



MUSKEGO SEWER UTILITY
a Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
Waukesha County, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

December 31, 2005 and 2004

Prepared by

City of Muskego Finance Department

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Waukesha County, Wisconsin

CITY OF MUSKEGO SEWER UTILITY

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

FINANCIAL STATEMENTS

December 31, 2005 and 2004

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO

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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, 2005 and 2004, 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, 2005 and 2004 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, 2005 and 2004, 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.

Virchow, Krause + Company, LLP

Milwaukee, Wisconsin
March 31, 2006

CITY OF MUSKEGO SEWER UTILITY

a Proprietary-Enterprise Fund of the
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STATEMENTS OF NET ASSETS December 31, 2005 and 2004

ASSETS	<u>2005</u>	<u>2004</u>
CURRENT ASSETS		
Cash and investments		
Operation and maintenance	\$ 4,603,308	\$ 7,118,293
Construction	794,898	717,894
Temporary investments	691,311	100,000
Accounts receivable - net	1,455,002	1,140,157
Deferred contractual charge	909,192	421,894
Restricted assets - Debt Service Fund - cash and investments	56,776	435,261
Total Current Assets	<u>8,510,487</u>	<u>9,933,499</u>
NON-CURRENT ASSETS		
Restricted assets		
Debt Service Fund		
Cash and investments	409,125	459,617
Temporary investments - Special Redemption Fund	-	617,131
Reserve Capacity Assessment Fund		
Cash and investments	1,663,397	3,424,465
RCA assessments receivable	902,840	432,560
Equipment Replacement Fund - cash and investments	559,662	530,101
Capital Assets		
Land	130,918	130,918
Construction in progress	54,643	68,856
Plant in service	53,726,189	51,964,051
Accumulated depreciation	(11,144,656)	(10,220,700)
Other Assets		
Special assessments	571,456	618,501
Unamortized debt discount & expense (net of accumulated amortization of \$4,952 and \$307,228 for 2005 and 2004, respectively)	84,190	168,843
Unamortized contract costs (net of accumulated amortization of \$1,898,852 for 2004)	-	316,475
Unamortized maintenance costs (net of accumulated amortization of \$220,927 and \$176,747 for 2005 and 2004, respectively)	221,153	265,383
Total Non-Current Assets	<u>47,178,917</u>	<u>48,776,201</u>
TOTAL ASSETS	<u>\$ 55,689,404</u>	<u>\$ 58,709,700</u>

CITY OF MUSKEGO SEWER UTILITY

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STATEMENTS OF NET ASSETS

(Continued)

December 31, 2005 and 2004

LIABILITIES AND NET ASSETS	<u>2005</u>	<u>2004</u>
CURRENT LIABILITIES		
Accounts payable	\$ 1,204,528	\$ 739,197
Accrued vacation, sick leave and compensatory time	120,977	107,818
Deferred revenue	41,191	44,186
Liabilities payable from restricted assets		
Current portion of long-term debt	75,000	590,000
Accrued interest payable	<u>26,052</u>	<u>143,446</u>
Total Current Liabilities	<u>1,467,748</u>	<u>1,624,647</u>
NON-CURRENT LIABILITIES		
Revenue bonds	3,734,450	8,065,000
Deferred revenue	<u>1,053,038</u>	<u>1,073,292</u>
Total Non-Current Liabilities	<u>4,787,488</u>	<u>9,138,292</u>
 Total Liabilities	 <u>6,255,236</u>	 <u>10,762,939</u>
NET ASSETS		
Invested in capital assets, net of related debt	39,450,959	34,604,468
Restricted for:		
Debt service	30,724	291,815
RCA funds	2,566,237	3,829,743
Equipment replacement	559,662	530,101
Unrestricted	<u>6,826,586</u>	<u>8,690,634</u>
	<u>49,434,168</u>	<u>47,946,761</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 55,689,404</u>	 <u>\$ 58,709,700</u>

CITY OF MUSKEGO SEWER UTILITY

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS For the Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES		
Charges for services and sales	\$ 4,527,280	\$ 3,333,039
Other operating revenues	<u>13,592</u>	<u>22,824</u>
Total Operating Revenues	<u>4,540,872</u>	<u>3,355,863</u>
OPERATING EXPENSES		
Operation and maintenance	4,530,094	3,401,448
Depreciation	<u>923,956</u>	<u>913,777</u>
Total Operating Expenses	<u>5,454,050</u>	<u>4,315,225</u>
OPERATING LOSS	<u>(913,178)</u>	<u>(959,362)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	340,572	151,547
Interest income on RCA's and special assessments	44,124	53,145
Interest on long term debt	(234,670)	(447,210)
Amortization of bond discount and expenses	<u>(42,729)</u>	<u>(25,473)</u>
Total Non-Operating Revenues (Expenses)	<u>107,297</u>	<u>(267,991)</u>
Loss Before Contributions and Transfers	(805,881)	(1,227,353)
CAPITAL CONTRIBUTIONS		
Developer and customer	1,633,281	2,621,849
Sewer connection fees	73,000	89,500
TRANSFERS IN	<u>587,007</u>	<u>307,636</u>
Change in Net Assets	1,487,407	1,791,632
NET ASSETS - Beginning of Year	<u>47,946,761</u>	<u>46,155,129</u>
NET ASSETS - END OF YEAR	<u>\$ 49,434,168</u>	<u>\$ 47,946,761</u>

CITY OF MUSKEGO SEWER UTILITY

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STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 4,124,265	\$ 3,235,196
Paid to suppliers for goods and services	(3,538,455)	(2,331,649)
Paid to employees for operating payroll	(629,455)	(619,622)
Payments to other funds	(39,845)	(35,710)
Net Cash Flows From Operating Activities	<u>(83,490)</u>	<u>248,215</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers paid by municipality for city subsidies	<u>587,007</u>	<u>307,636</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,290,628)	(3,078)
Debt issued	4,225,000	-
Payment to escrow agent	(8,969,329)	-
Debt issuance costs paid	(89,142)	-
Debt retired	-	(570,000)
Interest paid	(322,219)	(455,646)
Special assessments received	863,039	654,665
Connection fees received	73,000	89,500
Net Cash Flows From Capital and Related Financing Activities	<u>(5,510,279)</u>	<u>(284,559)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income		
Interest on investments	364,173	186,840
Interest on RCA's and special assessments	44,124	53,145
Net Cash Flows From Investing Activities	<u>408,297</u>	<u>239,985</u>
Net Change in Cash and Cash Equivalents	(4,598,465)	511,277
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>12,685,631</u>	<u>12,174,354</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 8,087,166</u>	<u>\$ 12,685,631</u>

CITY OF MUSKEGO SEWER UTILITY

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STATEMENTS OF CASH FLOWS

(Continued)

For the Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS		
Unrestricted		
Operation and maintenance	\$ 4,603,308	\$ 7,118,293
Construction	794,898	717,894
Restricted		
Current:		
Debt Service Fund	56,776	435,261
Noncurrent:		
Debt Service Fund	409,125	459,617
Reserve Capacity Assessment Fund	1,663,397	3,424,465
Equipment Replacement Fund	<u>559,662</u>	<u>530,101</u>
CASH AND CASH EQUIVALENTS	<u>\$ 8,087,166</u>	<u>12,685,631</u>
NON CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Capital additions contributed		
to the Utility by customers and developers	<u>\$ 427,739</u>	<u>\$ 1,851,195</u>
Loss on refunding of debt	<u>\$ 453,327</u>	<u>\$ -</u>
Assessment of benefits to property owners for improvements	<u>\$ 1,205,542</u>	<u>\$ 770,654</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (913,178)	\$ (959,362)
Noncash items in operating loss		
Depreciation expense	923,956	913,777
Milwaukee Metropolitan Sewerage District - contract amortization	316,475	316,477
Amortization of manhole rehabilitation	44,230	44,231
Changes in assets and liabilities		
Accounts receivable	(416,607)	74,976
Deferred contractual charge	(487,298)	(421,894)
Accounts payable	435,773	434,784
Accrued vacation, sick leave and compensatory time	13,159	24,306
Deferred contractual credit	<u>-</u>	<u>(179,080)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (83,490)</u>	<u>\$ 248,215</u>

CITY OF MUSKEGO SEWER UTILITY

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NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

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.

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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.

Investment of utility funds is restricted by state statutes. Investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, 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, 2005, 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

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NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

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. Such segregations are required by bond agreements and other external parties. 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, 2005 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

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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

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS, LIABILITIES AND NET ASSETS (continued)

Unamortized Maintenance and Contract Costs

Certain maintenance and contract costs are amortized to expense as described in Notes 7 and 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

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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, 2005, the sewer rate for a single family residence was \$139 per quarter or \$555 per year. All industrial and commercial users were billed on actual metered use at \$4.93 per 1,000 gallons plus a connection charge of \$54.84 per quarter.

Effective January 1 2006, the sewer rate for a single family residence is \$160 per quarter or \$640 per year. All industrial and commercial users will be billed on actual metered use at \$5.93 per 1,000 gallons plus a connection charge of \$65.42 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.

Interfund Transfer

Transfers from the City's Special Revenue Fund (Tax Incremental District Fund and Sewer Utility Special Debt Service Fund) are used to finance Milwaukee Metropolitan Sewerage District capital charges and are reported as "City subsidies".

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NOTES TO FINANCIAL STATEMENTS
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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, 2005 and 2004 consisted of the following:

	2005	2004	Associated Risks
Cash and cash equivalents			
Demand deposits	\$ 446,899	\$ 435,261	Custodial Credit Risk
Commingled cash and investments with the City	7,139,038	11,790,753	Not Applicable
LGIP	501,229	459,617	Credit Risk, Interest Rate Risk
Total Cash and Cash Equivalents	8,087,166	12,685,631	
Temporary Investments			
U.S. Treasury Note	591,311	617,131	Custodial Credit Risk, Interest Rate Risk
Certificate of deposit	100,000	100,000	Custodial Credit Risk
Total Cash, Cash Equivalents, and Temporary Investments	\$ 8,778,477	\$ 13,402,762	
Reconciliation to financial statements			
Unrestricted cash and investments			
Operation and maintenance	\$ 4,603,308	\$ 7,118,293	
Construction	794,898	717,894	
Temporary investments	691,311	100,000	
Restricted cash and investments			
Debt service - current	56,776	435,261	
Debt service - non-current	409,125	459,617	
Temporary investments	-	617,131	
RCA cash and investments	1,663,397	3,424,465	
Equipment replacement fund	559,662	530,101	
Total Cash and Investments	\$ 8,778,477	\$ 13,402,762	

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 \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts.

CITY OF MUSKEGO SEWER UTILITY

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

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

Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

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.

As of December 31, 2005 and 2004 the Utility's investment in the U.S. Treasury Note was exposed to custodial credit risk as it was neither insured nor registered, and held by the counterparty but not in the Utility's name.

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, 2005 and 2004 the utility had investments in LGIP. LGIP is unrated and had a weighted average maturity date of 32 days and 28 days as of December 31, 2005 and 2004 respectively.

As of December 31, 2005 and 2004, the utility's investment in the U.S. Treasury Note had a maturity date of May 15, 2006.

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

CITY OF MUSKEGO SEWER UTILITY

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NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 3 – RESTRICTED ASSETS

Restricted assets were comprised of the following restricted funds at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Cash, Cash Equivalents and Temporary Investments		
Debt Service Fund - Special Redemption Funds		
Reserve	\$ 409,125	\$ 1,076,748
Redemption	56,776	435,261
Total	465,901	1,512,009
Reserve Capacity Assessment (RCA) Funds	1,663,397	3,424,465
Equipment Replacement Funds	559,662	530,101
	<u>2,688,960</u>	<u>5,466,575</u>
RCA assessments receivable	<u>902,840</u>	<u>432,560</u>
Total Restricted Assets	<u>\$ 3,591,800</u>	<u>\$ 5,899,135</u>

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, 2005 and 2004

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables for the utility as of the year ended December 31, 2005 and 2004 are as follows:

Accounts receivable - net		
Customer	\$ 1,364,808	\$ 1,000,245
Other governments	2,557	48,631
Special assessments	63,750	74,148
Accrued interest	8,361	6,142
Other	<u>15,526</u>	<u>10,991</u>
Total	<u>\$ 1,455,002</u>	<u>\$ 1,140,157</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 5.8% and 5.6% of their salary to the plan in 2005 and 2004, respectively. 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, 2005, 2004, and 2003 were \$444,454, \$380,378 and \$373,410, respectively. The total required contributions paid entirely by the employer for the years ended December 31, 2005, 2004, and 2003 were \$45,334, \$38,768 and \$35,101, respectively. All payments made were equal to the required contributions for 2005, 2004, and 2003.

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
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NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 5 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for 2005 is as follows:

	Balance 12/31/04	Additions	Retirements	Balance 12/31/05
Capital assets, not being depreciated				
Land and land rights	\$ 130,918	\$ -	\$ -	\$ 130,918
Construction in progress	68,856	44,392	58,605	54,643
Total Capital Assets not being Depreciated	\$ 199,774	\$ 44,392	\$ 58,605	\$ 185,561
Capital assets being depreciated				
Buildings and improvements	\$ 10,797,033	\$ 463,305	\$ -	\$ 11,260,338
Improvements other than buildings	40,410,893	1,271,922	-	41,682,815
Machinery and equipment	756,125	26,911	-	783,036
Total Capital Assets Being Depreciated	51,964,051	1,762,138	-	53,726,189
Less: Accumulated depreciation				
Buildings and improvements	(3,428,511)	(455,420)	-	(3,883,931)
Improvements other than buildings	(6,283,287)	(409,662)	-	(6,692,949)
Machinery and equipment	(508,902)	(58,874)	-	(567,776)
Total accumulated depreciation	(10,220,700)	(923,956)	-	(11,144,656)
Net Capital Assets Being Depreciated	41,743,351	838,182	-	42,581,533
Total Capital Assets, Net of Depreciation	\$ 41,943,125	\$ 882,574	\$ 58,605	\$ 42,767,094

CITY OF MUSKEGO SEWER UTILITY

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NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 5 – CHANGES IN CAPITAL ASSETS (continued)

A summary of changes in capital assets for 2004 is as follows:

	Balance 12/31/03	Additions	Retirements	Balance 12/31/04
Capital assets, not being depreciated				
Land and land rights	\$ 130,918	\$ -	\$ -	\$ 130,918
Construction in progress	32,280	58,966	22,390	68,856
Total Capital Assets not being Depreciated	\$ 163,198	\$ 58,966	\$ 22,390	\$ 199,774
Capital assets being depreciated				
Buildings and improvements	\$ 10,788,477	\$ 8,556	\$ -	\$ 10,797,033
Improvements other than buildings	38,489,832	1,921,061	-	40,410,893
Machinery and equipment	730,617	25,687	179	756,125
Total Capital Assets Being Depreciated	50,008,926	1,955,304	179	51,964,051
Less: Accumulated depreciation				
Buildings and improvements	(2,985,590)	(442,921)	-	(3,428,511)
Improvements other than buildings	(5,889,826)	(393,461)	-	(6,283,287)
Machinery and equipment	(431,507)	(77,395)	-	(508,902)
Total accumulated depreciation	(9,306,923)	(913,777)	-	(10,220,700)
Net Capital Assets Being Depreciated	40,702,003	1,041,527	179	41,743,351
Total Capital Assets, Net of Depreciation	\$ 40,865,201	\$ 1,100,493	\$ 22,569	\$ 41,943,125

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 6 – LONG-TERM DEBT

Long-term obligation activity for the year ended December 31, 2005 is as follows:

	Balance 12/31/04	Additions	Deductions	Balance 12/31/05	Current Portion
Sewer System Revenue Bonds	\$ 8,655,000	\$ 4,225,000	\$ 8,655,000	\$ 4,225,000	\$ 75,000
Loss on Refunding	-	(453,327)	37,777	(415,550)	-
Totals	<u>\$ 8,655,000</u>	<u>\$ 3,771,673</u>	<u>\$ 8,692,777</u>	<u>\$ 3,809,450</u>	<u>\$ 75,000</u>

Long-term obligation activity for the year ended December 31, 2004 is as follows:

	Balance 12/31/03	Additions	Deductions	Balance 12/31/04
Sewer System Revenue Bonds	<u>\$ 9,225,000</u>	<u>\$ -</u>	<u>\$ 570,000</u>	<u>\$ 8,655,000</u>

Revenue Bonds

The following bonds have been issued as of December 31, 2005:

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	\$ 4,225,000

Revenue bonds debt service requirements to maturity follows:

Year	Principal	Interest	Total	Balance Outstanding 12/31
2005				\$ 4,225,000
2006	\$ 75,000	\$ 154,998	\$ 229,998	4,150,000
2007	260,000	149,135	409,135	3,890,000
2008	265,000	139,948	404,948	3,625,000
2009	250,000	130,935	380,935	3,375,000
2010	260,000	122,010	382,010	3,115,000
2011-2015	1,415,000	466,415	1,881,415	1,700,000
2016-2020	<u>1,700,000</u>	<u>172,785</u>	<u>1,872,785</u>	-
Totals	<u>\$ 4,225,000</u>	<u>\$ 1,336,226</u>	<u>\$ 5,561,226</u>	

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
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NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 6 – 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 resolutions.

Advance Refunding

On March 1, 2005, the utility issued \$4,225,000 in revenue bonds with an average interest rate of 3.67 percent to advance refund \$8,655,000 of outstanding revenue bonds with an average interest rate of 4.82 percent. The net proceeds of \$4,133,014 (after payments for underwriting fees, insurance and other issuance costs and less accrued interest totaling \$91,986) plus an additional \$4,836,315 of available monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the revenue bonds. As a result, the revenue bonds are considered to be defeased and the liability for those bonds has been removed from these financial statements.

The cash flow requirements on the refunded bonds and notes prior to the advance refunding was \$11,844,370 from 2005 through 2019. The cash flow requirements on the 2005 refunding bonds are \$5,665,432 from 2005 through 2020. These cash flow requirements in addition to \$4,836,315 in required contributions by the utility, result in total cash flow requirements on the 2005 refunding bonds of \$10,501,747. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$208,565.

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 2005 was \$37,777.

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
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NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 7 – UNAMORTIZED MAINTENANCE COSTS

Unamortized maintenance costs are comprised of the following:

	Project Cost	Unamortized Balance		Amortization	
		12/31/05	12/31/04	12/31/05	12/31/04
Sanitary Manhole Rehabilitation Program					
2000	\$ 442,130	<u>\$ 221,153</u>	<u>\$ 265,383</u>	<u>\$ 44,230</u>	<u>\$ 44,231</u>

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

NOTE 8 – UNAMORTIZED CONTRACT COSTS

On August 20, 1999, the City and the Milwaukee Metropolitan Sewerage District (MMSD) reached an agreement to terminate their intergovernmental cooperation agreement dated December 20, 1990. The termination of the agreement resulted in net unamortized contract costs of \$2.2 million. Management has determined that the net unamortized contract costs will continue to be amortized over the original amortization period through the year 2005. Amortization expense for 2005 and 2004 was \$316,475 and \$316,475.

The above costs have been recorded as assets because of the benefit which will result from the inclusion of such costs in the future authorized rate structure.

CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the
CITY OF MUSKEGO
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 9 – NET ASSETS

Net assets reported on the statement of net assets at December 31, 2005 and 2004 include the following:

	<u>2005</u>	<u>2004</u>
Invested in capital assets, net of related debt		
Land	\$ 130,918	\$ 130,918
Construction in progress	54,643	68,856
Other capital assets net of accumulated depreciation	42,581,533	41,743,351
Less: related long-term debt outstanding	(3,809,450)	(8,655,000)
Plus: non-capital debt proceeds	493,315	1,316,343
Total Invested in Capital Assets, Net of Related Debt	<u>39,450,959</u>	<u>34,604,468</u>
 Restricted Net Assets		
Debt service	30,724	291,815
Equipment replacement funds	559,662	530,101
RCA	<u>2,566,237</u>	<u>3,829,743</u>
Total Restricted Net Assets	3,156,623	4,651,659
 Unrestricted	<u>6,826,586</u>	<u>8,690,634</u>
 Total Utility Net Assets	<u>\$ 49,434,168</u>	<u>\$ 47,946,761</u>

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

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 – 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.

As of December 31, 2005, the Utility's outstanding contractual commitments for capital assets approximate \$200,000.

SUPPLEMENTARY INFORMATION

CITY OF MUSKEGO SEWER UTILITY

a Proprietary-Enterprise Fund of the
CITY OF MUSKEGO

OPERATION AND MAINTENANCE EXPENSES

Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
OPERATION AND MAINTENANCE		
Milwaukee Metropolitan Sewerage District:		
Contract amortization	\$ 316,475	\$ 316,477
Capital charge	2,276,219	1,105,733
User charge	609,881	571,804
Facility Plan	2,042	-
Town of Norway charges	196,533	282,546
Muskego Facility Plan	15,892	-
Supervision and labor	349,533	327,931
Supplies and expense	13,724	13,415
Maintenance:		
Building and structures	17,143	11,268
Sewage collection systems	132,277	181,503
Utilities	81,808	88,706
Transportation expenses	11,279	9,053
	<u>4,022,806</u>	<u>2,908,436</u>
CUSTOMER ACCOUNT EXPENSES		
Accounting and collection	60,637	52,447
Meter expense	29,345	26,210
General expenses:		
Office salaries	65,637	57,472
Employees' pensions and benefits	148,435	173,472
Office supplies and expenses	87,912	68,526
Outside services	115,322	114,885
	<u>507,288</u>	<u>493,012</u>
TOTAL OPERATION AND MAINTENANCE EXPENSES	<u>\$ 4,530,094</u>	<u>\$ 3,401,448</u>

CITY OF MUSKEGO SEWER UTILITY

a Proprietary-Enterprise Fund of the
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UTILITY PLANT IN SERVICE
Year Ended December 31, 2005

	Utility Plant in Service				Depreciation Rate	Accumulated Depreciator			
	Balance 12/31/2004	Additions	Retirements	Balance 12/31/2005		Balance 12/31/2004	Provisions	Retirements	Balance 12/31/2005
Land	\$ 130,918	\$ -	\$ -	\$ 130,918	-%	\$ -	\$ -	\$ -	\$ -
Buildings and Structures	3,228,171	71	-	3,228,242	2.00%	141,418	64,564	-	205,982
Collecting sewers	35,664,055	1,170,592	-	36,834,647	0.80	4,520,034	290,099	-	4,810,133
Sewer laterals	4,746,838	101,330	-	4,848,168	2.50	1,763,562	119,563	-	1,883,125
Transportation equipment	404,629	18,759	-	423,388	10.00	216,167	41,401	-	257,568
Other plant equipment	88,268	-	-	88,268	4.00	41,108	3,531	-	44,639
Lift pump station and equipment	7,568,862	463,233	-	8,032,095	5.00	3,286,785	390,856	-	3,677,641
SCADA computer equipment	59,705	-	-	59,705	20.00	59,705	-	-	59,705
Computer equipment	29,026	4,278	-	33,304	20.00	29,025	1,612	-	30,637
Operating equipment	61,525	3,875	-	65,400	20.00	53,865	11,535	-	65,400
Office equipment	5,896	-	-	5,896	10.00	4,195	590	-	4,785
Meter equipment	5,130	-	-	5,130	4.00	2,890	205	-	3,095
G/S Mapping	<u>101,946</u>	<u>-</u>	<u>-</u>	<u>101,946</u>	25.00	<u>101,946</u>	<u>-</u>	<u>-</u>	<u>101,946</u>
	52,094,969	1,762,138	-	53,857,107		<u>\$ 10,220,700</u>	<u>\$ 923,956</u>	<u>\$ -</u>	<u>\$ 11,144,656</u>
CONSTRUCTION IN PROGRESS	<u>68,856</u>	<u>44,392</u>	<u>58,605</u>	<u>54,643</u>					
TOTAL UTILITY PLANT	<u>\$ 52,163,825</u>	<u>\$ 1,806,530</u>	<u>\$ 58,605</u>	<u>\$ 53,911,750</u>					

CITY OF MUSKEGO SEWER UTILITY
a Proprietary-Enterprise Fund of the
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SUMMARY OF LONG-TERM INDEBTEDNESS
December 31, 2005

	<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, 2004</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance outstanding Dec. 31, 2005</u>	<u>Interest expense</u>	<u>Principal due 2006</u>
Sewer System Revenue Bonds	3/1/1996	4.375-5.25%	9/1/97-16	3/1 & 9/1	\$ 5,900,000	\$ 4,190,000	\$ -	\$ 4,190,000	\$ -	\$ 35,147	\$ -
	2/1/1998	4.00-4.55	9/1/99-06	3/1 & 9/1	1,100,000	500,000	-	500,000	-	3,700	-
	1/1/2000	5.00-5.75	9/1/01-17	3/1 & 9/1	2,225,000	1,815,000	-	1,815,000	-	16,119	-
	4/1/2002	3.50-5.13	9/1/04-19	3/1 & 9/1	2,250,000	2,150,000	-	2,150,000	-	16,757	-
	3/1/2005	3.50-4.00	5/1/06-20	5/1 & 11/1	4,225,000	-	4,225,000	-	4,225,000	162,947	75,000
Total long-term indebtedness						<u>\$ 8,655,000</u>	<u>\$4,225,000</u>	<u>\$ 8,655,000</u>	<u>\$ 4,225,000</u>	<u>\$ 234,670</u>	<u>\$ 75,000</u>

ANNUAL PRINCIPAL AND INTEREST PAYMENTS
TO MATURITY ON LONG-TERM INDEBTEDNESS
December 31, 2005

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance outstanding December 31</u>
2005				\$ 4,225,000
2006	\$ 75,000	\$ 154,998	\$ 229,998	4,150,000
2007	260,000	149,135	409,135	3,890,000
2008	265,000	139,948	404,948	3,625,000
2009	250,000	130,935	380,935	3,375,000
2010	260,000	122,010	382,010	3,115,000
2011-2015	1,415,000	466,415	1,881,415	1,700,000
2016-2020	1,700,000	172,785	1,872,785	-
Total	<u>\$4,225,000</u>	<u>\$ 1,336,226</u>	<u>\$ 5,561,226</u>	

MUSKEGO SEWER UTILITY
a Proprietary-Enterprise Fund of the
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SCHEDULE OF CONSTRUCTION FUNDS
December 31, 2004 and 2005

Project	Balance	2004			Balance	2005			Balance
	12/31/2003	Additions	Costs	Transfers	12/31/2004	Additions	Costs	Transfers	12/31/2005
Projects									
McShane Underground Storage	\$ 100,000	\$ -	\$ 29,154	\$ (70,846)	\$ -	\$ -	\$ -	\$ -	\$ -
Janesville Box Culvert	135,133	-	-	-	135,133	-	7,669	-	127,464
Oversizing	10,000	-	-	-	10,000	-	-	-	10,000
Chamberlain Hill Oversizing	-	-	71,249	71,249	-	-	-	-	-
Vehicles	-	-	22,761	43,761	21,000	-	18,759	(2,241)	-
Martin Drive Extension	70,000	-	40,202	(29,798)	-	-	-	-	-
NW Sewer Study	-	-	7,065	7,065	-	-	-	-	-
Woods Road Forcemain & Lift Station	-	-	-	-	-	-	1,277,842	1,415,000	137,158
Future Projects	-	-	-	-	-	-	-	100,000	100,000
Scada Study	-	-	-	-	-	-	7,905	7,905	-
Scada Renovations	-	-	-	-	-	-	28,817	28,817	-
2020 Facility Plan	-	-	-	-	-	-	15,892	60,892	45,000
Muskego's Share MMSD Facility Plan	-	-	-	-	-	-	2,042	2,042	-
Transfer from RCA Funds	-	-	-	-	-	1,415,000	-	(1,415,000)	-
Transfer from working capital	548,636	-	-	3,125	551,761	-	-	(176,485)	375,276
Unallocated debt proceeds and interest earnings	15,504	9,052	-	(24,556)	-	20,930	-	(20,930)	-
TOTAL	\$ 879,273	\$ 9,052	\$ 170,431	\$ -	\$ 717,894	\$ 1,435,930	\$ 1,358,926	\$ -	\$ 794,898

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

STATISTICAL INFORMATION
Years Ended December 31, 2005 and 2004

UTILITY CONNECTIONS AT DECEMBER 31,

Type of Customer	<u>Number of Connections</u>	
	<u>2005</u>	<u>2004</u>
Residential	6,323	6,184
Commercial	275	267
Industrial	63	64
Public Authority	<u>29</u>	<u>29</u>
TOTAL	<u>6,690</u>	<u>6,544</u>

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

SCHEDULE OF INSURANCE IN FORCE
December 31, 2005

<u>Coverage</u>	<u>Insurer</u>		<u>Type of coverage</u>	<u>Amount</u>	
1/1/05-1/1/06	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
1/1/05-1/1/06	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	
1/1/05-1/1/06	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	
1/1/05-1/1/06	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
1/1/05-1/1/06	R & R Insurance Services, Inc.	Crime Policy	Employee dishonesty Theft, disappearance	1,000,000 25,000	
1/1/05-1/1/06	State of Wisconsin	Property Ins.	Building, personal property Contractors equipment	33,377,520 2,028,174	
1/1/05-1/1/06	R & R Insurance Services, Inc.	Public Official Employee Liab. Ins.	Aggregate liability	6,000,000	
1/1/05-1/1/06	R & R Insurance Services, Inc.	Ind. Employee Bonds	Janice Moyer Patrick Berigan	100,000 100,000	Bond Bond
1/1/05-1/1/06	R & R Insurance Services, Inc.	Sewer Backup Extended Coverage	Each Occurrence General Aggregate Limit	100,000 300,000	

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.