,945,422</u>	<u>394,761</u>	<u>366,307</u>	<u>50,973,876</u>
Buildings and structures:				
Production intake	3,384,069	-	-	3,384,069
Wastewater collection system	70,894,424	631,286	6,212	71,519,498
Production pumping	3,834,131	-	-	3,834,131
Collection system pumping	11,452,384	-	-	11,452,384
Production purification	8,192,141	-	-	8,192,141
Wastewater treatment and disposal	8,303,890	-	-	8,303,890
Transmission and distribution	67,074,192	478,717	229,166	67,323,743
General plant	<u>1,926,096</u>	<u>12,998</u>	<u>-</u>	<u>1,939,094</u>
Total buildings and structures	<u>175,061,327</u>	<u>1,123,001</u>	<u>235,378</u>	<u>175,948,950</u>
Office furnishings, shop equipment and other:				
General equipment	6,794,927	108,502	418,688	6,484,741
Engineering equipment	<u>505,313</u>	<u>10,773</u>	<u>73,425</u>	<u>442,661</u>
Total office furnishings, shop equipment and other	<u>7,300,240</u>	<u>119,275</u>	<u>492,113</u>	<u>6,927,402</u>
Total capital assets being depreciated	<u>233,306,989</u>	<u>1,637,037</u>	<u>1,093,798</u>	<u>233,850,228</u>
Total accumulated depreciation	<u>76,721,102</u>	<u>4,884,269</u>	<u>1,039,978</u>	<u>80,565,393</u>
Total capital assets being depreciated, net	<u>156,585,887</u>	<u>(3,247,232)</u>	<u>53,820</u>	<u>153,284,835</u>
Total capital assets, net	<u>\$160,275,720</u>	<u>\$ 390,797</u>	<u>\$1,036,454</u>	<u>\$159,630,063</u>

The Utility had combined investment in capital assets of \$240.2 million at the end of 2009. Of that amount, construction in progress and leasehold improvements totaled \$4.2 million. Accumulated depreciation totaled \$80.6 million resulting in a net book value of \$159.6 million. In 2009, the Utility recorded combined depreciation expense of \$4.9 million. More detailed information about capital assets can be found in the supplemental information section report – Schedule of Capital Assets – for the Water, Sewerage, and Hazardous Waste Units as well as in Note 4 to the financial statements.

## Long-Term Debt

The Utility had \$31.3 million in long-term term debt outstanding as of December 31, 2009. Of this amount, approximately \$5.0 million is due within one year (see note 5 to the audited financial statements regarding classification of revenue bond debt). Outstanding debt decreased \$4.3 million or 12.0% due to scheduled debt payments. Detailed debt schedules can be found in the supplemental information section as well as note 5 to the audited financial statements.

The Utility had \$35.6 million in long-term term debt outstanding as of December 31, 2008. Of this amount, approximately \$4.6 million is due within one year (see note 5 to the audited financial statements regarding classification of revenue bond debt). Series 1998 Water System Revenue Bonds paying interest ranging from 4.75 to 5.2% were refunded during 2008. New bonds, Series 2008 Water System Revenue Refunding Bonds will pay interest ranging from 3.25 to 5.0%. Outstanding debt decreased \$3.2 million or 8.1% due to scheduled debt payments. Detailed debt schedules can be found in the supplemental information section as well as note 5 to the audited financial statements.

### Long-Term Debt Activity

	Balance Jan. 1, 2009	Additions	Deletions	Balance Dec. 31, 2009	Due Within One Year
Bonds, loans and advances payable:					
Clean Water Fund loans	\$ 9,327,171	\$ -	\$ 1,930,694	\$ 7,396,477	\$2,007,319
Revenue bonds	26,115,000	-	2,655,000	23,460,000	2,990,000
Less: bond discounts, premiums and advance refunding losses	162,479	-	(296,985)	459,464	-
Advance from Municipality	775,989	25,512	49,429	752,072	63,780
Worker's compensation accrued liability	241,032	91,857	-	332,889	-
Other post employment benefits	289,298	238,298	-	527,596	-
Accrued Compensated Absences	574,819	26,959	36,074	565,704	-
	<u>\$37,485,788</u>	<u>\$ 382,626</u>	<u>\$ 4,374,212</u>	<u>\$ 33,494,202</u>	<u>\$5,061,099</u>

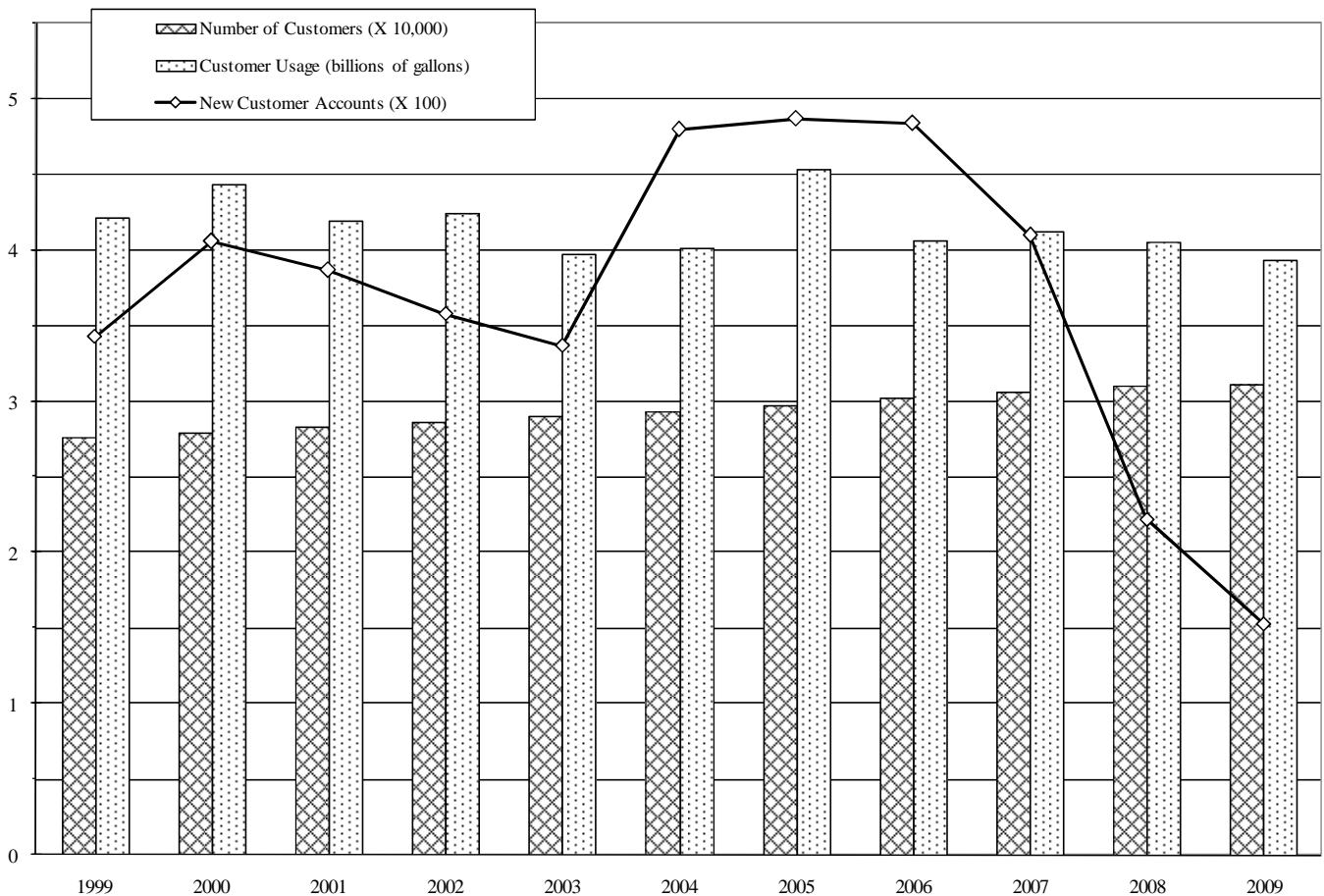
	Balance Jan. 1, 2008	Additions	Deletions	Balance Dec. 31, 2008	Due Within One Year
Bonds, loans and advances payable:					
Clean Water Fund loans	\$11,184,169	\$ -	\$ 1,856,998	\$ 9,327,171	\$1,930,694
Revenue bonds	27,030,000	22,590,000	23,505,000	26,115,000	2,655,000
Less: bond discounts, premiums and advance refunding losses	(281,623)	201,705	(242,397)	162,479	-
Advance from Municipality	822,230	-	46,241	775,989	49,429
Worker's compensation accrued liability	219,199	21,833	-	241,032	-
Other post employment benefits	-	289,298	-	289,298	-
Accrued Compensated Absences	545,817	37,132	8,130	574,819	-
	<u>\$39,519,792</u>	<u>\$23,139,968</u>	<u>\$25,173,972</u>	<u>\$ 37,485,788</u>	<u>\$4,635,123</u>

### Economic Factors and the Utility's Future

In 2009 the Utility experienced the trickle down effects of the worldwide financial crisis. The Utility also experienced the chain reaction of the economy affecting our customers except to a lesser degree. The tightening of credit markets, increased unemployment, foreclosures, bankruptcies, and plant closings have all impacted the Utility.

Customer water usage was down slightly, 2.8% from 2009. Factors affecting this are the weather, new homes with water efficient fixtures, and consumer attitudes of conservative spending. However, 2009 revenues increased for both the Water and Sewer Units as a result of rate increases of 3.0% for both units that were effective December 31, 2008. Water Unit operating revenues increased 0.8% and Sewerage Unit operating revenues increased 1.9% from 2008 levels.

A slow down in new home starts also affected the Utility. The number of new customers added in 2009 was 153. This is down significantly from the building boom of the years 2004 through 2006 when the Utility added an average of 484 new accounts per year. Overall, due to the nature of the Utility's business, the number of metered customers has remained stable averaging 1.1% growth per year over the last ten years.



### Contacting the Utility's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Utility's finances and to demonstrate the Utility's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Kenosha Water Utility, Director of Business Services, 4401 Green Bay Road, Kenosha, Wisconsin 53144.

**CITY OF KENOSHA WATER UTILITY**  
(An Enterprise Fund of the City of Kenosha)  
Statements of Net Assets  
December 31, 2009 and 2008

<b>Assets</b>	<b>2009</b>	<b>2008 (Restated)</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 6,420,360	\$ 6,685,101
Investments	-	1,641,910
Restricted cash and cash equivalents	4,030,000	-
Restricted cash - Storm Water Utility collections	284,865	275,567
Restricted Investments	10,829,000	14,515,640
Accounts receivable	4,272,777	3,930,015
Unbilled revenue	2,351,855	2,248,103
Inventories	394,038	372,166
Other current assets	104,264	139,150
Total current assets	28,687,159	29,807,652
<b>Noncurrent assets:</b>		
<b>Other assets</b>		
Special Assessments	108,029	133,922
Deferred charges	4,119,122	4,655,888
Unamortized debt issue costs	42,357	52,740
<b>Capital assets:</b>		
<b>Capital assets not being depreciated:</b>		
Land and land improvements	2,151,478	2,145,488
Construction in progress	4,193,750	1,544,345
<b>Capital assets being depreciated:</b>		
Revenue producing and service equipment	50,973,876	50,945,422
Buildings and structures	175,948,950	175,061,327
Office furnishings, shop equipment, and other	6,927,402	7,300,240
Less accumulated depreciation	(80,565,393)	(76,721,102)
Total capital assets, net of accumulated depreciation	159,630,063	160,275,720
Total noncurrent assets	163,899,571	165,118,270
Total assets	192,586,730	194,925,922
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	397,455	755,893
Accrued interest	176,699	453,635
Accrued property taxes	1,809,526	1,692,332
Current portion of long-term obligations	4,997,319	4,585,694
Current portion of advance from City of Kenosha	63,780	49,428
Due to City of Kenosha	996,308	790,244
Due to City of Kenosha - Storm Water Utility collections	284,865	275,567
Other deferred credits	21,343	5,760
Total current liabilities	8,747,295	8,608,553
<b>Noncurrent liabilities:</b>		
Long-term portion of accrued compensated absences	565,703	574,819
Worker's compensation accrued liability	332,889	241,032
Other postemployment benefits	527,596	289,298
Advance from City of Kenosha	688,293	726,561
Revenue bonds payable	20,929,464	23,622,479
Clean Water Fund loans	5,389,158	7,396,477
Total noncurrent liabilities	28,433,103	32,850,666
Total liabilities	37,180,398	41,459,219
<b>Net Assets</b>		
Invested in capital assets, net of related debt	131,290,901	127,520,758
Restricted for debt service	12,423,301	12,062,013
Unrestricted	11,692,130	13,883,932
Total net assets	\$ 155,406,332	\$ 153,466,703

The accompanying notes are an integral part of the financial statements.

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha)  
 Statements of Revenues, Expenses and Changes in Fund Net Assets  
 Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Charges for services	\$ 19,878,435	\$ 19,617,249
Miscellaneous	3,481,521	3,386,620
Total operating revenues	<u>23,359,956</u>	<u>23,003,869</u>
Operating expenses:		
General and administrative	4,713,319	4,671,688
Operations and maintenance	9,350,782	9,441,106
Depreciation	4,884,269	4,895,496
Total operating expenses	<u>18,948,370</u>	<u>19,008,290</u>
Operating income	<u>4,411,586</u>	<u>3,995,579</u>
Nonoperating revenues (expenses):		
Investment income	294,400	892,384
Interest expense	(1,431,660)	(1,954,530)
Miscellaneous	(279,072)	(60,503)
Total nonoperating revenue (expenses)	<u>(1,416,332)</u>	<u>(1,122,649)</u>
Increase in net assets before capital contributions and transfers	2,995,254	2,872,930
Capital contributions	753,901	3,408,262
Transfers out	<u>(1,809,526)</u>	<u>(1,692,332)</u>
Increase in net assets	1,939,629	4,588,860
Net assets at beginning of year (restated)	153,466,703	148,877,843
Net assets at end of year	<u>\$ 155,406,332</u>	<u>\$ 153,466,703</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF KENOSHA WATER UTILITY**  
(An Enterprise Fund of the City of Kenosha)  
Statements of Cash Flows  
Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Receipts from customers	\$ 22,929,429	\$ 23,464,202
Payments to suppliers	(9,467,159)	(9,358,265)
Payments to employees	(4,392,280)	(4,331,555)
Net cash provided by operating activities	<u>9,069,990</u>	<u>9,774,382</u>
Cash flows from noncapital financing activities:		
Advances paid to other funds	(49,249)	(46,241)
Advanced received from other funds	25,367	-
Interest paid on noncapital debt	(52,902)	(55,971)
Miscellaneous receipts	28,262	38,571
Transfer to City of Kenosha	(1,692,332)	(1,579,139)
Net cash used in noncapital financing activities	<u>(1,740,854)</u>	<u>(1,642,780)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,567,849)	(2,886,173)
Special assessments collected	562,936	28,187
Proceeds on disposal of capital assets	50,150	67,388
Proceeds from issuance of capital debt	-	22,590,000
Bond premium received	-	836,650
Bond issuance costs and call premium paid	-	(467,151)
Principal paid on capital debt	(4,585,694)	(25,361,998)
Interest paid on capital debt	(1,655,694)	(1,708,782)
Net cash used in capital and related financing activities	<u>(9,196,151)</u>	<u>(6,901,879)</u>
Cash flows from investing activities:		
Sale of investments	5,623,050	50,000
Purchase of investments	(294,500)	(4,704,226)
Interest and dividends received	313,022	894,795
Net cash provided by (used in) investing activities	<u>5,641,572</u>	<u>(3,759,431)</u>
Net increase (decrease) in cash and cash equivalents	3,774,557	(2,529,708)
Cash and cash equivalents – beginning of year	<u>6,960,668</u>	<u>9,490,376</u>
Cash and cash equivalents – end of year	<u>\$ 10,735,225</u>	<u>\$ 6,960,668</u>
Reconciliation of cash and cash equivalents to the statement of net assets:		
Cash and cash equivalents	\$ 6,420,360	\$ 6,685,101
Restricted cash and cash equivalents	4,314,865	275,567
Total cash and cash equivalents	<u>\$ 10,735,225</u>	<u>\$ 6,960,668</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 4,411,586</u>	<u>\$ 3,995,579</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	\$ 4,884,269	\$ 4,895,496
Loss on disposal of capital assets	32,988	-
Changes in assets and liabilities:		
Accounts receivable	(342,762)	350,079
Unbilled revenues	(103,752)	23,218
Inventories	(21,872)	21,487
Other current assets	15,987	(5,069)
Accounts payable	(358,438)	295,616
Compensated absences	(9,116)	29,002
Worker's compensation accrued liability	91,857	21,833
Other post employment benefits	238,298	289,298
Payable to City of Kenosha	215,362	(126,574)
Other deferred credits	15,583	(15,583)
Total adjustments	<u>4,658,404</u>	<u>5,778,803</u>
Net cash provided by operating activities	<u>\$ 9,069,990</u>	<u>\$ 9,774,382</u>
Noncash investing, capital, and financing activities:		
Interest accrued on special assessments	<u>\$ 23,251</u>	<u>\$ 61,048</u>
Contributions of capital assets from developers, including assessments and impact fees	<u>\$ 753,901</u>	<u>\$ 3,408,262</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF KENOSHA WATER UTILITY**  
(An Enterprise Fund of the City of Kenosha, Wisconsin)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
December 31, 2009 and 2008

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

***Nature of Business***

The City of Kenosha Water Utility (Utility) is an enterprise fund of the City of Kenosha, Wisconsin (City) and is comprised of three units: Water, Sewerage, and Household Hazardous Waste. The Utility is governed by the City of Kenosha Board of Water Commissioners (Board) consisting of six members appointed by the Mayor of the City of Kenosha.

These financial statements present only the City of Kenosha Water Utility and are not intended to present the financial position and results of operations of the City of Kenosha, Wisconsin in conformity with accounting principles generally accepted in the United States of America.

The Water Unit operates, maintains, and constructs the City's water system. Services are financed primarily by user charges. The Water Unit charges rates and operates under service rules established by the Public Service Commission of Wisconsin (PSCW). Accounting records of the Water Unit are maintained in accordance with the Uniform System of Accounts prescribed by the PSCW.

The Sewerage Unit operates, maintains, and constructs the City's sewage collection and treatment system. Services are financed primarily by user charges. Service rates and rules are established by the Board.

The Household Hazardous Waste Unit collects, stores, and disposes of residential household hazardous waste. Services are financed primarily by user charges. Service rates and rules are established by the Board.

***Measurement Focus, Basis of Accounting, and Basis of Presentation***

The accounting policies of the Utility conform to U.S. generally accepted accounting principles (GAAP) for enterprise funds as formulated by the Governmental Accounting Standards Board (GASB). The accounts of the Utility, which are organized as an enterprise fund, are used to account for the Utility's activities that are financed and operated in a manner similar to a private business enterprise. Accordingly, the Utility maintains its records on the full accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned. Expenses (including depreciation and amortization) of providing services to the public are accrued when incurred.

Nonexchange transactions, in which the Utility receives value without directly giving equal value in return, include grants and contributions. On an accrual basis, revenue from grants and contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the Utility on a reimbursement basis.

**CITY OF KENOSHA WATER UTILITY**  
(An Enterprise Fund of the City of Kenosha, Wisconsin)  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2009 and 2008

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

***Measurement Focus, Basis of Accounting, and Basis of Presentation*** (continued)

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

***Cash and Cash Equivalents***

Cash and cash equivalents are considered to have original maturities of three months or less from the date of purchase.

***Receivables/Payables***

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

The Utility has the right under Wisconsin statutes to place special assessments and delinquent water and sewerage bills on the tax roll for collection. As such, no allowance for uncollectible customer accounts is considered necessary.

***Materials and Supplies***

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

***Restricted Assets***

Certain proceeds of the Utility's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**CITY OF KENOSHA WATER UTILITY**  
(An Enterprise Fund of the City of Kenosha, Wisconsin)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
December 31, 2009 and 2008

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

***Investments***

Investment of Utility funds is restricted by Wisconsin Statutes to:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association authorized to transact business in the state which matures in three years or less.
- 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 the University of Wisconsin Hospitals and Clinics Authority.
- Bonds or securities issued or guaranteed by the federal government.
- The Wisconsin Local Government Investment Pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

Investments are reported at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to report investments at fair value are recorded in the operating statement as increases or decreases in investment income.

***Deferred Charges***

Deferred charges represent assessments that have been levied upon properties within the City that are not currently connected to the Utility system. In addition, this balance includes assessments levied on properties outside the boundaries of the City, which are not collectible until and unless the property connects to the Utility system or is annexed to the City.

***Capital Assets***

Capital assets are defined by the Utility as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost or the fair market value at the time of contribution to the Utility. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Interest incurred during the construction phase is reflected in the capitalized value of utility plant constructed, net of interest earned on the invested proceeds over the same period.

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2009 and 2008

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

**Capital Assets** (continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

	<b>Useful life (years)</b>
Water Unit:	
Production intake	50-75
Production pumping	25-50
Production purification	18-50
Transmission and distribution	20-108
General equipment	7-17
Sewerage Unit:	
Collection system	25-100
Collection system pumping	19-40
Treatment and disposal	23-43
Engineering equipment	7-17
General equipment	7-40
Household Hazardous Waste Unit:	
Structures and improvements	25
Equipment	12

**Compensated Absences**

Vacation

The Utility compensates all employees upon termination for unused vacation earned in the current year. No liability for unpaid vacation benefits has been recorded on the balance sheet as vacations are forfeited if not used in the calendar year earned.

Sick Leave

Utility employees are entitled to sick leave at a rate of one day per month of full-time service. Sick leave is paid upon normal retirement or disability up to a maximum of 66 days. Terminated employees are not compensated for unused sick leave. The Statement of Net Assets of the Water and Sewerage Units contain a liability for estimated accrued sick leave and associated fringe benefits.

**CITY OF KENOSHA WATER UTILITY**  
(An Enterprise Fund of the City of Kenosha, Wisconsin)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
December 31, 2009 and 2008

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

***Equity Classifications***

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.
- b. Restricted net assets – consists of net assets with constraints placed on their use by:
  1. external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or,
  2. law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

***Long-term Obligations***

Long-term debt and other obligations are reported as Utility liabilities. Long-term debt is reported net of any premium or discount. Issuance costs are reported as deferred charges and amortized over the life of the bonds using the effective interest method.

***Charges for Services***

Billings for water and sewerage services are issued monthly to high-consumption users and bi-monthly to all other customers. Hazardous waste charges are billed bimonthly to all residential customers. Revenues are recognized on the accrual basis and include amounts for service rendered but not billed.

***Classification of Revenues***

The Utility has classified its revenues as either operating or nonoperating. Operating revenue includes activities that have the characteristics of exchange transactions, including billing for water, sewerage, and hazardous waste services. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as grants and contributions. Investment income is also classified as nonoperating.

***Taxes***

The Water Unit records an annual payment in lieu of taxes (PILOT) based on the value of its plant and materials and supplies inventory using the current assessment ratio and local and school portion of the mill rate. Municipal utilities are exempt from federal and state income taxes. A portion of the payment is allocated to the Sewerage Unit. The payment is recorded as a transfer out to the City’s General Fund.

**CITY OF KENOSHA WATER UTILITY**  
(An Enterprise Fund of the City of Kenosha, Wisconsin)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
December 31, 2009 and 2008

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

***Use of Estimates***

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

***New Accounting Pronouncements***

In May 2007, the GASB issued an accounting standard regarding employer reporting of pension activities, which established requirements for note disclosures and required supplementary information for pensions. The Utility implemented the requirements of this standard beginning with the year ending December 31, 2008.

In June 2007, the GASB issued an accounting standard regarding intangible assets. This standard established accounting and financial reporting requirements for intangible assets, enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The Utility will implement the requirements of this standard beginning with the year ending December 31, 2010.

In June 2007, the GASB issued an accounting standard regarding land and other real estate held as investments by endowments, which establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. The Utility implemented the requirements of this standard beginning with the year ending December 31, 2009.

In June 2008, the GASB issued an accounting standard regarding accounting and financial reporting for derivative instruments. This standard addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The Utility will implement the requirements of this standard beginning with the year ending December 31, 2010.

In February 2009, the GASB issued an accounting standard regarding fund balance reporting and governmental fund type definitions. This standard will enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This standard does not apply to the Utility.

**CITY OF KENOSHA WATER UTILITY**  
(An Enterprise Fund of the City of Kenosha, Wisconsin)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
December 31, 2009 and 2008

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

***New Accounting Pronouncements (continued)***

In March 2009, the GASB issued an accounting standard regarding the hierarchy of generally accepted accounting principles for state and local governments. This standard incorporates the hierarchy of generally accepted accounting principles for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented inconformity with GAAP, and the framework for selecting those principles. The Utility implemented the requirements of this standard for the year ended December 31, 2009.

In March 2009, the GASB issued an accounting standard regarding the codification of accounting and financial reporting. This standard incorporates certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountant's Statements on Auditing Standards into the Governmental Accounting Standards Board's authoritative literature. This standard addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The Utility implemented the requirements of this standard beginning with the year ended December 31, 2009.

In June 2009, the GASB issued an accounting standard regarding OPEB measurements by agent employers and agent multiple-employer plans. The standard addresses issues related to the use of the alternative measurement method and the frequency and timing of measurement by employers that participate in agent multiple-employer other postemployment benefit plans. The Utility will implement the requirements of this standard beginning with the year ending December 31, 2012.

In June 2009, the GASB issued an accounting standard regarding accounting and reporting for Chapter 9 bankruptcies. This interpretation provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy code. The Utility will implement the requirements of this standard beginning with the year ending December 31, 2010.

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2009 and 2008

**(2) Cash and Investments**

The Utility, as an enterprise fund of the City, maintains separate cash and investment accounts at the same financial institutions utilized by the City. A summary of cash and investments as of December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Petty cash	\$ 1,700	\$ 1,300
Demand deposits	3,503,525	4,459,368
Certificates of deposit	<u>18,059,000</u>	<u>18,657,550</u>
Total cash, cash equivalents and investments	<u>\$ 21,564,225</u>	<u>\$ 23,118,218</u>
Reconciliation to the financial statement:		
Current assets:		
Cash and cash equivalents	\$ 6,420,360	\$ 6,685,101
Investments	-	1,641,910
Restricted cash and cash equivalents	4,030,000	-
Restricted cash - Storm Water Utility collections	284,865	275,567
Restricted Investments	<u>10,829,000</u>	<u>14,515,640</u>
Total cash, cash equivalents and investments	<u>\$ 21,564,225</u>	<u>\$ 23,118,218</u>

***Investment Policy***

The Utility's investments are made in accordance with the Utility's investment policy which is similar to the City of Kenosha's investment policies and the Wisconsin Statutes. A summary of authorized investments is included in Note 1.

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Utility's deposits may not be returned. Deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for interest-bearing accounts and unlimited coverage for non-interest bearing accounts. Deposits are also insured for \$400,000 by the State Deposit Guarantee Fund. The investment policies require collateralization of deposits at financial institutions when the total amount of such deposits exceeds the combined insured limit of \$500,000. 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 Utility alone.

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Utility. The Utility does not have a formal policy addressing this type of investment risk.

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2009 and 2008

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

***Interest Rate Risk***

Interest rate risk is the risk that the fair value of investments will decrease as a result of an increase in interest rates. As of December 31, 2009 and 2008, the Utility's investments were certificates of deposit with maturities of less than one year.

(3) **Restricted Assets**

Restricted assets have been established in accordance with the requirements of debt agreements and City policies as follows:

	<u>2009</u>		
	<u>Water Unit</u>	<u>Sewer Unit</u>	<u>Total</u>
Restricted for Debt Service			
Debt service account	\$ -	\$ 2,270,000	\$ 2,270,000
Special redemption account	2,730,000	1,300,000	4,030,000
Reserve account	<u>2,259,000</u>	<u>1,200,000</u>	<u>3,459,000</u>
	4,989,000	4,770,000	9,759,000
Restricted for renewal and replacement	-	1,300,000	1,300,000
Restricted for taxes	1,800,000	-	1,800,000
Restricted for depreciation	1,000,000	1,000,000	2,000,000
Restricted for Storm Water Utility collections due to the City of Kenosha	 -	 284,865	 284,865
Total restricted assets	<u>\$ 7,789,000</u>	<u>\$ 7,354,865</u>	<u>\$ 15,143,865</u>
Restricted cash and cash equivalents	\$ 2,730,000	\$ 1,584,865	\$ 4,314,865
Restricted investments	<u>5,059,000</u>	<u>5,770,000</u>	<u>10,829,000</u>
Total restricted assets	<u>\$ 7,789,000</u>	<u>\$ 7,354,865</u>	<u>\$ 15,143,865</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2009 and 2008

**(3) Restricted Assets (Continued)**

	<u>2008</u>		
	<u>Water Unit</u>	<u>Sewer Unit</u>	<u>Total</u>
Restricted for Debt Service			
Debt service account	\$ -	\$ 2,270,000	\$ 2,270,000
Special redemption account	2,730,000	1,300,000	4,030,000
Reserve account	<u>2,259,000</u>	<u>1,200,000</u>	<u>3,459,000</u>
	4,989,000	4,770,000	9,759,000
Restricted for renewal and replacement	-	1,251,140	1,251,140
Restricted for taxes	1,575,500	-	1,575,500
Restricted for depreciation	1,000,000	1,000,000	2,000,000
Restricted for Storm Water Utility collections due to the City of Kenosha	-	275,567	275,567
Total restricted assets	<u>\$ 7,564,500</u>	<u>\$ 7,296,707</u>	<u>\$ 14,861,207</u>
Restricted cash and cash equivalents	\$ -	\$ 275,567	\$ 275,567
Restricted investments	<u>7,564,500</u>	<u>6,951,140</u>	<u>14,515,640</u>
Total restricted assets	<u>\$ 7,564,500</u>	<u>\$ 7,226,707</u>	<u>\$ 14,791,207</u>

**CITY OF KENOSHA WATER UTILITY**  
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**(4) Capital Assets**

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

	<b>Balance January 1, 2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2009</b>
Capital assets not being depreciated:				
Land and land improvements	\$ 2,145,488	\$ 5,990	\$ -	\$ 2,151,478
Construction in progress	<u>1,544,345</u>	<u>3,632,039</u>	<u>982,634</u>	<u>4,193,750</u>
Total capital assets not being depreciated	<u>3,689,833</u>	<u>3,638,029</u>	<u>982,634</u>	<u>6,345,228</u>
Capital assets being depreciated:				
Revenue producing and service equipment	50,945,422	394,761	366,307	50,973,876
Buildings and structures	175,061,327	1,123,001	235,378	175,948,950
Office furnishings, shop equipment, and other	<u>7,300,240</u>	<u>148,593</u>	<u>521,431</u>	<u>6,927,402</u>
Total capital assets being depreciated	<u>233,306,989</u>	<u>1,666,355</u>	<u>1,123,116</u>	<u>233,850,228</u>
Less accumulated depreciation:				
Revenue producing and service equipment	32,415,965	1,949,970	366,307	33,999,628
Buildings and structures	40,441,863	2,560,969	208,455	42,794,377
Office furnishings, shop equipment, and other	<u>3,863,274</u>	<u>373,330</u>	<u>465,216</u>	<u>3,771,388</u>
Total accumulated depreciation	<u>76,721,102</u>	<u>4,884,269</u>	<u>1,039,978</u>	<u>80,565,393</u>
Total capital assets being depreciated, net	<u>156,585,887</u>	<u>(3,217,914)</u>	<u>83,138</u>	<u>153,284,835</u>
Total capital assets, net	<u>\$ 160,275,720</u>	<u>\$ 420,115</u>	<u>\$ 1,065,772</u>	<u>\$ 159,630,063</u>

**CITY OF KENOSHA WATER UTILITY**  
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**(4) Capital Assets** (Continued)

Capital asset activity for the year ended December 31, 2008 was as follows:

	<b>Balance January 1, 2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2008</b>
Capital assets not being depreciated:				
Land and land improvements	\$ 2,145,488	\$ -	\$ -	\$ 2,145,488
Construction in progress	<u>942,793</u>	<u>2,658,586</u>	<u>2,057,034</u>	<u>1,544,345</u>
Total capital assets not being depreciated	<u>3,088,281</u>	<u>2,658,586</u>	<u>2,057,034</u>	<u>3,689,833</u>
Capital assets being depreciated:				
Revenue producing and service equipment	51,022,304	281,318	358,200	50,945,422
Buildings and structures	170,339,300	4,976,468	254,441	175,061,327
Office furnishings, shop equipment, and other	<u>7,613,613</u>	<u>435,097</u>	<u>748,470</u>	<u>7,300,240</u>
Total capital assets being depreciated	<u>228,975,217</u>	<u>5,692,883</u>	<u>1,361,111</u>	<u>233,306,989</u>
Less accumulated depreciation:				
Revenue producing and service equipment	30,819,884	1,982,450	386,369	32,415,965
Buildings and structures	38,125,524	2,524,718	208,379	40,441,863
Office furnishings, shop equipment, and other	<u>4,173,921</u>	<u>388,328</u>	<u>698,975</u>	<u>3,863,274</u>
Total accumulated depreciation	<u>73,119,329</u>	<u>4,895,496</u>	<u>1,293,723</u>	<u>76,721,102</u>
Total capital assets being depreciated, net	<u>155,855,888</u>	<u>797,387</u>	<u>67,388</u>	<u>156,585,887</u>
Total capital assets, net	<u>\$ 158,944,169</u>	<u>\$ 3,455,973</u>	<u>\$ 2,124,422</u>	<u>\$ 160,275,720</u>

**CITY OF KENOSHA WATER UTILITY**  
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**(5) Long-term Debt**

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

Issue	Interest rate	Balance January 1, 2009	Additions	Deletions	Balance December 31, 2009	Due within one year
State of Wisconsin Clean Water						
Fund Loans:						
Series 1992	3.99%	\$ 6,515,070	\$ -	\$ 1,534,280	\$ 4,980,790	\$ 1,595,620
Series 1993	4.02%	1,743,827	-	321,861	1,421,966	334,784
Series 2000	3.17%	1,068,274	-	74,553	993,721	76,915
Revenue Bonds:						
Series 2003	1.60-4.55%	3,525,000	-	1,150,000	2,375,000	1,200,000
Series 2008	3.25-5.00%	22,590,000	-	1,505,000	21,085,000	1,790,000
		35,442,171	-	4,585,694	30,856,477	4,997,319
Less: unamortized discount (premium) and refunding bond losses						
		162,479		(296,985)	459,464	-
Advance from Municipality:						
1999 agreement	4.74-6.00%	775,989	25,512	49,429	752,072	63,780
Worker's compensation accrued liability	N/A	241,032	91,857	-	332,889	-
Other post employment benefits	N/A	289,298	238,298	-	527,596	-
Accrued Compensated Absences	N/A	574,819	26,959	36,075	565,703	-
Total		<u>\$ 37,485,788</u>	<u>\$ 382,626</u>	<u>\$ 4,374,213</u>	<u>\$ 33,494,201</u>	<u>\$ 5,061,099</u>

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

Issue	Interest rate	Balance January 1, 2008	Additions	Deletions	Balance December 31, 2008	Due within one year
State of Wisconsin Clean Water						
Fund Loans:						
Series 1992	3.99%	\$ 7,990,367	\$ -	\$ 1,475,297	\$ 6,515,070	\$ 1,534,280
Series 1993	4.02%	2,053,265	-	309,438	1,743,827	321,861
Series 2000	3.17%	1,140,537	-	72,263	1,068,274	74,553
Revenue Bonds:						
Series 1998	4.50-5.25%	22,405,000	-	22,405,000	-	-
Series 2003	1.60-4.55%	4,625,000	-	1,100,000	3,525,000	1,150,000
Series 2008	3.25-5.00%	-	22,590,000	-	22,590,000	1,505,000
		38,214,169	22,590,000	25,361,998	35,442,171	4,585,694
Less: unamortized discount (premium) and refunding bond losses						
		(281,623)	201,705	(242,397)	162,479	-
Advance from Municipality:						
1999 agreement	4.74-6.00%	822,230	-	46,241	775,989	49,428
Worker's compensation accrued liability	N/A	219,199	21,833	-	241,032	-
Other post employment benefits	N/A	-	289,298	-	289,298	-
Accrued Compensated Absences	N/A	545,817	37,132	8,130	574,819	-
Total		<u>\$ 39,519,792</u>	<u>\$ 23,139,968</u>	<u>\$ 25,173,972</u>	<u>\$ 37,485,788</u>	<u>\$ 4,635,122</u>

**CITY OF KENOSHA WATER UTILITY**  
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**(5) Long-term Debt (Continued)**

***State of Wisconsin Department of Natural Resources Clean Water Fund Loan (CWFL)***

Clean Water Fund loans are authorized by municipal ordinances prepared pursuant to Section 66.0621 of the Wisconsin Statutes. Sewerage Unit Clean Water Fund debt is payable from revenues of the sewerage system; however, upon default, the City's transportation aids or shared revenue may be reduced. The municipal ordinances provide for the establishment of separate accounts into which cash receipts are allocated. The following accounts have been established:

- Renewal and replacement - Utilities receiving federal or state construction grant funds from the EPA or the Wisconsin Fund are required by Wis. Admin. Code NR 128.13 and CFR 35.2005, Federal Register, to establish and fund a "replacement account" for mechanical equipment. Each grantee must review its facility and estimate its future expenditures for equipment replacement that will be necessary to maintain the facility's capacity throughout its design live of 20 years. Withdrawals are made as major mechanical equipment is repaired or replaced.
  
- Debt Service account - Used to deposit monthly one-sixth and one-twelfth of the next installment of the 1992, 1993, and 2000 series loan interest and principal, respectively, due on the succeeding payment date until the total amount due is on deposit.

***Revenue Bonds***

Revenue bond debt is payable from revenues derived by the Utility. Revenue bonds are authorized by municipal ordinances prepared pursuant to Section 66.0621 of the Wisconsin Statutes. Such ordinances provide for the establishment of separate accounts into which cash receipts are allocated. The following accounts have been established for the Water and Sewerage units:

- Special redemption account - Used to deposit monthly one-sixth and one-twelfth of the next installment of bond interest and principal, respectively, due on the succeeding payment date until the total amount due is on deposit.

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**(5) Long-term Debt** (Continued)

**Revenue Bonds** (continued)

Reserve account	-	Used to make interest or principal payments when amounts are not available in the special redemption account, remedy deficiencies in any of the other accounts, or retire bonds in advance of maturity.
Renewal and replacement	-	Used for the payment of repairs, replacements, new construction, and expansion on or additions to the system.
Tax equivalent account	-	Used to fund the annual tax equivalent paid to the City.
Depreciation Account	-	Used for the payment of extraordinary repairs or replacements and to remedy any deficiencies in the special redemption account.

**Advance from Municipality**

In 1999, the City issued general obligation refunding bonds to pay off its Wisconsin Retirement System unfunded pension liability. The Utility recorded its share of this issue, and makes principal and interest payments to the City. During 2009, the City refunded the 1999 general obligation refunding bonds which resulted in an increase in annual principal payments and a reduction in annual interest payments due for the remaining life of the bonds. The Utility recorded its share of the increase in principal due as a charge to the current year's pension expense.

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**(5) Long-term Debt (Continued)**

***Principal and Interest Payments***

Long-term debt principal and interest requirements to maturity as of December 31, 2009 are as follows:

	Principal			Interest		
	Water Unit	Sewerage Unit	Total	Water Unit	Sewerage Unit	Total
2010	\$ 1,821,622	\$ 3,239,477	\$ 5,061,099	\$ 931,240	\$ 344,088	\$ 1,275,328
2011	1,882,940	3,295,490	5,178,430	872,055	209,276	1,081,331
2012	1,932,940	2,203,329	4,136,269	806,193	96,928	903,121
2013	2,009,257	496,050	2,505,307	728,931	43,676	772,607
2014	2,115,575	123,316	2,238,891	628,740	31,928	660,668
2015-2019	11,695,543	687,933	12,383,476	1,601,314	86,569	1,687,883
2020	-	105,077	105,077	-	1,665	1,665
	<u>\$ 21,457,877</u>	<u>\$ 10,150,672</u>	<u>\$ 31,608,549</u>	<u>\$ 5,568,473</u>	<u>\$ 814,130</u>	<u>\$ 6,382,603</u>

***Current Refunding of Debt***

On September 4, 2008, Water System Revenue Refunding Bonds, Series 2008 totaling \$22,590,000 were issued with an interest rate range of 3.25 to 5.00%. Water System Revenue Refunding Bonds, Series 1998 were refunded, with the exception of \$2,143,024 scheduled for mandatory sinking fund redemption on December 1, 2008. The total amount refunded was \$21,246,600 including a 2% call premium on the outstanding principal balance of \$20,830,000. This refunding resulted in an economic gain as well as savings resulting from refunding. The economic gain realized (the difference between the present values of the debt service payments on the old debt and the new debt) in this refunding was \$779,601. The savings from the refunding were as follows:

Cash flow requirements to service old debt	\$ 27,129,425
Less cash flow requirements for new debt	(26,152,730)
Excess proceeds	1,500
Deduction for interest earned on Reserve Fund to redemption date	<u>(12,700)</u>
Net savings from refunding	<u>\$ 965,495</u>

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**(6) Net Assets**

The components of net assets are shown below:

	<b>2009</b>			
	<u>Water Unit</u>	<u>Sewer Unit</u>	<u>Household Hazardous Waste Unit</u>	<u>Total</u>
Invested in capital assets, net of related debt				
Capital assets, net of accumulated depreciation	\$ 80,500,046	\$ 79,111,316	\$ 18,701	\$ 159,630,063
Outstanding long-term debt	(21,085,000)	(9,771,477)	-	(30,856,477)
Debt not related to capital assets	<u>2,500,014</u>	<u>17,301</u>	-	<u>2,517,315</u>
	<u>61,915,060</u>	<u>69,357,140</u>	<u>18,701</u>	<u>131,290,901</u>
Restricted				
Restricted for renewal and replacement	-	1,300,000	-	1,300,000
Restricted for taxes	1,800,000	-	-	1,800,000
Restricted for depreciation	1,000,000	1,000,000	-	2,000,000
Restricted for debt service	4,989,000	4,770,000	-	9,759,000
Restricted for Storm Water Utility collections	-	284,865	-	284,865
Liabilities payable from restricted assets				
Storm Water Utility collections	-	(284,865)	-	(284,865)
Accrued interest payable	(76,215)	(100,484)	-	(176,699)
Long-term debt	<u>(2,259,000)</u>	<u>-</u>	<u>-</u>	<u>(2,259,000)</u>
Total restricted assets	<u>5,453,785</u>	<u>6,969,516</u>	<u>-</u>	<u>12,423,301</u>
Unrestricted	<u>(388,628)</u>	<u>11,837,927</u>	<u>242,831</u>	<u>11,692,130</u>
Total net assets	<u>\$ 66,980,217</u>	<u>\$ 88,164,583</u>	<u>\$ 261,532</u>	<u>\$ 155,406,332</u>

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**(6) Net Assets (Continued)**

	<b>2008</b>			
	<u>Water Unit</u>	<u>Sewer Unit</u>	<u>Household Hazardous Waste Unit</u>	<u>Total</u>
Invested in capital assets, net of related debt				
Capital assets, net of accumulated depreciation	\$ 81,740,304	\$ 78,514,670	\$ 20,746	\$ 160,275,720
Outstanding long-term debt	(22,590,000)	(12,852,172)	-	(35,442,172)
Debt not related to capital assets	2,636,197	51,013	-	2,687,210
	<u>61,786,501</u>	<u>65,713,511</u>	<u>20,746</u>	<u>127,520,758</u>
Restricted				
Restricted for renewal and replacement	-	1,251,140	-	1,251,140
Restricted for taxes	1,575,500	-	-	1,575,500
Restricted for depreciation	1,000,000	1,000,000	-	2,000,000
Restricted for debt service	4,989,000	4,700,000	-	9,689,000
Restricted for Storm Water Utility collections	-	275,567	-	275,567
Liabilities payable from restricted assets				
Storm Water Utility collections	-	(275,567)	-	(275,567)
Accrued interest payable	(316,799)	(136,828)	-	(453,627)
Long-term debt	(2,000,000)	-	-	(2,000,000)
Total restricted assets	<u>5,247,701</u>	<u>6,814,312</u>	<u>-</u>	<u>12,062,013</u>
Unrestricted	<u>(89,905)</u>	<u>13,777,572</u>	<u>196,265</u>	<u>13,883,932</u>
Total net assets	<u>\$ 66,944,297</u>	<u>\$ 86,305,395</u>	<u>\$ 217,011</u>	<u>\$ 153,466,703</u>

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**(7) Employees' Retirement System**

All eligible Utility employees 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 5.9% (6.0% for 2008 and 6.6% for 2007) of their salary to the plan. 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.

Total Utility payroll, covered payroll, and contributions for 2009, 2008, and 2007 are as follows:

	<b>Year ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Total Utility payroll	\$ 4,937,513	\$ 4,681,091	\$ 4,578,665
Total covered employee payroll	4,847,368	4,636,171	4,558,290
Total required contributions	504,365	487,114	483,220
Total required contributions (%)	10.4%	10.5%	10.6%

Details of the plan are disclosed in the financial statements of the City.

**(8) Risk Management**

The Utility is exposed to various risks of loss related to theft of, damage to, or destruction of assets, torts, errors and omissions, workers' compensation, and health care of its employees. The Utility purchases commercial insurance to insure its assets and protect against liability claims. Settled liability and property damage claims have not exceeded the commercial insurance coverage in the last five years. The Utility, in conjunction with the City, is self insured for workers' compensation and health insurance. The City purchases stop loss insurance to limit risk exposures.

For liability and errors and omissions insurance, the City, including the Utility, is a participant in the Wisconsin Municipal Insurance Commission (WMIC). The WMIC is an intergovernmental cooperation commission created by contract under Section 66.0301 of the Wisconsin Statutes in August 1987 for the purpose of facilitating the organization, establishment, and capitalization of the Cities and Villages Mutual Insurance Company (CVMIC) and has approximately 40 municipalities as members. CVMIC is a municipal mutual insurance company established on September 19, 1987 under Section 611.23 of the Wisconsin Statutes. CVMIC provides liability and worker's compensation insurance coverage. Separately issued financial statements for CVMIC may be obtained from CVMIC at 1250 South Sunny Slope Road, Brookfield, WI 53005-7025.

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**(8) Risk Management (Continued)**

For liability and errors and omissions insurance claims, the uninsured risk of loss is \$125,000 per incident and \$500,000 in the aggregate for a policy year.

The participation of the City, and its related funding for capitalization, is accounted in an internal service fund in the financial statements of the City. See the City's financial statements for additional information on the City's participation in the public entity risk pools as a whole.

**(9) Basis for Existing Rates**

***Water Unit***

On November 26, 2008, the PSCW authorized a rate increase effective December 31, 2008. The new rates were approved using the Simplified Rate Case process which allowed a 3.0% increase in rates for general service, public fire protection and wholesale service. The revenue increase combined with the Utility's prior year's net operating income did not exceed an overall rate of return of 6.4%, the Commission's overall rate of return applicable to a municipally owned water utility.

On December 22, 2009, the PSCW authorized a rate increase effective December 31, 2009. The new rates were approved using the Simplified Rate Case Process which allows a 3.8% increase in rates for general service, public fire protection and wholesale service. The revenue increase combined with the Utility's prior year's net operating income did not exceed an overall rate of return of 7.4%, the Commission's overall rate of return applicable to a municipally owned water utility.

***Sewerage Unit***

On October 27, 2008, the Board of Water Commissioners approved a rate adjustment for sewerage service, industrial waste discharge permit and miscellaneous services that was placed into effect December 31, 2008.

***Household Hazardous Waste Unit***

Rates were approved by the Board of Water Commissioners on November 27, 2006, and placed into effect January 1, 2007.

**(10) Commitments and Contingencies**

At December 31, 2009, the Utility had outstanding commitments for contracts of approximately \$664,123 for water main construction and the purchase of a dewatering centrifuge.

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

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**(11) Subsequent Events**

On March 1, 2010, a contract was awarded to Merryman Excavation, Inc. for 16" water main and 24" sanitary sewer main extensions in the amount of \$855,309. On March 15, 2010, a contract was awarded to A.W. Oakes & Son, Inc. for 16" water main relay in the amount of \$356,342.

Management evaluated subsequent events through March 31, 2010, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2009, but prior to March 31, 2010 that provide additional evidence about conditions that existed at December 31, 2009, have been recognized in the financial statements for the year ended December 31, 2009. Events or transactions that provided evidence about conditions that did not exist at December 31, 2009 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2009.

**(12) Other Postemployment Benefits**

In April 2004, the Governmental Accounting Standards Board (GASB) issued an interpretation on current accounting standards regarding financial reporting for post employment benefit plans other than pension plans. In June 2004, the GASB issued an additional interpretation regarding accounting and financial reporting by employers for postemployment benefit plans other than pensions. The City of Kenosha was required to implement the requirements of these interpretations effective January 1, 2008, and accordingly, the Utility, as a component unit of the City was also required to implement these requirements.

These interpretations establish standards for the measurement, recognition, and display of postemployment benefits (OPEB) expense and related liabilities, note disclosures, and required supplementary information in the financial reports of local government employers.

The Utility participates in a single-employer defined benefit health care plan ("the Retiree Health Plan") administered by the City of Kenosha. The plan provides health insurance benefits for eligible retirees, their spouses and eligible dependents through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements, personnel policy guidelines, or past practice and state that eligible retirees, their spouses and eligible dependents receive healthcare insurance between the ages of sixty and the age at which they become eligible for healthcare insurance under another plan at established contribution rates. The Retiree Health Plan does not issue a publicly available financial report.

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**(12) Other Postemployment Benefits (Continued)**

Benefit provisions are established through collective bargaining agreements and personnel policies and generally result in the employer paying 100% of the health care costs – less plan deductibles and co-pays – for retirees between the ages of sixty and the age at which they become eligible for health care insurance under another plan. Benefit provisions may be amended only through negotiations between the City and the union. Personnel policy guidelines may be amended by action of the City’s Common Council. There is no contribution requirement since the Utility pays 100% of health care costs less plan deductibles and co-pays. For fiscal 2009 and 2008, the Utility contributed \$116,000 and \$65,000 to the plan, respectively.

The Utility’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with parameters of GASB interpretations. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Utility’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Utility’s net OPEB obligation for the year ending December 31, 2009:

	<b>2009</b>		
	<b>Water Unit</b>	<b>Sewerage Unit</b>	<b>Total</b>
Annual required contribution	\$ 182,109	\$ 172,189	\$ 354,298
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Annual OPEB cost	182,109	172,189	354,298
Contributions made	<u>(59,624)</u>	<u>(56,376)</u>	<u>(116,000)</u>
Increase in net OPEB obligation	122,485	115,813	238,298
Net OPEB obligation, beginning of year	<u>148,699</u>	<u>140,599</u>	<u>289,298</u>
Net OPEB obligation, end of year	<u>\$ 271,184</u>	<u>\$ 256,412</u>	<u>\$ 527,596</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2009 and 2008

**(12) Other Postemployment Benefits (Continued)**

The following table shows the components of the Utility's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Utility's net OPEB obligation for the year ending December 31, 2008:

	<b>2008</b>		
	<b>Water Unit</b>	<b>Sewerage Unit</b>	<b>Total</b>
Annual required contribution	\$ 182,109	\$ 172,189	\$ 354,298
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Annual OPEB cost	182,109	172,189	354,298
Contributions made	<u>(33,410)</u>	<u>(31,590)</u>	<u>(65,000)</u>
Increase in net OPEB obligation	148,699	140,599	289,298
Net OPEB obligation, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB obligation, end of year	<u>\$ 148,699</u>	<u>\$ 140,599</u>	<u>\$ 289,298</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2009 and 2008

**12) Other Postemployment Benefits (Continued)**

The Utility's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

	<u>Water Unit</u>	<u>Sewerage Unit</u>	<u>Total</u>
Year ended December 31, 2009			
Annual OPEB cost	\$ 182,109	\$ 172,189	\$ 354,298
Percentage of annual OPEB cost contributed	32.74%	32.74%	32.74%
Net OPEB obligation	\$ 271,184	\$ 256,412	\$ 527,596
Year ended December 31, 2008			
Annual OPEB cost	\$ 182,109	\$ 172,189	\$ 354,298
Percentage of annual OPEB cost contributed	18.30%	18.30%	18.30%
Net OPEB obligation	\$ 148,699	\$ 140,599	\$ 289,298
Year ended December 31, 2007			
Annual OPEB cost	N/A	N/A	N/A
Percentage of annual OPEB cost contributed	N/A	N/A	N/A
Net OPEB obligation	N/A	N/A	N/A

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2009 and 2008

**(12) Other Postemployment Benefits**

The funded status of the plan as of December 31, 2007, the most recent actuarial valuation date, was as follows:

	<u>Water Unit</u>	<u>Sewerage Unit</u>	<u>Total</u>
Actuarial accrued liability (AAL)	\$ 1,882,168	\$ 1,779,638	\$ 3,661,806
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,882,168</u>	<u>\$ 1,779,638</u>	<u>\$ 3,661,806</u>
Funded ratio (actuarial value of plan assets / AAL)	0.00%	0.00%	0.00%
Covered payroll (active plan members)	2,116,952	2,441,338	4,558,290
UAAL as a percent of covered payroll	88.91%	72.90%	80.33%

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, morality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan is understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% investment rate of return and an annual healthcare cost trend rate of 11% initially, reduced by decrements to an ultimate rate of 4% after 2017. The unfunded actuarial accrued liability is being amortized over 30 years.

**CITY OF KENOSHA WATER UTILITY**  
(An Enterprise Fund of the City of Kenosha, Wisconsin)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
December 31, 2009 and 2008

**(13) Restatement**

The 2008 financial statements have been restated to record deferred charges receivable due primarily for Town of Somers parcels that front Utility installed infrastructure. The Utility lacks the authority to collect these charges as special assessments against non-city property. Net assets at the beginning of the year for the year ended December 31, 2008 are restated as follows:

Net assets, January 1, 2008, as previously reported	\$ 145,300,507
Restatement for special assessments not previously recorded	
Water special assessment	2,206,294
Sewer special assessment	<u>1,371,042</u>
Net assets, January 1 2008, as restated	<u>\$ 148,877,843</u>

**(14) Reclassification**

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2009 and 2008

	Actuarial Valuation Date	Actuarial Value of Assets (a)	(AAL) Accrued Actuarial Liability (b)	(UAAL) Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered payroll ((b-a)/c)
12/31/2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A
12/31/2008	12/31/2007	\$ -	\$ 3,661,806	\$ 3,661,806	0.00%	\$ 4,636,171	78.98%
12/31/2009	12/31/2007	\$ -	\$ 3,661,806	\$ 3,661,806	0.00%	4,847,368	75.54%

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha)  
 Combining Schedule of Net Assets  
 December 31, 2009

Assets	Water Unit	Sewerage Unit	Household Hazardous Waste Unit	Total
<b>Current assets:</b>				
Cash and cash equivalents	\$ 2,608,440	\$ 3,627,731	\$ 184,189	\$ 6,420,360
Restricted cash and cash equivalents	2,730,000	1,300,000	-	4,030,000
Restricted cash - Storm Water Utility collections	-	284,865	-	284,865
Restricted investments	5,059,000	5,770,000	-	10,829,000
Accounts receivable	1,886,921	2,338,218	47,638	4,272,777
Unbilled revenue	1,259,198	1,071,721	20,936	2,351,855
Inventories	352,190	41,848	-	394,038
Other current assets	86,281	17,983	-	104,264
Total current assets	<u>13,982,030</u>	<u>14,452,366</u>	<u>252,763</u>	<u>28,687,159</u>
<b>Noncurrent assets:</b>				
Advance to Water Unit	-	5,000,000	-	5,000,000
<b>Other assets</b>				
Special assessments	63,076	44,953	-	108,029
Deferred charges	2,655,641	1,463,481	-	4,119,122
Unamortized debt issue costs	40,809	1,548	-	42,357
<b>Capital assets:</b>				
<b>Capital assets not being depreciated:</b>				
Land and land improvements	879,272	1,272,206	-	2,151,478
Construction in progress	970,472	3,223,278	-	4,193,750
<b>Capital assets being depreciated:</b>				
Revenue producing and service equipment	19,547,604	31,426,272	-	50,973,876
Buildings and structures	82,734,083	93,166,673	48,194	175,948,950
Office furnishings, shop equipment, and other	2,908,351	4,017,639	1,412	6,927,402
Less accumulated depreciation	(26,539,736)	(53,994,752)	(30,905)	(80,565,393)
Total capital assets, net of accumulated depreciation	<u>80,500,046</u>	<u>79,111,316</u>	<u>18,701</u>	<u>159,630,063</u>
Total noncurrent assets	<u>83,259,572</u>	<u>85,621,298</u>	<u>18,701</u>	<u>168,899,571</u>
Total assets	<u>97,241,602</u>	<u>100,073,664</u>	<u>271,464</u>	<u>197,586,730</u>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	147,382	244,252	5,821	397,455
Accrued liabilities	76,215	100,484	-	176,699
Accrued property taxes	1,809,526	-	-	1,809,526
Current portion of long-term obligations	1,790,000	3,207,319	-	4,997,319
Current portion of advance from City of Kenosha	31,622	32,158	-	63,780
Due to City of Kenosha	508,816	483,381	4,111	996,308
Due to City of Kenosha - Storm Water Utility collections	-	284,865	-	284,865
Other deferred credits	21,343	-	-	21,343
Total current liabilities	<u>4,384,904</u>	<u>4,352,459</u>	<u>9,932</u>	<u>8,747,295</u>
<b>Noncurrent liabilities:</b>				
Long-term portion of accrued compensated absences	322,718	242,985	-	565,703
Worker's compensation accrued liability	171,105	161,784	-	332,889
Other postemployment benefits	271,184	256,412	-	527,596
Advance from City of Kenosha	341,256	347,037	-	688,293
Advance from Sewerage Unit	5,000,000	-	-	5,000,000
Revenue bonds payable (net of unamortized discounts)	19,770,218	1,159,246	-	20,929,464
Clean Water Fund loans	-	5,389,158	-	5,389,158
Total noncurrent liabilities	<u>25,876,481</u>	<u>7,556,622</u>	<u>-</u>	<u>33,433,103</u>
Total liabilities	<u>30,261,385</u>	<u>11,909,081</u>	<u>9,932</u>	<u>42,180,398</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	61,915,060	69,357,140	18,701	131,290,901
Restricted for debt service	5,453,785	6,969,516	-	12,423,301
Unrestricted	(388,628)	11,837,927	242,831	11,692,130
Total net assets	<u>\$ 66,980,217</u>	<u>\$ 88,164,583</u>	<u>\$ 261,532</u>	<u>\$ 155,406,332</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha)  
 Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets  
 Year ended December 31, 2009

	<u>Water Unit</u>	<u>Sewerage Unit</u>	<u>Household Hazardous Waste Unit</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 9,424,399	\$ 10,287,937	\$ 166,099	\$ 19,878,435
Miscellaneous	1,827,885	1,634,854	18,782	3,481,521
Total operating revenues	<u>11,252,284</u>	<u>11,922,791</u>	<u>184,881</u>	<u>23,359,956</u>
Operating expenses:				
General and administrative	2,062,338	2,650,981	-	4,713,319
Operations and maintenance	3,950,051	5,261,960	138,771	9,350,782
Depreciation	2,416,135	2,466,089	2,045	4,884,269
Total operating expenses	<u>8,428,524</u>	<u>10,379,030</u>	<u>140,816</u>	<u>18,948,370</u>
Operating income	<u>2,823,760</u>	<u>1,543,761</u>	<u>44,065</u>	<u>4,411,586</u>
Nonoperating revenues (expenses):				
Investment income	152,629	316,314	456	469,399
Interest expense	(1,166,366)	(440,293)	-	(1,606,659)
Miscellaneous	(263,436)	(15,636)	-	(279,072)
Total nonoperating revenue (expenses)	<u>(1,277,173)</u>	<u>(139,615)</u>	<u>456</u>	<u>(1,416,332)</u>
Increase in net assets before capital contributions and transfers	1,546,587	1,404,146	44,521	2,995,254
Capital contributions	259,152	494,749	-	753,901
Transfers out	(1,769,819)	(39,707)	-	(1,809,526)
Increase in net assets	35,920	1,859,188	44,521	1,939,629
Net assets at beginning of year	66,944,297	86,305,395	217,011	153,466,703
Net assets at end of year	<u>\$ 66,980,217</u>	<u>\$ 88,164,583</u>	<u>\$ 261,532</u>	<u>\$ 155,406,332</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha)  
 Schedule of Capital Assets  
 Water Unit  
 Year ended December 31, 2009

	<u>Balance Jan. 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2009</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 879,272	\$ -	\$ -	\$ 879,272
Construction in progress	419,941	839,266	288,735	970,472
Total capital assets not being depreciated	<u>1,299,213</u>	<u>839,266</u>	<u>288,735</u>	<u>1,849,744</u>
Capital assets being depreciated:				
Revenue producing and service equipment	19,504,304	168,114	124,814	19,547,604
Buildings and structures	82,484,532	478,717	229,166	82,734,083
Office furnishings, shop equipment, and other	3,127,867	27,006	246,522	2,908,351
Total capital assets being depreciated	<u>105,116,703</u>	<u>673,837</u>	<u>600,502</u>	<u>105,190,038</u>
Less accumulated depreciation:				
Revenue producing and service equipment	7,103,917	932,377	124,814	7,911,480
Buildings and structures	15,634,922	1,279,255	202,244	16,711,933
Office furnishings, shop equipment, and other	1,936,773	204,503	224,953	1,916,323
Total accumulated depreciation	<u>24,675,612</u>	<u>2,416,135</u>	<u>552,011</u>	<u>26,539,736</u>
Total capital assets being depreciated, net	<u>80,441,091</u>	<u>(1,742,298)</u>	<u>48,491</u>	<u>78,650,302</u>
Total capital assets, net	<u>\$ 81,740,304</u>	<u>\$ (903,032)</u>	<u>\$ 337,226</u>	<u>\$ 80,500,046</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 Water Unit  
 Debt Repayment Schedule  
 Series 2008 – Water System Revenue Bonds

<u>Year</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
	<u>December 1</u>	<u>June 1</u>	<u>December 1</u>		
2010	\$ 1,790,000	\$ 457,288	\$ 457,288	\$	2,704,576
2011	1,850,000	428,200	428,200		2,706,400
2012	1,900,000	395,825	395,825		2,691,650
2013	1,975,000	357,825	357,825		2,690,650
2014	2,080,000	308,450	308,450		2,696,900
2015	2,165,000	266,850	266,850		2,698,700
2016	2,250,000	223,550	223,550		2,697,100
2017	2,350,000	176,875	176,875		2,703,750
2018	4,725,000	118,125	118,125		4,961,250
Totals	<u>\$ 21,085,000</u>	<u>\$ 2,732,988</u>	<u>\$ 2,732,988</u>		<u>\$ 26,550,976</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 Water Unit  
 Debt Repayment Schedule  
 Series 1999 – Advance from Municipality

<u>Year</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
	<u>April 1</u>	<u>April 1</u>	<u>October 1</u>		
2010	\$ 31,622	\$ 8,569	\$ 8,095	\$	48,286
2011	32,940	8,095	7,560		48,595
2012	32,940	7,560	6,983		47,483
2013	34,257	6,983	6,298		47,538
2014	35,575	6,298	5,542		47,415
2015	36,892	5,542	4,712		47,146
2016	38,210	4,712	3,757		46,679
2017	40,845	3,757	2,634		47,236
2018	43,480	2,634	1,383		47,497
2019	46,116	1,383	-		47,499
Totals	<u>\$ 372,877</u>	<u>\$ 55,533</u>	<u>\$ 46,964</u>	<u>\$</u>	<u>475,374</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 Water Unit  
 Schedules of Operating Revenues and Expenses  
 Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Residential	\$ 5,026,275	\$ 4,975,959
Commercial	2,190,281	2,199,242
Industrial	522,142	482,875
Public	241,259	230,728
Irrigation	<u>2,705</u>	<u>3,421</u>
Total metered sales	7,982,662	7,892,225
Flat rate sales to general customers	7,455	11,734
Private fire protection	139,579	136,951
Public fire protection	1,075,687	1,048,431
Sales to other municipalities	<u>1,434,282</u>	<u>1,449,374</u>
Total sales of water	10,639,665	10,538,715
Penalties	143,475	120,077
Allocated services	115,868	109,772
Other	<u>353,276</u>	<u>333,684</u>
Total operating revenues	<u>11,252,284</u>	<u>11,102,248</u>
Operating expenses:		
Operation and maintenance:		
Source of supply:		
Maintenance of lake intake	<u>20,774</u>	<u>2,200</u>
Power and pumping:		
Operations:		
Supervision and engineering	140,126	78,560
Fuel and power purchased	704,273	745,672
Pumping labor and supplies	114,711	102,969
Leased land	-	3,500
Miscellaneous	4,249	11,041
Maintenance:		
Structures and improvements	23,027	35,971
Power production equipment	194	449
Pumping equipment	<u>80,551</u>	<u>78,377</u>
Total power and pumping	<u>1,067,131</u>	<u>1,056,539</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 Water Unit  
 Schedules of Operating Revenues and Expenses  
 Years ended December 31, 2009 and 2008

Water treatment:		
Operations:		
Supervision and engineering	\$ 78,457	\$ 76,875
Labor and supplies	260,181	253,307
Lead testing program	28	1,576
Chemicals	173,859	115,508
Structures and improvements	37,391	31,556
Treatment equipment	450,293	375,637
Miscellaneous	20,017	15,413
Total water treatment	<u>1,020,226</u>	<u>869,872</u>
Transmission and distribution:		
Operations:		
Supervision and engineering	85,458	109,555
Transmission and distribution lines	4,993	32,508
Meters	60,130	65,965
Customer installation	16,992	26,052
Labor and equipment	495,300	509,982
Maintenance:		
Supervision and engineering	32,138	31,623
Distribution reservoirs and standpipes	54,240	301,446
Mains	826,580	764,364
Services	182,241	155,398
Meters	40,107	46,581
Hydrants	43,741	39,817
Total transmission and distribution	<u>1,841,920</u>	<u>2,083,291</u>
Total operations and maintenance	<u>3,950,051</u>	<u>4,011,902</u>
General and administrative:		
Customer accounting and collecting:		
Meter reading	59,428	59,284
Customer records and collection	359,380	322,761
Total customer accounting and collecting	<u>418,808</u>	<u>382,045</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 Water Unit  
 Schedules of Operating Revenues and Expenses  
 Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Administrative:		
Executive and general office	\$ 190,859	\$ 170,279
Office supplies	31,653	22,921
Outside services	152,176	167,035
Casualty and property insurance	69,600	64,233
Employee benefits and insurance	1,171,138	1,156,269
Miscellaneous	18,750	29,441
Regulatory commission	9,354	9,376
Total administrative	1,643,530	1,619,554
Total general and administrative	2,062,338	2,001,599
Depreciation	2,416,135	2,411,359
Total operating expenses	8,428,524	8,424,860
Operating income	\$ 2,823,760	\$ 2,677,388

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 Water Unit  
 Water Tax Equivalent Calculation Schedules  
 Years ended December 31, 2009 and 2008

Local property taxes due to the City of Kenosha for the years ended December 31, 2009 and 2008 were computed in accordance with PSCW Rules 109.01 through 109.05 as follows:

	<u><b>2009</b></u>	<u><b>2008</b></u>
Gross book value – January 1:		
Plant and equipment	\$ 107,041,474	\$ 104,071,819
Materials and supplies	<u>349,544</u>	<u>367,351</u>
Total gross book value	107,391,018	104,439,170
Less plant outside municipal boundaries	<u>(6,310,352)</u>	<u>(5,975,469)</u>
Assessable plant	101,080,666	98,463,701
Assessment ratio	<u>0.996148</u>	<u>0.979546</u>
Assessed value of property	100,691,303	96,449,725
Local and school share of tax rate (per thousand)	<u>17.971021</u>	<u>17.546261</u>
Computed tax equivalent (floor = \$1,033,306)	<u><u>\$ 1,809,526</u></u>	<u><u>\$ 1,692,332</u></u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha)  
 Schedule of Capital Assets  
 Sewerage Unit  
 Year ended December 31, 2009

	<u>Balance</u> <u>Jan. 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 1,266,216	\$ 5,990	\$ -	\$ 1,272,206
Construction in progress	<u>1,124,404</u>	<u>2,792,773</u>	<u>693,899</u>	<u>3,223,278</u>
Total capital assets not being depreciated	<u>2,390,620</u>	<u>2,798,763</u>	<u>693,899</u>	<u>4,495,484</u>
Capital assets being depreciated:				
Revenue producing and service equipment	31,441,118	226,647	241,493	31,426,272
Buildings and structures	92,528,601	644,284	6,212	93,166,673
Office furnishings, shop equipment, and other	<u>4,170,961</u>	<u>121,587</u>	<u>274,909</u>	<u>4,017,639</u>
Total capital assets being depreciated	<u>128,140,680</u>	<u>992,518</u>	<u>522,614</u>	<u>128,610,584</u>
Less accumulated depreciation:				
Revenue producing and service equipment	25,312,048	1,017,593	241,493	26,088,148
Buildings and structures	24,778,996	1,279,786	6,211	26,052,571
Office furnishings, shop equipment, and other	<u>1,925,586</u>	<u>168,710</u>	<u>240,263</u>	<u>1,854,033</u>
Total accumulated depreciation	<u>52,016,630</u>	<u>2,466,089</u>	<u>487,967</u>	<u>53,994,752</u>
Total capital assets being depreciated, net	<u>76,124,050</u>	<u>(1,473,571)</u>	<u>34,647</u>	<u>74,615,832</u>
Total capital assets, net	<u>\$ 78,514,670</u>	<u>\$ 1,325,192</u>	<u>\$ 728,546</u>	<u>\$ 79,111,316</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 Sewerage Unit  
 Debt Repayment Schedule  
 Series 1992 – Clean Water Fund Loan

<u>Year</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
	<u>May 1</u>	<u>May 1</u>	<u>November 1</u>		
2010	\$ 1,595,620	\$ 99,566	\$ 67,670	\$	1,762,856
2011	1,659,413	67,670	34,498		1,761,581
2012	1,725,757	34,498	-		1,760,255
Totals	<u>\$ 4,980,790</u>	<u>\$ 201,734</u>	<u>\$ 102,168</u>	<u>\$</u>	<u>5,284,692</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 Sewerage Unit  
 Debt Repayment Schedule  
 Series 1993 – Clean Water Fund Loan

<u>Year</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
	<u>May 1</u>	<u>May 1</u>	<u>November 1</u>		
2010	\$ 334,784	\$ 28,546	\$ 21,825	\$	385,155
2011	348,226	21,825	14,836		384,887
2012	362,206	14,836	7,564		384,606
2013	376,750	7,564	-		384,314
Totals	<u>\$ 1,421,966</u>	<u>\$ 72,771</u>	<u>\$ 44,225</u>		<u>\$ 1,538,962</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 Sewerage Unit  
 Debt Repayment Schedule  
 Series 2000 – Clean Water Fund Loan

<u>Year</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
	<u>May 1</u>	<u>May 1</u>	<u>November 1</u>		
2010	\$ 76,915	\$ 15,746	\$ 14,527	\$	107,188
2011	79,353	14,527	13,269		107,149
2012	81,868	13,269	11,972		107,109
2013	84,462	11,972	10,634		107,068
2014	87,139	10,634	9,253		107,026
2015	89,900	9,253	7,829		106,982
2016	92,749	7,829	6,359		106,937
2017	95,688	6,359	4,843		106,890
2018	98,721	4,843	3,279		106,843
2019	101,849	3,279	1,665		106,793
2020	105,077	1,665	-		106,742
Totals	<u>\$ 993,721</u>	<u>\$ 99,376</u>	<u>\$ 83,630</u>	<u>\$</u>	<u>1,176,727</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 Sewerage Unit  
 Debt Repayment Schedule  
 Series 2003 – Sewerage Revenue Bonds

<u>Year</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
	<u>January 1</u>	<u>January 1</u>	<u>July 1</u>		
2010	\$ 1,200,000	\$ 52,531	\$ 26,731	\$	1,279,262
2011	1,175,000	26,731	-		1,201,731
Totals	<u>\$ 2,375,000</u>	<u>\$ 79,262</u>	<u>\$ 26,731</u>		<u>\$ 2,480,993</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 Sewerage Unit  
 Debt Repayment Schedule  
 Series 1999 – Advance from Municipality

<u>Year</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
	<u>April 1</u>	<u>April 1</u>	<u>October 1</u>		
2010	\$ 32,158	\$ 8,714	\$ 8,232	\$	49,104
2011	33,498	8,232	7,688		49,418
2012	33,498	7,688	7,101		48,287
2013	34,838	7,101	6,405		48,344
2014	36,177	6,405	5,636		48,218
2015	37,517	5,636	4,792		47,945
2016	38,858	4,792	3,820		47,470
2017	41,537	3,821	2,678		48,036
2018	44,217	2,678	1,407		48,302
2019	46,897	1,407	-		48,304
Totals	<u>\$ 379,195</u>	<u>\$ 56,474</u>	<u>\$ 47,759</u>	<u>\$</u>	<u>483,428</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 Sewerage Unit  
 Schedules of Operating Revenues and Expenses  
 Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Metered sales to general customers:		
Residential	\$ 4,535,416	\$ 4,464,333
Commercial	2,265,966	2,217,494
Industrial	1,179,627	966,700
Public	<u>212,215</u>	<u>190,049</u>
Total sales to general customers	8,193,224	7,838,576
Sales to other municipalities	2,094,713	2,260,070
Industrial waste monitoring	87,973	92,845
Engineering services	1,050,800	1,115,255
Waste haulers	276,805	221,305
Penalties	137,442	125,406
Other	<u>81,834</u>	<u>64,439</u>
Total operating revenues	<u>11,922,791</u>	<u>11,717,896</u>
Operating expenses:		
Operation and maintenance:		
Wastewater treatment:		
Operations:		
Supervision and labor	456,586	455,772
Chemicals	810,474	696,951
Power	566,765	630,997
Sludge handling	395,504	413,451
Maintenance:		
Supervision and labor	224,144	236,546
Treatment equipment	353,528	337,804
Structures and improvements	105,828	157,624
Transportation expense	<u>68,076</u>	<u>50,406</u>
Total wastewater treatment	<u>2,980,905</u>	<u>2,979,551</u>
Collection system:		
Collection	453,042	383,499
Equalization basin and pump station	49,812	39,719
Cleaning and inspection	223,888	284,906
Lift station equipment	144,151	181,294
Monitoring equipment	<u>2,629</u>	<u>3,905</u>
Total collection system	<u>873,522</u>	<u>893,323</u>
Laboratory operations:		
Labor and supplies	267,897	273,715
Industrial waste monitoring	<u>78,080</u>	<u>68,908</u>
Total laboratory operations	<u>345,977</u>	<u>342,623</u>
Engineering services	<u>1,061,556</u>	<u>1,069,611</u>
Total operation and maintenance	<u>5,261,960</u>	<u>5,285,108</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 Sewerage Unit  
 Schedules of Operating Revenues and Expenses  
 Years ended December 31, 2009 and 2008

	<u><b>2009</b></u>	<u><b>2008</b></u>
Meter reading	\$ 59,428	\$ 59,284
Customer records and collection	317,039	279,484
Total customer accounting and collecting	<u>376,467</u>	<u>338,768</u>
Administrative:		
Salaries	246,629	285,985
Outside services	285,888	278,497
Office supplies	39,253	27,445
Accidents and damages	105,175	96,735
Insurance and employee benefits	1,267,343	1,309,276
Meter operation	<u>330,226</u>	<u>333,383</u>
Total administrative	<u>2,274,514</u>	<u>2,331,321</u>
Total general and administrative	<u>2,650,981</u>	<u>2,670,089</u>
Depreciation	<u>2,466,089</u>	<u>2,482,092</u>
Total operating expenses	<u>10,379,030</u>	<u>10,437,289</u>
Operating income	<u>\$ 1,543,761</u>	<u>\$ 1,280,607</u>

**CITY OF KENOSHA WATER UTILITY**  
 (An Enterprise Fund of the City of Kenosha, Wisconsin)  
 Schedule of Capital Assets  
 Household Hazardous Waste Unit  
 Year ended December 31, 2009

	<u>Balance</u> <u>Jan. 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Buildings and structures	\$ 48,194	\$ -	\$ -	\$ 48,194
Office furnishings, shop equipment, and other	<u>1,412</u>	<u>-</u>	<u>-</u>	<u>1,412</u>
Total capital assets being depreciated	<u>49,606</u>	<u>-</u>	<u>-</u>	<u>49,606</u>
Less accumulated depreciation:				
Buildings and structures	27,945	1,928	-	29,873
Office furnishings, shop equipment, and other	<u>915</u>	<u>117</u>	<u>-</u>	<u>1,032</u>
Total accumulated depreciation	<u>28,860</u>	<u>2,045</u>	<u>-</u>	<u>30,905</u>
Total capital assets, net	<u>\$ 20,746</u>	<u>\$ (2,045)</u>	<u>\$ -</u>	<u>\$ 18,701</u>