

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
Muskego, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

December 31, 2010 and 2009

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO

TABLE OF CONTENTS
December 31, 2010 and 2009

Independent Auditors' Report	1
Financial Statements	
Statements of Net Assets	2 – 3
Statements Revenues, Expenses and Changes in Net Assets	4
Statements of Cash Flows	5 – 6
Notes to Financial Statements	7 – 22
Supplementary Information	
Operation and Maintenance Expenses	23
Utility Plant in Service	24
Summary of Long-Term Indebtedness	25
Schedule of Construction Funds	26
Statistical Information	27
Schedule of Insurance in Force	28

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Muskego Sewer Utility
Muskego, Wisconsin

We have audited the accompanying financial statements of City of Muskego Sewer Utility, an enterprise fund of the City of Muskego, Wisconsin as of December 31, 2010 and 2009, and for the years there ended, as listed in the table of contents. These financial statements are the responsibility of the utility's management. Our responsibility is to express an opinion 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the City of Muskego Sewer Utility, an enterprise fund of the City of Muskego, Wisconsin and do not purport to, and do not, present fairly the financial position of the City of Muskego, Wisconsin as of December 31, 2010 and 2009 and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

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

The City of Muskego Sewer Utility, an enterprise fund of the City of Muskego, Wisconsin has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

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

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
July 29, 2011

CITY OF MUSKEGO SEWER UTILITY
a Proprietary-Enterprise Fund of the
CITY OF MUSKEGO

STATEMENTS OF NET ASSETS
December 31, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and investments		
Operation and maintenance	\$ 10,088,839	\$ 9,324,481
Construction	20,000	40,000
Temporary investments	474,663	711,020
Accounts receivable - net	2,164,010	2,086,175
Deferred contractual charge	-	552,925
Restricted Assets		
Debt Service Fund		
Cash and investments	<u>196,243</u>	<u>194,427</u>
Total Current Assets	<u>12,943,755</u>	<u>12,909,028</u>
NON-CURRENT ASSETS		
Restricted Assets		
Debt Service Fund		
Cash and investments	380,950	382,010
Reserve Capacity Assessment Fund		
Cash and investments	4,352,895	4,054,548
RCA assessments receivable	405,987	298,766
Equipment Replacement Fund		
Cash and investments	735,268	707,608
Capital Assets		
Land	130,918	130,918
Construction in progress	127,806	-
Plant in service	59,452,838	59,452,838
Accumulated depreciation	(16,493,248)	(15,358,259)
Other Assets		
Special assessments	406,478	392,028
Unamortized debt discount & expense (net of accumulated amortization of \$34,667 and \$28,724 for 2010 and 2009, respectively)	54,476	60,419
Unamortized maintenance costs (net of accumulated amortization of \$442,130 and \$397,899 for 2010 and 2009, respectively)	-	44,231
Total Non-Current Assets	<u>49,554,368</u>	<u>50,165,107</u>
TOTAL ASSETS	<u>\$ 62,498,123</u>	<u>\$ 63,074,135</u>

CITY OF MUSKEGO SEWER UTILITY

a Proprietary-Enterprise Fund of the
CITY OF MUSKEGO

STATEMENTS OF NET ASSETS

(Continued)

December 31, 2010 and 2009

LIABILITIES AND NET ASSETS	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES		
Accounts payable	\$ 377,677	\$ 880,577
Due to City	10,000	-
Accrued vacation, sick leave and compensatory time	201,872	183,545
Deferred revenue	82,606	22,683
Liabilities Payable From Restricted Assets		
Current portion of long-term debt	265,000	260,000
Accrued interest payable	19,577	21,093
Total Current Liabilities	<u>956,732</u>	<u>1,367,898</u>
NON-CURRENT LIABILITIES		
Revenue bonds	2,661,114	2,880,781
Deferred revenue	<u>954,125</u>	<u>938,094</u>
Total Non-Current Liabilities	<u>3,615,239</u>	<u>3,818,875</u>
 Total Liabilities	 <u>4,571,971</u>	 <u>5,186,773</u>
NET ASSETS		
Invested in capital assets, net of related debt	40,727,627	41,527,145
Restricted for:		
Debt service	176,666	173,334
RCA funds	4,758,882	4,353,314
Equipment replacement	735,268	707,608
Unrestricted	<u>11,527,709</u>	<u>11,125,961</u>
	<u>57,926,152</u>	<u>57,887,362</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 62,498,123</u>	 <u>\$ 63,074,135</u>

CITY OF MUSKEGO SEWER UTILITY

a Proprietary-Enterprise Fund of the
CITY OF MUSKEGO

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Charges for services	\$ 5,943,912	\$ 5,950,385
Other operating revenues	<u>26,273</u>	<u>24,708</u>
Total Operating Revenues	<u>5,970,185</u>	<u>5,975,093</u>
OPERATING EXPENSES		
Operation and maintenance	5,084,481	4,481,622
Depreciation	<u>1,134,988</u>	<u>1,116,223</u>
Total Operating Expenses	<u>6,219,469</u>	<u>5,597,845</u>
OPERATING INCOME (LOSS)	<u>(249,284)</u>	<u>377,248</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	40,716	88,979
Interest income on RCA's and special assessments	22,683	27,882
Interest expense	(120,494)	(129,476)
Amortization of bond discount	<u>(51,276)</u>	<u>(51,276)</u>
Total Non-Operating Revenues	<u>(108,371)</u>	<u>(63,891)</u>
Loss Before Contributions and Transfers	(357,655)	313,357
CAPITAL CONTRIBUTIONS		
Developer and customer	374,445	736,507
Contribution from the City	-	19,428
Sewer connection fees	<u>22,000</u>	<u>18,500</u>
Change in Net Assets	38,790	1,087,792
NET ASSETS - Beginning of Year	<u>57,887,362</u>	<u>56,799,570</u>
NET ASSETS - END OF YEAR	<u>\$ 57,926,152</u>	<u>\$ 57,887,362</u>

CITY OF MUSKEGO SEWER UTILITY

a Proprietary-Enterprise Fund of the
CITY OF MUSKEGO

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 5,945,699	\$ 5,929,276
Paid to vendors for goods and services	(4,215,564)	(3,600,042)
Paid to employees for services	(745,463)	(762,506)
Payments to other funds	(39,145)	(38,832)
Net Cash Flows From Operating Activities	<u>945,527</u>	<u>1,527,896</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(89,530)	(340,803)
Debt retired	(260,000)	(250,000)
Interest paid	(122,010)	(130,936)
Special assessments received	268,804	556,551
Connection fees received	22,000	18,500
Net Cash Flows From Capital and Related Financing Activities	<u>(180,736)</u>	<u>(146,688)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income		
Interest on investments	47,290	92,124
Interest on RCA's and special assessments	22,683	27,882
Investments purchased	(474,663)	(711,020)
Investments sold and matured	711,020	727,181
Net Cash Flows From Investing Activities	<u>306,330</u>	<u>136,167</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,071,121	1,517,375
CASH AND CASH EQUIVALENTS -- Beginning of Year	<u>14,703,074</u>	<u>13,185,699</u>
CASH AND CASH EQUIVALENTS -- END OF YEAR	<u>\$ 15,774,195</u>	<u>\$ 14,703,074</u>

CITY OF MUSKEGO SEWER UTILITY

a Proprietary-Enterprise Fund of the
CITY OF MUSKEGO

STATEMENTS OF CASH FLOWS

(Continued)

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS		
Unrestricted		
Operation and maintenance	\$ 10,088,839	\$ 9,324,481
Construction	20,000	40,000
Restricted		
Current:		
Debt Service Fund	196,243	194,427
Noncurrent:		
Debt Service Fund	380,950	382,010
Reserve Capacity Assessment Fund	4,352,895	4,054,548
Equipment Replacement Fund	<u>735,268</u>	<u>707,608</u>
CASH AND CASH EQUIVALENTS	<u>\$ 15,774,195</u>	<u>\$ 14,703,074</u>
NON CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Capital additions contributed to the Utility by customers and developers	<u>\$ -</u>	<u>\$ 262,687</u>
Capital additions contributed to the Utility by the City	<u>\$ -</u>	<u>\$ 19,428</u>
Assessment of benefits to property owners for improvements	<u>\$ 396,445</u>	<u>\$ 492,320</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (249,284)	\$ 377,248
Noncash items in operating loss		
Depreciation expense	1,134,988	1,116,223
Amortization of manhole rehabilitation	44,231	44,231
Changes in assets and liabilities		
Accounts receivable	(83,847)	(45,817)
Deferred contractual charge	552,925	(394,149)
Accounts payable	(531,174)	430,616
Accrued vacation, sick leave and compensatory time	18,327	(456)
Deferred contractual credit	<u>59,361</u>	<u>-</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 945,527</u>	<u>\$ 1,527,896</u>

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Muskego Sewer Utility (utility) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the utility are described below:

REPORTING ENTITY AND NATURE OF BUSINESS

The utility is a separate enterprise fund of the City of Muskego (municipality). The utility accounts for the cost of operations on a continuing basis and is managed by the city council. The utility provides sewer service to properties within the municipality with wastewater treated by the Milwaukee Metropolitan Sewerage District.

The utility charges operates under service rules and rates established by the City's Common Council.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

The 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.

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

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS, LIABILITIES AND NET ASSETS

Deposits and Investments

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

State statutes restrict investment of utility funds. Investments are limited to:

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

The utility has not adopted a formal investment policy and is covered under an investment policy adopted by the municipality. Please reference the City of Muskego financial statements for details of this investment policy and its assessment of deposit and investment risks.

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

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

See Note 2 for further information.

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS, LIABILITIES AND NET ASSETS (continued)

Receivables/Payables

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

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

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Bond agreements and other external parties require such segregations. Current liabilities payable from these restricted assets are so classified.

1. Operation and Maintenance Fund: A monthly amount equal to the estimated current expenses for such month and for the following two months.
2. Special Redemption Fund – Principal and Interest: A monthly amount equal to one-sixth (1/6) of the next installment of interest coming due and an amount equal to one-twelfth (1/12) of the installment of principal of the bonds coming due on the next succeeding principal payment date.
3. Special Redemption Fund – Reserve: A monthly amount equal to the total Reserve Account requirements divided by twelve until the amount accumulated in the Reserve Account totals the highest annual debt service on the outstanding bonds.
4. Depreciation Fund: An amount determined by the City Common Council to finance system repairs, replacements or the acquisition of capital equipment identified in the annual budget which are not financed by a revenue bond issue.
5. Surplus Fund: Any amount remaining after the above monthly transfers have been completed.

The authorizing resolution did not however specify amounts to be allocated to the following funds:

Depreciation Fund
Surplus Fund

As a result, at December 31, 2010 the utility has not allocated any amounts to these funds. In lieu of establishing a specific Depreciation Fund, the utility has established an "equipment replacement reserve" which management believes satisfies the bond resolution covenant. The equipment replacement reserve was established to comply with Wisconsin Department of Natural Resources requirements and is to be used for the replacement of significant mechanical equipment.

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS, LIABILITIES AND NET ASSETS (continued)

Restricted Assets (continued)

Restricted net assets principally represent the Reserve Capacity Assessment Fund, Equipment Replacement Fund and Special Redemption Fund restricted assets less related current liabilities payable from restricted assets and funds financed by borrowings.

Restricted Construction Funds, if any, represent proceeds from long-term debt, which will be utilized to finance certain construction projects. Unrestricted Construction Funds represent working capital designated by management for construction purposes.

Deferred Contractual Charge / Credit

Deferred contractual charges/credits represent amounts billed/credited by the Milwaukee Metropolitan Sewerage District related to capital costs that are recognized as expense and are payable in the subsequent year.

Special Assessments Receivable

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

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 of the utility are recorded at cost or the fair market value at the time of contribution to the utility. Major outlays for utility plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. \$0 of net interest was capitalized during the current year and the prior year. Capital assets in service are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and improvements	20 - 50
Improvements other than buildings - utility collection system	40 - 125
Machinery and equipment	4 - 25

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS, LIABILITIES AND NET ASSETS (continued)

Unamortized Maintenance Costs

Certain maintenance costs are amortized to expense as described in Note 8.

Compensated Absences

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

Long-Term Obligations

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

Deferred Revenues

Deferred revenues principally represent deferred special assessments which will be reported as contributed capital when and if the property owner connects to the system and the assessment becomes due, and prepayments of RCA assessments.

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.
- b. Restricted net assets - Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definitions of "restricted" or "invested in capital assets, net of related debt."

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUES AND EXPENSES

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

Charges for Services

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

Effective January 1, 2009, the sewer rate for a single-family residence was \$167.66 per quarter or \$670.64 per year. All industrial and commercial users were billed on actual metered use at \$6.65 per 1,000 gallons plus a connection charge of \$68.44 per quarter.

Effective January 1, 2010, the sewer rate for a single-family residence was \$167.66 per quarter or \$670.64 per year. All industrial and commercial users were billed on actual metered use at \$6.81 per 1,000 gallons plus a connection charge of \$69.10 per quarter.

Capital Contributions

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

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

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 – CASH, CASH EQUIVALENTS AND TEMPORARY INVESTMENTS

The utility's carrying values of cash and cash equivalents and temporary investments as of December 31, 2010 and 2009 consisted of the following:

	2010	2009	Associated Risks
Cash and cash equivalents			
Demand deposits	\$ 632,344	\$ 622,695	Custodial Credit Risk
Commingled cash and investments with the City	14,178,010	13,369,716	Not Applicable
LGIP/WISC	963,841	710,663	Credit Risk, Interest Rate Risk
Total Cash and Cash Equivalents	15,774,195	14,703,074	
Temporary Investments			
Certificate of deposit	474,663	711,020	Custodial Credit Risk
Total Cash, Cash Equivalents, and Temporary Investments	\$ 16,248,858	\$ 15,414,094	
Reconciliation to financial statements			
Unrestricted cash and investments			
Operation and maintenance	\$ 10,088,839	\$ 9,324,481	
Construction	20,000	40,000	
Temporary investments	474,663	711,020	
Restricted cash and investments			
Debt service - current	196,243	194,427	
Debt service - non-current	380,950	382,010	
RCA cash and investments	4,352,895	4,054,548	
Equipment replacement fund	735,268	707,608	
Total Cash and Investments	\$ 16,248,858	\$ 15,414,094	

The bank balances were substantially equal to the carrying values shown above.

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

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 – CASH, CASH EQUIVALENTS AND TEMPORARY INVESTMENTS (continued)

The State Deposit Guarantee Fund in the amount of \$400,000 also insures bank accounts. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principle losses may not be significant to individual municipalities.

Custodial Credit Risk

The utility maintains certain deposits at the same institutions as the municipality. The custodial credit risk pertaining specifically to the utility's resources cannot be determined for those accounts. Please refer to the municipality's financial statements for information on this risk.

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the utility's deposits may not be returned to the utility.

Investments

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

Credit and Interest Rate Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Interest rate risk is the risk that changes in interest rate will adversely affect the fair market value of an investment.

As of December 31, 2010 and 2009 the utility had investments in LGIP. LGIP is unrated and had a weighted average maturity date of 73 days and 88 days as of December 31, 2010 and 2009 respectively.

See Note I Assets, Liabilities and Net Assets – Deposits and Investments for further information.

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 3 – RESTRICTED ASSETS

Restricted assets were comprised of the following restricted funds at December 31, 2010 and 2009:

	2010	2009
Cash, Cash Equivalents and Temporary Investments		
Debt Service Fund - Special Redemption Funds		
Reserve	\$ 380,950	\$ 382,010
Redemption	196,243	194,427
Total	577,193	576,437
Reserve Capacity Assessment (RCA) Funds	4,352,895	4,054,548
Equipment Replacement Funds	735,268	707,608
Total Cash, Cash Equivalents and Temporary Investments	5,665,356	5,338,593
 RCA assessments receivable	 405,987	 298,766
 Total Restricted Assets	 \$ 6,071,343	 \$ 5,637,359

Below are descriptions for restricted assets:

Debt Service Fund - Long Term Debt

- Redemption – Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve – Used to report resources set aside to make up potential future deficiencies in the redemption account.

Reserve Capacity Assessments Funds

The utility has established funds to account for capacity assessment levies that are restricted to finance certain system capital costs or related debt service costs.

Equipment Replacement Funds

The sewer utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources and debt covenants.

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables for the utility as of the year ended December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Accounts receivable - net		
Customer	2,027,539	2,010,399
Other governments	117,481	58,662
Special assessments	1,833	1,959
Accrued interest	1,122	7,695
Other	<u>16,036</u>	<u>7,460</u>
 Total	 <u>\$ 2,164,010</u>	 <u>\$ 2,086,175</u>

All receivables net of allowances are expected to be collected within one year.

NOTE 5 – WISCONSIN RETIREMENT SYSTEM

All eligible employees of the utility participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.2% and 5.9% of their salary to the plan in 2010 and 2009. Employers generally make these contributions to the plan on behalf of the employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for employees covered by the System for the years ended December 31, 2010, 2009, and 2008 were \$535,689, \$533,676, and \$534,538, respectively. The total required contributions paid entirely by the employer for the years ended December 31, 2010, 2009, and 2008 were \$56,616, \$53,073, and \$54,095, respectively. All payments made were equal to the required contributions for 2010, 2009, and 2008.

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

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 6 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for 2010 is as follows:

	Balance 12/31/09	Additions	Retirements	Balance 12/31/10
Capital assets, not being depreciated				
Land and land rights	\$ 130,918	\$ -	\$ -	\$ 130,918
Construction in progress	-	127,806	-	127,806
Total Capital Assets not being Depreciated	<u>\$ 130,918</u>	<u>\$ 127,806</u>	<u>\$ -</u>	<u>\$ 258,724</u>
Capital assets being depreciated				
Buildings and improvements	\$ 12,161,953	\$ -	\$ -	\$ 12,161,953
Improvements other than buildings	45,775,250	-	-	45,775,250
Machinery and equipment	1,515,635	-	-	1,515,635
Total Capital Assets Being Depreciated	<u>59,452,838</u>	<u>-</u>	<u>-</u>	<u>59,452,838</u>
Less: Accumulated depreciation				
Buildings and improvements	(5,845,091)	(511,114)	-	(6,356,205)
Improvements other than buildings	(8,450,794)	(456,483)	-	(8,907,277)
Machinery and equipment	(1,062,374)	(167,392)	-	(1,229,766)
Total accumulated depreciation	<u>(15,358,259)</u>	<u>(1,134,989)</u>	<u>-</u>	<u>(16,493,248)</u>
Net Capital Assets Being Depreciated	<u>44,094,579</u>	<u>(1,134,989)</u>	<u>-</u>	<u>42,959,590</u>
Total Capital Assets, Net of Depreciation	<u>\$ 44,225,497</u>	<u>\$ (1,007,183)</u>	<u>\$ -</u>	<u>\$ 43,218,314</u>

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 6 – CHANGES IN CAPITAL ASSETS (continued)

A summary of changes in capital assets for 2009 is as follows:

	Balance 12/31/08	Additions	Retirements	Balance 12/31/09
Capital assets, not being depreciated				
Land and land rights	\$ 130,918	\$ -	\$ -	\$ 130,918
Construction in progress	489,761	-	489,761	-
Total Capital Assets not being Depreciated	\$ 620,679	\$ -	\$ 489,761	\$ 130,918
Capital assets being depreciated				
Buildings and improvements	\$ 12,157,391	\$ 4,562	\$ -	\$ 12,161,953
Improvements other than buildings	45,003,376	771,874	-	45,775,250
Machinery and equipment	1,202,687	348,745	35,797	1,515,635
Total Capital Assets Being Depreciated	58,363,454	1,125,181	35,797	59,452,838
Less: Accumulated depreciation				
Buildings and improvements	(5,333,716)	(511,375)	-	(5,845,091)
Improvements other than buildings	(7,997,842)	(452,952)	-	(8,450,794)
Machinery and equipment	(910,478)	(151,896)	-	(1,062,374)
Total accumulated depreciation	(14,242,036)	(1,116,223)	-	(15,358,259)
Net Capital Assets				
Being Depreciated	44,121,418	8,958	35,797	44,094,579
Total Capital Assets, Net of Depreciation	\$ 44,742,097	\$ 8,958	\$ 525,558	\$ 44,225,497

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 7 – LONG-TERM DEBT

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

	Balance 12/31/09	Additions	Deductions	Balance 12/31/10	Current Portion
Sewer System Revenue Bonds	\$ 3,375,000	\$ -	\$ 260,000	\$ 3,115,000	\$ 265,000
Loss on Refunding	(234,219)	-	45,333	(188,886)	-
Totals	\$ 3,140,781	\$ -	\$ 214,667	\$ 2,926,114	\$ 265,000

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

	Balance 12/31/08	Additions	Deductions	Balance 12/31/09	Current Portion
Sewer System Revenue Bonds	\$ 3,625,000	\$ -	\$ 250,000	\$ 3,375,000	\$ 260,000
Loss on Refunding	(279,552)	-	45,333	(234,219)	-
Totals	\$ 3,345,448	\$ -	\$ 204,667	\$ 3,140,781	\$ 260,000

Revenue Bonds

The following bonds have been issued as of December 31, 2010:

Type	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount
Sewer System Revenue Bonds	3/1/2005	3.5 - 4.0%	5/1/06-20	5/1 & 11/1	\$ <u>4,225,000</u>

Revenue bonds debt service requirements to maturity follows:

Year	Principal	Interest	Total	Balance Outstanding 12/31
2010				\$ 3,115,000
2011	265,000	112,823	\$ 377,823	2,850,000
2012	270,000	103,460	373,460	2,580,000
2013	280,000	93,835	373,835	2,300,000
2014	295,000	83,625	378,625	2,005,000
2015	305,000	72,673	377,673	1,700,000
2016-2020	1,700,000	172,785	1,872,785	-
Totals	\$ 3,115,000	\$ 639,201	\$ 3,754,201	

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 7 – LONG-TERM DEBT (continued)

The Sewer System Revenue Bonds are not general obligations of the City of Muskego and are payable from the income and revenues derived from the operation of the system. The utility has established separate funds, as described in Note 1, to account for the allocation of the Utility's gross revenues in compliance with the debt covenants. The sewer system and the earnings of the system remain subject to the lien until the principle and interest on the bonds are paid in full.

The principal and interest paid during the year on the Sewer System Revenue Bonds was \$382,010 in 2010 and \$380,935 in 2009. Total net revenue as defined by the bond covenants for the same periods was \$1,345,548 and \$2,185,384, respectively. Annual principal and interest payments are expected to require 28% of the net revenues.

Deferred Amount on Refunding

Deferred amounts on refunding arise from advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deduction from debt payable in the government-wide and proprietary fund statements. Amortization for 2010 and 2009 was \$45,333 for each year.

NOTE 8 – UNAMORTIZED MAINTENANCE COSTS

Unamortized maintenance costs are comprised of the following:

Project Cost	Unamortized Balance		Amortization	
	12/31/10	12/31/09	12/31/10	12/31/09
Sanitary Manhole Rehabilitation Program				
2000	\$ 442,130	\$ -	\$ 44,231	\$ 44,231

The costs associated with the program were amortized to operations and maintenance expense over a ten (10) year period beginning in 2001.

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 9 – NET ASSETS

Net assets reported on the statement of net assets at December 31, 2010 and 2009 include the following:

	<u>2010</u>	<u>2009</u>
Invested in capital assets, net of related debt		
Land	\$ 130,918	\$ 130,918
Construction in progress	127,806	-
Other capital assets net of accumulated depreciation	42,959,590	44,094,579
Less: related long-term debt outstanding	(2,926,114)	(3,140,781)
Plus: non-capital debt proceeds	<u>435,427</u>	<u>442,429</u>
Total Invested in Capital Assets, Net of Related Debt	<u>40,727,627</u>	<u>41,527,145</u>
 Restricted Net Assets		
Debt service	176,666	173,334
Equipment replacement funds	735,268	707,608
RCA	<u>4,758,882</u>	<u>4,353,314</u>
Total Restricted Net Assets	<u>5,670,816</u>	<u>5,234,256</u>
 Unrestricted Net Assets	<u>11,527,709</u>	<u>11,125,961</u>
 Total Utility Net Assets	<u>\$ 57,926,152</u>	<u>\$ 57,887,362</u>

When both restricted and unrestricted resources are available for use, it is the Utility's policy to use restricted assets first, and then unrestricted resources as they are needed.

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 10– RISK MANAGEMENT

The utility is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; health care of employees and environmental damage. These risks are covered through the purchases commercial insurance, with minimal deductions. There has been no reduction in insurance coverage from coverage in the prior year. Settled claims have not exceeded the insurance coverage in any of the past three years.

NOTE 11– OTHER POST EMPLOYMENT BENEFITS

The City provides post employment health care benefits to retired employees and their dependents. The City's annual other post employment benefit costs are calculated based on the annual required contribution of the employer as determined by an actuary in accordance with parameters of Governmental Accounting Standards Board Statement No.45. Certain specific information concerning the Utility's other post employment benefits have not been determined. Please refer to the City's financial statements for information concerning the City's other post employment benefits

NOTE 12 – COMMITMENTS AND CONTINGENCIES

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

SUPPLEMENTARY INFORMATION

CITY OF MUSKEGO SEWER UTILITY
a Proprietary-Enterprise Fund of the
CITY OF MUSKEGO

OPERATION AND MAINTENANCE EXPENSES
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATION AND MAINTENANCE		
Milwaukee Metropolitan Sewerage District:		
Capital charge	\$ 2,638,540	\$ 2,080,421
User charge	996,998	962,876
Facility Plan	4,853	2,676
Town of Norway charges	171,853	183,030
Muskego Facility Plan	-	26,719
Supervision and labor	434,892	413,232
Supplies and expense	18,655	15,400
Maintenance:		
Building and structures	13,273	18,626
Sewage collection systems	207,774	169,738
Utilities	139,507	121,558
Transportation expenses	18,301	13,757
	<u>4,644,647</u>	<u>4,008,032</u>
CUSTOMER ACCOUNT EXPENSES		
Accounting and collection	50,398	60,222
Meter expense	27,145	26,832
General expenses:		
Office salaries	55,398	65,222
Employees' pensions and benefits	205,379	205,650
Office supplies and expenses	55,793	49,278
Outside services	45,720	66,384
	<u>439,834</u>	<u>473,589</u>
TOTAL OPERATION AND MAINTENANCE EXPENSES	<u>\$ 5,084,481</u>	<u>\$ 4,481,622</u>

CITY OF MUSKEGO SEWER UTILITY
a Proprietary-Enterprise Fund of the
CITY OF MUSKEGO

UTILITY PLANT IN SERVICE
Year Ended December 31, 2010

	Utility Plant in Service				Depreciation Rate	Accumulated Depreciation			
	Balance 12/31/2009	Additions	Retirements	Balance 12/31/2010		Balance 12/31/2009	Provisions	Retirements	Balance 12/31/2010
Land	\$ 130,918	\$ -	\$ -	\$ 130,918	-%	\$ -	\$ -	\$ -	\$ -
Buildings and Structures	3,232,803	-	-	3,232,803	2.00%	464,288	64,657	-	528,945
Collecting sewers	40,464,616	-	-	40,464,616	0.80%	6,053,212	323,717	-	6,376,929
Sewer laterals	5,310,636	-	-	5,310,636	2.50%	2,397,581	132,766	-	2,530,346
Transportation equipment	784,735	-	-	784,735	10.00%	453,823	78,474	-	532,297
Other plant equipment	88,268	-	-	88,268	4.00%	58,760	3,531	-	62,291
Lift pump station and equipment	8,929,150	-	-	8,929,150	5.00%	5,380,805	446,458	-	5,827,263
SCADA computer equipment	418,067	-	-	418,067	20.00%	335,462	82,605	-	418,067
Computer equipment	33,304	-	-	33,304	20.00%	33,304	-	-	33,304
Operating equipment	78,288	-	-	78,288	20.00%	69,267	2,577	-	71,845
Office equipment	5,896	-	-	5,896	10.00%	5,896	-	-	5,896
Meter equipment	5,130	-	-	5,130	4.00%	3,915	205	-	4,121
G/S Mapping	101,946	-	-	101,946	25.00%	101,946	-	-	101,946
	59,583,756	-	-	59,583,756		\$ 15,358,259	\$ 1,134,989	\$ -	\$ 16,493,248
CONSTRUCTION IN PROGRESS	-	127,806	-	127,806					
TOTAL UTILITY PLANT	\$ 59,583,756	\$ 127,806	\$ -	\$ 59,711,562					

CITY OF MUSKEGO SEWER UTILITY
a Proprietary-Enterprise Fund of the
CITY OF MUSKEGO

SUMMARY OF LONG-TERM INDEBTEDNESS
December 31, 2010

	<u>Date of issue</u>	<u>Interest rate</u>	<u>Principal payable</u>	<u>Interest payable</u>	<u>Original amount of issue</u>	<u>Balance outstanding Dec. 31, 2009</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance outstanding Dec. 31, 2010</u>	<u>Interest expense</u>	<u>Principal due 2011</u>
Sewer System Revenue Bonds	3/1/2005	3.50-4.00	5/1/06-20	5/1 & 11/1	4,225,000	\$ 3,375,000	\$ -	\$ 260,000	\$ 3,115,000	\$ 120,494	\$ 265,000

ANNUAL PRINCIPAL AND INTEREST PAYMENTS
TO MATURITY ON LONG-TERM INDEBTEDNESS
December 31, 2010

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance outstanding December 31</u>
2010				\$ 3,115,000
2011	265,000	112,823	\$ 377,823	2,850,000
2012	270,000	103,460	373,460	2,580,000
2013	280,000	93,835	373,835	2,300,000
2014	295,000	83,625	378,625	2,005,000
2015	305,000	72,673	377,673	1,700,000
2016-2020	<u>1,700,000</u>	<u>172,785</u>	<u>1,872,785</u>	-
Total	<u>\$ 3,115,000</u>	<u>\$ 639,201</u>	<u>\$ 3,754,201</u>	

MUSKEGO SEWER UTILITY
a Proprietary-Enterprise Fund of the
CITY OF MUSKEGO

SCHEDULE OF CONSTRUCTION FUNDS
December 31, 2009 and 2010

Project	Balance 12/31/2008	Additions	2009 Costs	Transfers	Balance 12/31/2009	Additions	2010 Costs	Transfers	Balance 12/31/2010
Projects									
Vehicles	\$ -	\$ -	\$ 295,780	\$ 295,780	\$ -	\$ -	\$ -	\$ -	\$ -
Future Projects	40,000	-	-	-	40,000	-	-	(20,000)	20,000
Scada Renovations	-	-	17,166	17,166	-	-	-	-	-
Building Lighting	-	-	4,561	4,561	-	-	-	-	-
Ryan Rd Interseptor	-	-	-	-	-	-	54,290	54,290	-
Ryan Rd Relay	-	-	-	-	-	-	1,947	1,947	-
McShane L/S Upgrade	-	-	-	-	-	-	42,164	42,164	-
Durham Dr Sewer Extension	-	-	-	-	-	-	14,834	14,834	-
Lake Lore Abandonment	-	-	-	-	-	-	14,571	14,571	-
2020 Facility Plan	-	-	26,719	26,719	-	-	-	-	-
Muskego's Share MMSD Facility Plan	-	-	2,676	2,676	-	-	-	-	-
Transfer from working capital	-	346,712	-	(346,712)	-	107,746	-	(107,746)	-
Unallocated debt proceeds and interest earnings	-	190	-	(190)	-	60	-	(60)	-
TOTAL	<u>\$ 40,000</u>	<u>\$ 346,902</u>	<u>\$ 346,902</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 107,806</u>	<u>\$ 127,806</u>	<u>\$ -</u>	<u>\$ 20,000</u>

MUSKEGO SEWER UTILITY
a Proprietary-Enterprise Fund of the
CITY OF MUSKEGO

STATISTICAL INFORMATION
Years Ended December 31, 2010 and 2009

UTILITY CONNECTIONS AT DECEMBER 31,

	<u>Number of Connections</u>	
	<u>2010</u>	<u>2009</u>
Type of Customer		
Residential	6,681	6,656
Commercial	270	271
Industrial	63	63
Public Authority	<u>35</u>	<u>32</u>
TOTAL	<u><u>7,049</u></u>	<u><u>7,022</u></u>

MUSKEGO SEWER UTILITY
a Proprietary-Enterprise Fund of the
CITY OF MUSKEGO

SCHEDULE OF INSURANCE IN FORCE
December 31, 2010

<u>Coverage</u>	<u>Insurer</u>		<u>Type of coverage</u>	<u>Amount</u>	
1/1/10-1/1/11	R & R Insurance Services, Inc.	Workers Comp. Employee Liab.	Bodily injury by disease Bodily injury by accident Bodily injury by disease	\$ 500,000 100,000 100,000	Limit Each Each
1/1/10-1/1/11	R & R Insurance Services, Inc.	Commercial General Liab.	General aggregate limit Medical expense limit Damages to rented premises, each Completed operation limit Personal and advertising injury limit Each occurrence limit	6,000,000 10,000 250,000 6,000,000 6,000,000 6,000,000	
1/1/10-1/1/11	R & R Insurance Services, Inc.	Police Prof. Liability	Police professional aggregate limit Each wrongful act limit Medical expense limit	6,000,000 6,000,000 10,000	
1/1/10-1/1/11	R & R Insurance Services, Inc.	Business Auto	Combined liability Uninsured motorist Auto medical Comprehensive/Collision	6,000,000 100,000 1,000 Actual Value	Each
1/1/10-1/1/11	R & R Insurance Services, Inc.	Crime Policy	Employee dishonesty Theft, disappearance	1,000,000 25,000	
1/1/10-1/1/11	State of Wisconsin	Property Ins.	Building, personal property Contractors equipment	49,946,835 2,519,410	
1/1/10-1/1/11	R & R Insurance Services, Inc.	Public Official Employee Liab. Ins.	Aggregate liability	600,000	
1/1/10-1/1/11	R & R Insurance Services, Inc.	Ind. Employee Bonds	Clerk-Treasurer Judge Court Clerk	100,000 100,000 100,000	Bond Bond Bond

This schedule is prepared from insurance policies, and is intended only as a descriptive summary; no expression of opinion as to the adequacy of coverage is intended. The coverages indicated above are those of the City of Muskego, of which the Sewer Utility is a Proprietary-Enterprise Fund of the City.