



**MUSKEGO SEWER UTILITY**

a Proprietary-Enterprise Fund of the  
CITY OF MUSKEGO

Waukesha County, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

December 31, 2012 and 2011

Prepared by

City of Muskego  
Finance and Administration Department

W182 S8200 Racine Avenue, Muskego, WI 53150-0749  
Waukesha County, Wisconsin

# 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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of City of Muskego Sewer Utility, an enterprise fund of the City of Muskego, Wisconsin, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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 from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City of Muskego Sewer Utility as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As discussed in Note 1, the financial statements present only the City of Muskego Sewer Utility enterprise fund and do not purport to, and do not present fairly the financial position of the City of Muskego, Wisconsin, as of December 31, 2012 and 2011 and the changes in its financial position and, where applicable, its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in the Note 1, City of Muskego Sewer Utility adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective January 1, 2012. Our opinion is not modified with respect to this matter.

### ***Other Matters***

City of Muskego Sewer Utility has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as identified in the table of contents is fairly stated in all material respects in relation to the financial statements as a whole.

*Baker Tilly Vinchow Krause, LLP*

Milwaukee, Wisconsin  
September 12, 2013

# CITY OF MUSKEGO SEWER UTILITY

a Proprietary-Enterprise Fund of the  
CITY OF MUSKEGO

STATEMENTS OF NET POSITION  
As of December 31, 2012 and 2011

<b>ASSETS</b>	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash and investments		
Operation and maintenance	\$ 9,032,981	\$ 9,426,007
Construction	-	5,171
Temporary investments	729,320	225,081
Accounts receivable - net	2,088,395	2,341,245
Deferred contractual charge	63,724	-
Restricted Assets		
Debt Service Fund - Redemption		
Cash and investments	203,123	198,031
Total Current Assets	<u>12,117,543</u>	<u>12,195,535</u>
<b>NON-CURRENT ASSETS</b>		
Restricted Assets		
Debt Service Fund		
Cash and investments	380,950	380,950
Reserve Capacity Assessment Fund		
Cash and investments	5,007,806	4,706,108
RCA assessments receivable	291,868	321,414
Equipment Replacement Fund		
Cash and investments	789,851	762,463
Capital Assets		
Land	130,918	130,918
Construction in progress	325,359	789,349
Plant in service	61,166,449	60,431,730
Accumulated depreciation	(18,652,944)	(17,557,887)
Other Assets		
Special assessments	596,774	632,721
Unamortized debt discount & expense (net of accumulated amortization of \$46,552 and \$40,609 for 2012 and 2011, respectively)	42,590	48,533
Total Non-Current Assets	<u>50,079,621</u>	<u>50,646,299</u>
<b>TOTAL ASSETS</b>	<u>\$ 62,197,164</u>	<u>\$ 62,841,834</u>

**CITY OF MUSKEGO SEWER UTILITY**

a Proprietary-Enterprise Fund of the  
CITY OF MUSKEGO

STATEMENTS OF NET POSITION  
(Continued)

As of December 31, 2012 and 2011

<b>LIABILITIES AND NET POSITION</b>	<u>2012</u>	<u>2011</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 323,921	\$ 389,374
Deferred contractual charge	63,724	-
Accrued vacation, sick leave and compensatory time	201,195	203,601
Unearned revenue	27,955	293,128
Liabilities Payable From Restricted Assets		
Current portion of long-term debt	280,000	270,000
Accrued interest payable	16,456	18,031
Total Current Liabilities	<u>913,251</u>	<u>1,174,134</u>
<b>NON-CURRENT LIABILITIES</b>		
Revenue bonds	2,201,780	2,436,447
Unearned revenue	<u>1,051,498</u>	<u>1,049,620</u>
Total Non-Current Liabilities	<u>3,253,278</u>	<u>3,486,067</u>
 Total Liabilities	<u>4,166,529</u>	<u>4,660,201</u>
 <b>NET POSITION</b>		
Net Investment in capital assets	40,911,543	41,517,147
Restricted for:		
Debt service	186,667	180,000
RCA funds	5,299,674	5,027,522
Equipment replacement	789,851	762,463
Unrestricted	<u>10,842,900</u>	<u>10,694,501</u>
 <b>TOTAL NET POSITION</b>	<u>\$ 58,030,635</u>	<u>\$ 58,181,633</u>

# CITY OF MUSKEGO SEWER UTILITY

a Proprietary-Enterprise Fund of the  
CITY OF MUSKEGO

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 5,987,461	\$ 5,947,200
Other operating revenues	<u>13,903</u>	<u>13,886</u>
Total Operating Revenues	<u>6,001,364</u>	<u>5,961,086</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	5,275,438	5,121,247
Depreciation	<u>1,095,057</u>	<u>1,064,640</u>
Total Operating Expenses	<u>6,370,495</u>	<u>6,185,887</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(369,131)</u>	<u>(224,801)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	29,451	25,553
Interest income on RCA's and special assessments	38,629	24,620
MMSD I&I Subsidy	75,905	-
I&I MMSD program	(75,905)	-
Interest expense	(101,885)	(111,276)
Amortization of bond discount	<u>(51,276)</u>	<u>(51,275)</u>
Total Non-Operating Revenues	<u>(85,081)</u>	<u>(112,378)</u>
Loss Before Contributions and Transfers	(454,212)	(337,179)
<b>CAPITAL CONTRIBUTIONS</b>		
Developer and customer	240,191	248,520
Contribution from the City	34,023	323,640
Sewer connection fees	<u>29,000</u>	<u>20,500</u>
<b>Change in Net Position</b>	(150,998)	255,481
NET POSITION - Beginning of Year	<u>58,181,633</u>	<u>57,926,152</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 58,030,635</u>	<u>\$ 58,181,633</u>

# CITY OF MUSKEGO SEWER UTILITY

a Proprietary-Enterprise Fund of the  
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## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2012 and 2011

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 6,060,843	\$ 6,007,822
Paid to vendors for goods and services	(4,624,223)	(4,341,996)
Paid to employees for services	(725,746)	(727,748)
Payments to other funds	(40,746)	(39,466)
Net Cash Flows From Operating Activities	<u>670,128</u>	<u>898,612</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(265,189)	(1,325,407)
Debt retired	(270,000)	(265,000)
Interest paid	(103,460)	(112,822)
Special assessments received	311,692	187,983
Connection fees received	29,000	20,500
Net Cash Flows From Capital and Related Financing Activities	<u>(297,957)</u>	<u>(1,494,746)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income		
Interest on investments	29,420	26,467
Interest on RCA's and special assessments	38,629	24,620
Investments purchased	(729,320)	(475,085)
Investments sold and matured	225,081	724,667
Net Cash Flows From Investing Activities	<u>(436,190)</u>	<u>300,669</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(64,019)	(295,465)
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>15,478,730</u>	<u>15,774,195</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 15,414,711</u>	<u>\$ 15,478,730</u>



# CITY OF MUSKEGO SEWER UTILITY

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## STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS</b>		
Unrestricted		
Operation and maintenance	\$ 9,032,981	\$ 9,426,007
Construction	-	5,171
Restricted		
Current:		
Debt Service Fund	203,123	198,031
Noncurrent:		
Debt Service Fund	380,950	380,950
Reserve Capacity Assessment Fund	5,007,806	4,706,108
Equipment Replacement Fund	<u>789,851</u>	<u>762,463</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 15,414,711</u>	<u>\$ 15,478,730</u>
<b>NON CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Capital additions contributed to the Utility by the City	<u>\$ 34,023</u>	<u>\$ 323,640</u>
Assessment of benefits to property owners for improvements	<u>\$ 240,191</u>	<u>\$ 248,520</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (369,131)	\$ (224,801)
Noncash items in operating loss		
Depreciation expense	1,095,057	1,064,640
Changes in assets and liabilities		
Accounts receivable	240,888	(151,218)
Deferred contractual charge	(63,724)	-
Accounts payable	26,759	10,308
Accrued vacation, sick leave and compensatory time	(2,406)	1,729
Deferred contractual credit	<u>(257,315)</u>	<u>197,954</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 670,128</u>	<u>\$ 898,612</u>

# CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the  
CITY OF MUSKEGO  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2012 and 2011

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## **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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.

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements, which are distinct from assets and liabilities.

The utility implemented this standard effective January 2012.

# CITY OF MUSKEGO SEWER UTILITY

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NOTES TO FINANCIAL STATEMENTS  
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## **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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### ***MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (continued)***

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.

### ***ASSETS, LIABILITIES AND NET POSITION***

#### ***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, 2012, the fair value of the city's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

# CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the  
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NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2012 and 2011

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## **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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### ***ASSETS, LIABILITIES AND NET POSITION (continued)***

#### ***Deposits and Investments (continued)***

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. Market values may have changed significantly after year end.

See Note 2 for further information.

#### ***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.

# CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the  
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NOTES TO FINANCIAL STATEMENTS  
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## **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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### **ASSETS, LIABILITIES AND NET POSITION (continued)**

#### **Restricted Assets (continued)**

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, 2012 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.

Restricted net position 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 \$5,000 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:

# CITY OF MUSKEGO SEWER UTILITY

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NOTES TO FINANCIAL STATEMENTS  
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## NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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### **ASSETS, LIABILITIES AND NET POSITION (continued)**

#### **Capital Assets (continued)**

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

#### **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.

#### **Unearned Revenues**

Unearned 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 position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position 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 position - All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

# CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the  
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NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2012 and 2011

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## **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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### **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, 2011, 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.

Effective January 1, 2012, 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 position.

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 position.

#### ***Effect of New Accounting Standards on Current Period Financial Statement***

The Governmental Accounting Standards Board (GASB) has approved Statement No. 65 - *Items Previously Reported as Assets and Liabilities*; Statement No. 66., *Technical Corrections – 2012 an amendment of GASB Statements No. 10 and No. 62*; Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*; and Statement No. 68, *Accounting and financial reporting for Pensions – an amendment of GASB Statement No. 27*. Application of these standards may restate portions of these financial statements.

#### ***Comparative Data***

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

# CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the  
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NOTES TO FINANCIAL STATEMENTS  
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## **NOTE II – CASH, CASH EQUIVALENTS AND TEMPORARY INVESTMENTS**

The utility's carrying values of cash and cash equivalents and temporary investments as of December 31, 2012 and 2011 consisted of the following:

	2012	2011	Associated Risks
Cash and cash equivalents			
Demand deposits	\$ 642,501	\$ 635,896	Custodial Credit Risk
Commingled cash and investments with the City	13,953,016	14,024,943	Not Applicable
LGIP/WISC	819,195	817,891	Credit Risk
Total Cash and Cash Equivalents	15,414,711	15,478,730	
Temporary Investments			
Certificate of deposit	729,320	225,081	Custodial Credit Risk
Total Cash, Cash Equivalents, and Temporary Investments	\$ 16,144,031	\$ 15,703,811	
Reconciliation to financial statements			
Unrestricted cash and investments			
Operation and maintenance	\$ 9,032,981	\$ 9,426,007	
Construction	-	5,171	
Temporary investments	729,320	225,081	
Restricted cash and investments			
Debt service - current	203,123	198,031	
Debt service - non-current	380,950	380,950	
RCA cash and investments	5,007,806	4,706,108	
Equipment replacement fund	789,851	762,463	
Total Cash and Investments	\$ 16,144,031	\$ 15,703,811	

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 time and savings accounts (including NOW accounts), \$250,000 for interest-bearing demand deposits accounts, and unlimited coverage for noninterest bearing transaction accounts as of December 31, 2012. On January 1, 2013, the temporary unlimited coverage for non-interest bearing transaction accounts expired. Therefore, demand deposit accounts (interest bearing and non-interest bearing) are insured for a total of \$250,000 beginning January 1, 2013. In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for combined amount of all deposit accounts.



# CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the  
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## **NOTE II – CASH, CASH EQUIVALENTS AND TEMPORARY INVESTMENTS (continued)**

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Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, 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 Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

As of December 31, 2012 and 2011 the utility had investments in LGIP. LGIP is unrated.

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

# CITY OF MUSKEGO SEWER UTILITY

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## NOTE III – RESTRICTED ASSETS

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Restricted assets were comprised of the following restricted funds at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Cash, Cash Equivalents and Temporary Investments		
Debt Service Fund - Special Redemption Funds		
Reserve	\$ 380,950	\$ 380,950
Redemption	<u>203,123</u>	<u>198,031</u>
Total	584,073	578,981
Reserve Capacity Assessment (RCA) Funds	5,007,806	4,706,108
Equipment Replacement Funds	<u>789,851</u>	<u>762,463</u>
 Total Cash, Cash Equivalents and Temporary Investments	 6,381,730	 6,047,552
 RCA assessments receivable	 <u>291,868</u>	 <u>321,414</u>
 Total Restricted Assets	 <u>\$ 6,673,598</u>	 <u>\$ 6,368,966</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

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## NOTE IV – ACCOUNTS RECEIVABLE

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Receivables for the utility as of the year ended December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Accounts receivable - net		
Customer	\$ 1,989,718	\$ 2,015,352
Other governments	76,764	295,237
Special assessments	20,318	27,560
Accrued interest	238	207
Other	<u>1,357</u>	<u>2,889</u>
 Total	 <u>\$ 2,088,395</u>	 <u>\$ 2,341,245</u>

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

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## NOTE V – DEFINED BENEFIT PENSION PLAN

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All eligible employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Prior to June 29, 2011, covered employees in the General category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2012 are:

# CITY OF MUSKEGO SEWER UTILITY

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NOTES TO FINANCIAL STATEMENTS  
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## NOTE V – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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	<u>Employee</u>	<u>Employer</u>
2012 General Category	5.9%	5.9%
2011 General Category	7.05%	7.05%
2010 General Category	6.2%	6.2%

The payroll for City of Muskego Sewer Utility employees covered by the WRS for the year ended December 31, 2012, 2011 and 2010 was \$525,623, \$523,557 and \$535,689 respectively. The total required contribution for the year ended December 31, 2012 was \$62,023, which consisted of 5.9% of payroll from the employer and 5.9% from employees. Total contributions for the years ending December 31, 2011 and 2010 were \$60,733 and \$56,616, respectively, equal to the required contributions for each year.

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

# CITY OF MUSKEGO SEWER UTILITY

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## **NOTE VI – CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for 2012 is as follows:

	Balance 01/01/12	Additions	Retirements	Balance 12/31/12
Capital assets, not being depreciated				
Land and land rights	\$ 130,918	\$ -	\$ -	\$ 130,918
Construction in progress	789,349	250,779	714,769	325,359
Total Capital Assets not being Depreciated	\$ 920,267	\$ 250,779	\$ 714,769	\$ 456,277
Capital assets being depreciated				
Buildings and improvements	\$ 12,217,958	\$ 723,449	\$ -	\$ 12,941,407
Improvements other than buildings	46,628,283	\$ 11,270	-	46,639,553
Machinery and equipment	1,585,489	-	-	1,585,489
Total Capital Assets Being Depreciated	60,431,730	734,719	-	61,166,449
Less: Accumulated depreciation				
Buildings and improvements	(6,868,719)	(532,000)	-	(7,400,719)
Improvements other than buildings	(9,368,007)	(465,054)	-	(9,833,061)
Machinery and equipment	(1,321,161)	(98,003)	-	(1,419,164)
Total accumulated depreciation	(17,557,887)	(1,095,057)	-	(18,652,944)
Net Capital Assets				
Being Depreciated	42,873,843	(360,338)	-	42,513,505
Total Capital Assets, Net of Depreciation	\$ 43,794,110	\$ (109,559)	\$ 714,769	\$ 42,969,782

**CITY OF MUSKEGO SEWER UTILITY**

A Proprietary-Enterprise Fund of the  
**CITY OF MUSKEGO**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE VI – CHANGES IN CAPITAL ASSETS (continued)**

A summary of changes in capital assets for 2011 is as follows:

	Balance 1/01/11	Additions	Retirements	Balance 12/31/11
Capital assets, not being depreciated				
Land and land rights	\$ 130,918	\$ -	\$ -	\$ 130,918
Construction in progress	<u>127,806</u>	<u>1,483,607</u>	<u>822,064</u>	<u>789,349</u>
Total Capital Assets not being Depreciated	<u>\$ 258,724</u>	<u>\$ 1,483,607</u>	<u>\$ 822,064</u>	<u>\$ 920,267</u>
Capital assets being depreciated				
Buildings and improvements	\$ 12,161,953	\$ 56,005	\$ -	\$ 12,217,958
Improvements other than buildings	45,775,250	853,033	-	46,628,283
Machinery and equipment	<u>1,515,635</u>	<u>70,417</u>	<u>563</u>	<u>1,585,489</u>
Total Capital Assets Being Depreciated	<u>59,452,838</u>	<u>979,455</u>	<u>563</u>	<u>60,431,730</u>
Less: Accumulated depreciation				
Buildings and improvements	(6,356,205)	(512,514)	-	(6,868,719)
Improvements other than buildings	(8,907,277)	(460,730)	-	(9,368,007)
Machinery and equipment	<u>(1,229,766)</u>	<u>(91,395)</u>	<u>-</u>	<u>(1,321,161)</u>
Total accumulated depreciation	<u>(16,493,248)</u>	<u>(1,064,639)</u>	<u>-</u>	<u>(17,557,887)</u>
Net Capital Assets				
Being Depreciated	<u>42,959,590</u>	<u>(85,184)</u>	<u>563</u>	<u>42,873,843</u>
Total Capital Assets, Net of Depreciation	<u>\$ 43,218,314</u>	<u>\$ 1,398,423</u>	<u>\$ 822,627</u>	<u>\$ 43,794,110</u>

## CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the  
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NOTES TO FINANCIAL STATEMENTS  
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### NOTE VII – LONG-TERM DEBT

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

	Balance 1/01/12	Additions	Deductions	Balance 12/31/12	Current Portion
Sewer System Revenue Bonds	\$ 2,850,000	\$ -	\$ 270,000	\$ 2,580,000	\$ 280,000
Loss on Refunding	<u>(143,553)</u>	<u>-</u>	<u>45,333</u>	<u>(98,220)</u>	<u>-</u>
Totals	<u>\$ 2,706,447</u>	<u>\$ -</u>	<u>\$ 224,667</u>	<u>\$ 2,481,780</u>	<u>\$ 280,000</u>

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

	Balance 1/01/11	Additions	Deductions	Balance 12/31/11	Current Portion
Sewer System Revenue Bonds	\$ 3,115,000	\$ -	\$ 265,000	\$ 2,850,000	\$ 270,000
Loss on Refunding	<u>(188,886)</u>	<u>-</u>	<u>45,333</u>	<u>(143,553)</u>	<u>-</u>
Totals	<u>\$ 2,926,114</u>	<u>\$ -</u>	<u>\$ 219,667</u>	<u>\$ 2,706,447</u>	<u>\$ 270,000</u>

#### **Revenue Bonds**

The following bonds have been issued as of December 31, 2012:

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
2012				\$ 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	320,000	60,950	380,950	1,380,000
2017	330,000	48,435	378,435	1,050,000
2018-2020	<u>1,050,000</u>	<u>63,400</u>	<u>1,113,400</u>	-
Totals	<u>\$ 2,580,000</u>	<u>\$ 422,918</u>	<u>\$ 3,002,918</u>	

# CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the  
CITY OF MUSKEGO  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2012 and 2011

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## **NOTE VII – LONG-TERM DEBT** (continued)

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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 \$373,460 in 2012 and \$377,823 in 2011. Total net revenue as defined by the bond covenants for the same periods was \$1,097,220 and \$1,482,672, respectively. Annual principal and interest payments are expected to require 52% 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 2012 and 2011 was \$45,333 and \$45,333, respectively.



# CITY OF MUSKEGO SEWER UTILITY

A Proprietary-Enterprise Fund of the  
CITY OF MUSKEGO  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2012 and 2011

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## NOTE VIII – NET POSITION

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Net position reported on the statement of net position at December 31, 2012 and 2011 include the following:

	<u>2012</u>	<u>2011</u>
Net investment in capital assets		
Land	\$ 130,918	\$ 130,918
Construction in progress	325,359	789,349
Other capital assets net of accumulated depreciation	42,513,505	42,873,843
Less: related long-term debt outstanding	(2,481,780)	(2,706,446)
Plus: non-capital debt proceeds	<u>423,541</u>	<u>429,483</u>
Total net investment in capital assets,	<u>40,911,543</u>	<u>41,517,147</u>
 Restricted Net Position		
Debt service	186,667	180,000
Equipment replacement funds	789,851	762,463
RCA	<u>5,299,674</u>	<u>5,027,522</u>
Total Restricted Net Position	<u>6,276,192</u>	<u>5,969,985</u>
 Unrestricted Net Position	<u>10,842,900</u>	<u>10,694,501</u>
 Total Utility Net Position	<u>\$ 58,030,635</u>	<u>\$ 58,181,633</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  
As of and for the Years Ended December 31, 2012 and 2011

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## **NOTE IX – RISK MANAGEMENT**

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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.

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## **NOTE X – OTHER POST EMPLOYMENT BENEFITS**

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Effective August 28, 2012, the City's group health insurance plan no longer provides coverage to retirees (or other qualified terminated employees) at blended premium rates. This resulted in the elimination of other postemployment benefit (OPEB) for the retirees, commonly referred to as an implicit rate subsidy.

Certain specific information concerning the utility's other post employment benefits has not been determined.

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## **NOTE XI – COMMITMENTS AND CONTINGENCIES**

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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  
For the Years Ended December 31, 2012 and 2011

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	<u>2012</u>	<u>2011</u>
<b>OPERATION AND MAINTENANCE</b>		
Milwaukee Metropolitan Sewerage District:		
Capital charge	\$ 2,707,803	\$ 2,741,485
User charge	1,033,852	1,016,921
Facility Plan	1,633	3,510
Town of Norway charges	203,999	177,899
Lake Lore Lift Station	-	14,571
Private Property I&I MMSD Program	38,412	1,735
Supervision and labor	435,283	417,095
Supplies and expense	18,302	23,083
Maintenance:		
Building and structures	20,121	11,655
Sewage collection systems	206,386	120,272
Utilities	116,172	137,100
Transportation expenses	18,460	18,007
	<u>4,800,423</u>	<u>4,683,333</u>
<b>CUSTOMER ACCOUNT EXPENSES</b>		
Accounting and collection	56,724	53,231
Meter expense	28,746	27,466
General expenses:		
Office salaries	61,724	58,231
Employees' pensions and benefits	212,089	205,919
Office supplies and expenses	66,204	51,738
Outside services	49,528	41,329
	<u>475,015</u>	<u>437,914</u>
<b>TOTAL OPERATION AND MAINTENANCE EXPENSES</b>	<u>\$ 5,275,438</u>	<u>\$ 5,121,247</u>

**CITY OF MUSKEGO SEWER UTILITY**  
a Proprietary-Enterprise Fund of the  
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UTILITY PLANT IN SERVICE  
For the Year Ended December 31, 2012

	Utility Plant in Service				Depreciation Rate	Accumulated Depreciation			
	Balance 12/31/2011	Additions	Retirements	Balance 12/31/2012		Balance 12/31/2011	Provisions	Retirements	Balance 12/31/2012
Land	\$ 130,918	\$ -	\$ -	\$ 130,918	-%	\$ -	\$ -	\$ -	\$ -
Buildings and Structures	3,232,803	-	-	3,232,803	2.00%	593,600	64,656	-	658,256
Collecting sewers	41,219,253	7,820	-	41,227,073	0.80%	6,703,665	329,785	-	7,033,450
Sewer laterals	5,409,031	3,450	-	5,412,481	2.50%	2,664,342	135,269	-	2,799,611
Transportation equipment	792,289	-	-	792,289	10.00%	611,148	79,229	-	690,377
Other plant equipment	88,268	-	-	88,268	4.00%	65,821	3,531	-	69,352
Lift pump station and equipment	8,985,155	723,449	-	9,708,604	5.00%	6,275,120	467,344	-	6,742,464
SCADA computer equipment	418,067	-	-	418,067	20.00%	418,067	-	-	418,067
Computer equipment	33,304	-	-	33,304	20.00%	33,304	-	-	33,304
Operating equipment	140,588	-	-	140,588	20.00%	80,652	15,037	-	95,689
Office equipment	5,896	-	-	5,896	10.00%	5,896	-	-	5,896
Meter equipment	5,130	-	-	5,130	4.00%	4,326	205	-	4,531
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>
	60,562,648	734,719	-	61,297,367		<u>\$ 17,557,887</u>	<u>\$ 1,095,057</u>	<u>\$ -</u>	<u>\$ 18,652,944</u>
<b>CONSTRUCTION IN PROGRESS</b>	<u>789,349</u>	<u>250,779</u>	<u>714,769</u>	<u>325,359</u>					
<b>TOTAL UTILITY PLANT</b>	<u>\$ 61,351,997</u>	<u>\$ 985,497</u>	<u>\$ 714,769</u>	<u>\$ 61,622,726</u>					

**CITY OF MUSKEGO SEWER UTILITY**  
a Proprietary-Enterprise Fund of the  
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SUMMARY OF LONG-TERM INDEBTEDNESS  
As of December 31, 2012

	<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, 2011</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance outstanding Dec. 31, 2012</u>	<u>Interest expense</u>	<u>Principal due 2013</u>
Sewer System Revenue Bonds	3/1/2005	3.50-4.00	5/1/06-20	5/1 & 11/1	4,225,000	\$ 2,850,000	\$ -	\$ 270,000	\$ 2,580,000	\$ 103,460	\$ 280,000

ANNUAL PRINCIPAL AND INTEREST PAYMENTS  
TO MATURITY ON LONG-TERM INDEBTEDNESS  
As of December 31, 2012

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance outstanding December 31</u>
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	320,000	60,950	380,950	1,380,000
2017	330,000	48,435	378,435	1,050,000
2018-2020	<u>1,050,000</u>	<u>63,400</u>	<u>1,113,400</u>	-
Total	<u>\$2,580,000</u>	<u>\$ 422,918</u>	<u>\$ 3,002,918</u>	

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

SCHEDULE OF CONSTRUCTION FUNDS  
As of and for the Years Ended December 31, 2011 and 2012

<u>Project</u>	<u>Balance</u> 12/31/2010	<u>Additions</u>	<u>2011</u> <u>Costs</u>	<u>Transfers</u>	<u>Balance</u> 12/31/2011	<u>Additions</u>	<u>2012</u> <u>Costs</u>	<u>Transfers</u>	<u>Balance</u> 12/31/2012
<b>Projects</b>									
Vehicles	\$ -	\$ -	\$ 8,117	\$ 8,117	\$ -	\$ -	\$ -	\$ -	\$ -
Future Projects	20,000	-	-	(14,829)	5,171	-	-	(5,171)	-
Ryan Rd Interseptor	-	-	15,731	15,731	-	-	234,341	234,341	-
Ryan Rd Relay	-	-	55,057	55,057	-	-	-	-	-
McShane L/S Upgrade	-	-	670,452	670,452	-	-	10,833	10,833	-
Durham Dr Sewer Extension	-	-	735,656	735,656	-	-	-	-	-
William/Sandle Lift Station Control Room	-	-	56,005	56,005	-	-	-	-	-
Janesville Road Reconstruction	-	-	6,712	6,712	-	-	14,286	14,286	-
Operating - 2 New Diesel Pumps	-	-	62,300	62,300	-	-	-	-	-
Transfer from working capital	-	1,595,181	-	(1,595,181)	-	254,289	-	(254,289)	-
Unallocated debt proceeds and interest earnings	-	20	-	(20)	-	-	-	-	-
<b>TOTAL</b>	<u>\$ 20,000</u>	<u>\$ 1,595,201</u>	<u>\$ 1,610,030</u>	<u>\$ -</u>	<u>\$ 5,171</u>	<u>\$ 254,289</u>	<u>\$ 259,460</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATISTICAL INFORMATION  
As of December 31, 2012 and 2011

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**UTILITY CONNECTIONS AT DECEMBER 31,**

Type of Customer	<u>Number of Connections</u>	
	<u>2012</u>	<u>2011</u>
Residential	6,768	6,725
Commercial	272	269
Industrial	63	63
Public Authority	<u>35</u>	<u>35</u>
<b>TOTAL</b>	<u><u>7,138</u></u>	<u><u>7,092</u></u>



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

SCHEDULE OF INSURANCE IN FORCE  
As of December 31, 2012

<u>Coverage</u>	<u>Insurer</u>		<u>Type of coverage</u>	<u>Amount</u>	
1/1/12-1/1/13	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
1/1/12-1/1/13	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	
1/1/12-1/1/13	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	
1/1/12-1/1/13	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
1/1/12-1/1/13	R & R Insurance Services, Inc.	Crime Policy	Employee dishonesty Theft, disappearance	1,000,000 25,000	
1/1/12-1/1/13	State of Wisconsin	Property Ins.	Building, personal property Contractors equipment	49,727,424 2,529,484	
1/1/12-1/1/13	R & R Insurance Services, Inc.	Public Official Employee Liab. Ins.	Aggregate liability	600,000	
1/1/12-1/1/13	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.