

**STOUGHTON UTILITIES**

An Enterprise Fund of the  
City of Stoughton, Wisconsin

FINANCIAL STATEMENTS

December 31, 2008 and 2007

# STOUGHTON UTILITIES

An Enterprise Fund of the City of Stoughton, Wisconsin

## TABLE OF CONTENTS December 31, 2008 and 2007

---

Independent Auditors' Report	1
Management's Discussion and Analysis	2 - 19
Financial Statements	
<b>Electric Utility</b>	
Statements of Net Assets	20 - 21
Statements of Revenues, Expenses and Changes in Net Assets	22
Statements of Cash Flows	23 - 24
<b>Water Utility</b>	
Statements of Net Assets	25 - 26
Statements of Revenues, Expenses and Changes in Net Assets	27
Statements of Cash Flows	28 - 29
<b>Wastewater Utility</b>	
Statements of Net Assets	30 - 31
Statements of Revenues, Expenses and Changes in Net Assets	32
Statements of Cash Flows	33 - 34
Notes to Financial Statements	35 - 64
Supplemental Information	
<b>Electric Utility</b>	
Utility Plant	65
Operating Revenues and Expenses	66 - 67
Rate of Return - Regulatory Basis	68

# STOUGHTON UTILITIES

An Enterprise Fund of the City of Stoughton, Wisconsin

## TABLE OF CONTENTS December 31, 2008 and 2007

---

### Supplemental Information (cont.)

#### **Water Utility**

Utility Plant	69
Operating Revenues and Expenses	70 - 71
Rate of Return - Regulatory Basis	72

#### **Wastewater Utility**

Utility Plant	73
Operating Revenues and Expenses	74



## INDEPENDENT AUDITORS' REPORT

To the Utilities Committee  
Stoughton Utilities  
Stoughton, Wisconsin

We have audited the accompanying statements of net assets of Stoughton Utilities, an enterprise funds of the City of Stoughton, Wisconsin, as of December 31, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of utilities' 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 Stoughton Utilities' enterprise funds and are not intended to present fairly the financial position of the City of Stoughton, Wisconsin, and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stoughton Utilities as of December 31, 2008 and 2007, 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 Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the 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 audits 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.

Madison, Wisconsin  
April 6, 2009

*Virchow Krause & Company LLP*

***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

***STOUGHTON UTILITIES***

# STOUGHTON UTILITIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

The management of the Stoughton Utilities (utilities) offers all persons interested in the financial position of the utilities an objective, easy to read overview and analysis of the utilities' financial performance during the years ending December 31, 2008, 2007 and 2006. You are invited to read this narrative in conjunction with the utilities' financial statements.

---

### **FINANCIAL HIGHLIGHTS**

---

#### **ELECTRIC:**

- Completed the automated meter reading conversion project in 2008.
- The electric division's net assets increased by \$316,403 from the prior year.
- Revenues increased in 2008 by 5.65%. The increase was due to an increase in wholesale power cost from WPPI Energy that was recovered through the PCAC (power cost adjustment) charge on customer bills.
- Developed an investment portfolio with maturities that coincide with the utilities' capital improvement plan.
- Implemented ESRI software to enhance mapping of the electric distribution system.

#### **WATER:**

- Completed the automated meter reading conversion project in 2008.
- The water division's net assets decreased by \$139,334 from the prior year. The utility will file for a water rate adjustment in 2009.
- Revenues decreased slightly in 2008 due to a decrease in residential water sales.
- Hired a consultant to assist with a water distribution system study. The results will be used in the utility's capital improvement and retail rates planning.

#### **WASTEWATER:**

- Completed the WWTP hydraulic expansion project to provide for efficient treatment of existing flows and for future growth of the community.
- The wastewater division's net assets increased by \$780,216 from the prior year.
- Operating revenue increased by \$149,000 in 2008. The increase is due to the full year effect of a rate increase in July 2007 and increased sales to the industrial customer class.
- Financed \$125,000 of sanitary sewer main projects.

See Independent Auditors' Report.

# STOUGHTON UTILITIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

---

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

---

The utilities are self-supporting entities and separate enterprise funds of the City of Stoughton (city). The utilities provide electric, water, and wastewater service to properties within the city and also provide electric service to the following Townships: Dunkirk, Dunn, Pleasant Springs, Porter and Rutland.

The water and electric utilities are managed by a Utility Committee and operate under service rules and rates that are established by the Public Service Commission of Wisconsin (PSCW). The accounting records are maintained in accordance with the Uniform System of Accounts prescribed by the PSCW, and in accordance with the Governmental Accounting Standards Board.

The Utility Committee also manages the wastewater utility. The Utility Committee establishes rates and service rules. Accounting records are maintained in accordance with the Governmental Accounting Standards Board.

This annual report consists of two parts: Management's Discussion and Analysis, and the basic financial statements, including the independent auditor's report.

An analysis of the utilities' financial position begins with a review of the Statement of Net Assets, and the Statement of Revenues, Expenses and Changes in Net Assets. These two statements report the utilities' net assets and changes therein. The utilities' net assets – 'the difference between assets and liabilities' is key to measuring the financial health of the utilities. Over time, increases or decreases in the net asset value are an indicator of whether the financial position is improving or deteriorating. However, it should be noted that the financial position may also be affected by other non-financial factors, including economic conditions, customer growth, climate conditions and new regulations.

---

### **UTILITY FINANCIAL ANALYSIS**

---

The Statement of Net Assets includes all of the utilities' assets and liabilities and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the utilities.

A summary of the utilities' Statements of Net Assets is presented below in Tables 1 through 3.

## STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2008 and 2007

### UTILITY FINANCIAL ANALYSIS (cont.)

**Table 1**  
**Condensed Statement of Net Assets – Electric Utility**

	2008	2007	2006	2008-2007 Change
Current and Other Assets	\$ 9,254,386	\$ 10,212,348	\$ 10,419,734	\$ (957,962)
Capital Assets	14,568,830	14,445,491	14,057,600	123,339
Total Assets	<u>23,823,216</u>	<u>24,657,839</u>	<u>24,477,334</u>	<u>(834,623)</u>
Long-Term Debt Outstanding	7,160,000	8,590,000	9,240,000	(1,430,000)
Other Liabilities	2,350,464	2,071,490	2,012,277	278,974
Total Liabilities	<u>9,510,464</u>	<u>10,661,490</u>	<u>11,252,277</u>	<u>(1,151,026)</u>
Invested in Capital Assets				
Net of Related Debt	6,918,697	6,028,664	6,718,260	890,033
-Restricted	1,240,815	1,559,309	1,724,967	(318,494)
-Unrestricted	6,153,240	6,408,376	4,781,830	(255,136)
Total Net Assets	<u>\$14,312,752</u>	<u>\$ 13,996,349</u>	<u>\$ 13,225,057</u>	<u>\$ 316,403</u>

In 2008, the electric utility net assets increased \$316,403, an increase of 2.26%.



## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

---

#### UTILITY FINANCIAL ANALYSIS (cont.)

---

**Table 2**  
**Condensed Statement of Net Assets – Water Utility**

	2008	2007	2006	2008-2007 Change
Current and Other Assets	\$ 2,152,463	\$ 3,287,571	\$ 3,801,019	\$ (1,135,108)
Capital Assets	10,495,702	10,231,467	9,517,599	264,235
Total Assets	<u>12,648,165</u>	<u>13,519,038</u>	<u>13,318,618</u>	<u>(870,873)</u>
Long-Term Debt Outstanding	2,150,000	2,780,000	2,995,000	(630,000)
Other Liabilities	426,237	527,776	505,902	(101,539)
Total Liabilities	<u>2,576,237</u>	<u>3,307,776</u>	<u>3,500,902</u>	<u>(731,539)</u>
Invested in Capital Assets				
Net of Related Debt	8,265,702	7,438,239	8,165,822	827,463
-Restricted	314,707	518,414	451,875	(203,707)
-Unrestricted	1,491,519	2,254,609	1,200,019	(763,090)
Total Net Assets	<u>\$10,071,928</u>	<u>\$ 10,211,262</u>	<u>\$ 9,817,716</u>	<u>\$ (139,334)</u>

In 2008, the water utility net assets decreased \$139,334 a decrease of 1.36%. The water utility earned a rate of return of 2.23% in 2008 compared to an authorized rate of 6.5%. Utility staff is currently preparing an application to the Public Service Commission of Wisconsin for a water rate increase.

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

#### UTILITY FINANCIAL ANALYSIS (cont.)

**Table 3**  
**Condensed Statements of Net Assets – Wastewater Utility**

	2008	2007	2006	2008-2007 Change
Current and Other Assets	\$ 3,481,156	\$ 3,410,387	\$ 3,198,736	\$ 70,769
Capital Assets	14,871,445	14,617,518	13,017,512	253,927
Total Assets	<u>18,352,601</u>	<u>18,027,905</u>	<u>16,216,248</u>	<u>324,696</u>
Long-Term Debt Outstanding	5,389,112	5,844,893	4,859,224	(455,781)
Other Liabilities	712,913	712,652	577,304	261
Total Liabilities	<u>6,102,025</u>	<u>6,557,545</u>	<u>5,436,528</u>	<u>(455,520)</u>
Invested in Capital Assets				
Net of Related Debt	8,906,387	8,218,656	7,679,726	687,731
-Restricted	1,146,596	1,024,252	1,391,033	122,344
-Unrestricted	2,197,593	2,227,452	1,708,961	(29,859)
Total Net Assets	<u>\$12,250,576</u>	<u>\$ 11,470,360</u>	<u>\$ 10,779,720</u>	<u>\$ 780,216</u>

In 2008, wastewater net assets increased \$780,216 or 6.80%.

The restricted portion of net assets includes accounts that are limited by bond covenants. Listed below are restricted assets:

- Redemption – Used for debt service payments.
- Reserve – Used for any deficiencies in the redemption account.
- Depreciation – Used to restore deficiencies in the redemption and reserve accounts, and for funding plant replacements.
- Construction – Bond issue proceeds used only for the restricted construction project(s).
- Replacement – Used for plant replacement.

The specific nature or source of these changes becomes more evident in the Statement of Revenues, Expenses and Changes in Net Assets as shown in Tables 4 through 6.

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

#### **UTILITY FINANCIAL ANALYSIS (cont.)**

The Statement of Revenues, Expenses, and Changes in Net Assets provides an indication of the utilities' financial health.

**Table 4**  
**Condensed Statement of Revenues,**  
**Expenses and Changes in Net Assets -**  
**Electric Utility**

	2008	2007	2006	2008-2007 Change
Operating Revenues	\$ 12,664,800	\$ 11,986,799	\$ 10,820,046	\$ 678,001
Non-Operating Revenues	286,012	537,683	368,999	(251,671)
<b>Total Revenues</b>	<b>12,950,812</b>	<b>12,524,482</b>	<b>11,189,045</b>	<b>426,330</b>
Depreciation Expense	772,081	711,395	702,759	60,686
Other Operating Expense	11,006,309	10,486,516	9,275,171	519,793
Non-Operating Expenses	676,772	417,086	336,778	259,686
<b>Total Expenses</b>	<b>12,455,162</b>	<b>11,614,997</b>	<b>10,314,708</b>	<b>840,165</b>
Income Before Capital Contributions and Transfers	495,650	909,485	874,337	(413,835)
Capital Contributions	93,363	115,582	79,527	(22,219)
Transfers - Tax Equivalent	(237,414)	(221,700)	(209,165)	(15,714)
Transfers	(35,196)	(32,075)	(21,354)	(3,121)
<b>Changes in Net Assets</b>	<b>316,403</b>	<b>771,292</b>	<b>723,345</b>	<b>(454,889)</b>
Beginning Net Assets	13,996,349	13,225,057	12,501,712	771,292
<b>Total Net Assets-Ending</b>	<b>\$ 14,312,752</b>	<b>\$ 13,996,349</b>	<b>\$ 13,225,057</b>	<b>\$ 316,403</b>

See Independent Auditors' Report.

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

#### UTILITY FINANCIAL ANALYSIS (cont.)

**Table 5**  
**Condensed Statement of Revenues,**  
**Expenses and Changes in Net Assets -**  
**Water Utility**

	2008	2007	2006	2008-2007 Change
Operating Revenues	\$ 1,289,936	\$ 1,296,947	\$ 1,301,875	\$ (7,011)
Non-Operating Revenues	50,641	196,303	116,067	(145,662)
Total Revenues	<u>1,340,577</u>	<u>1,493,250</u>	<u>1,417,942</u>	<u>(152,673)</u>
Depreciation Expense	309,071	291,161	278,206	17,910
Other Operating Expense	750,483	612,436	574,946	138,047
Non-Operating Expenses	348,221	142,464	81,527	205,757
Total Expenses	<u>1,407,775</u>	<u>1,046,061</u>	<u>934,679</u>	<u>361,714</u>
Income Before Capital Contributions and Transfers	(67,198)	447,189	483,263	(514,387)
Capital Contributions	148,584	158,107	49,537	(9,523)
Transfers - Tax Equivalent Transfers	(211,710)	(197,030)	(184,943)	(14,680)
	<u>(9,010)</u>	<u>(14,720)</u>	<u>(3,915)</u>	<u>5,710</u>
Changes in Net Assets	(139,334)	393,546	343,942	(532,880)
Beginning Net Assets	<u>10,211,262</u>	<u>9,817,716</u>	<u>9,473,774</u>	<u>393,546</u>
Total Net Assets-Ending	<u>\$ 10,071,928</u>	<u>\$ 10,211,262</u>	<u>\$ 9,817,716</u>	<u>\$ (139,334)</u>

See Independent Auditors' Report.

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

---

#### UTILITY FINANCIAL ANALYSIS (cont.)

---

**Table 6**  
**Condensed Statement of Revenues,**  
**Expenses and Changes in Net Assets -**  
**Wastewater Utility**

	2008	2007	2006	2008-2007 Change
Operating Revenues	\$ 2,183,333	\$ 2,034,414	\$ 1,651,166	\$ 148,919
Non-Operating Revenues	140,081	149,704	166,996	(9,623)
Total Revenues	2,323,414	2,184,118	1,818,162	139,296
Depreciation Expense	562,817	513,823	504,627	48,994
Other Operating Expense	867,565	897,266	783,600	(29,701)
Non-Operating Expenses	176,460	183,049	462,957	(6,589)
Total Expenses	1,606,842	1,594,138	1,751,184	12,704
Income Before Capital Contributions and Transfers	716,572	589,980	66,978	126,592
Capital Contributions	63,644	100,660	88,219	(37,016)
Changes in Net Assets	780,216	690,640	155,197	89,576
Beginning Net Assets	11,470,360	10,779,720	10,624,523	690,640
Total Net Assets-Ending	\$ 12,250,576	\$ 11,470,360	\$ 10,779,720	\$ 780,216

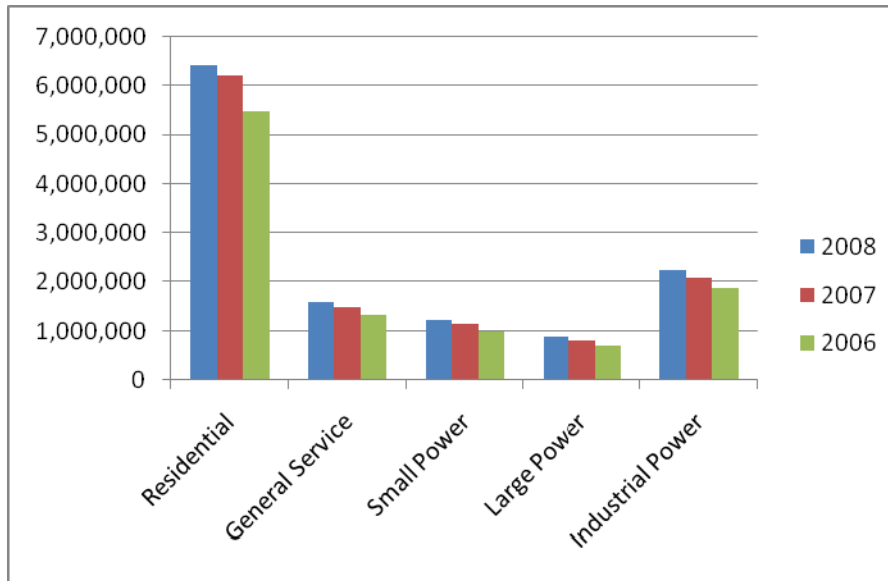
See Independent Auditors' Report.

# STOUGHTON UTILITIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

### UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Electric Sales



Electric sales increased \$646,135, or 5.44% in 2008. Increased sales in 2008 are a result of a wholesale power cost increase which is passed through to customers in the PCAC adjustment.

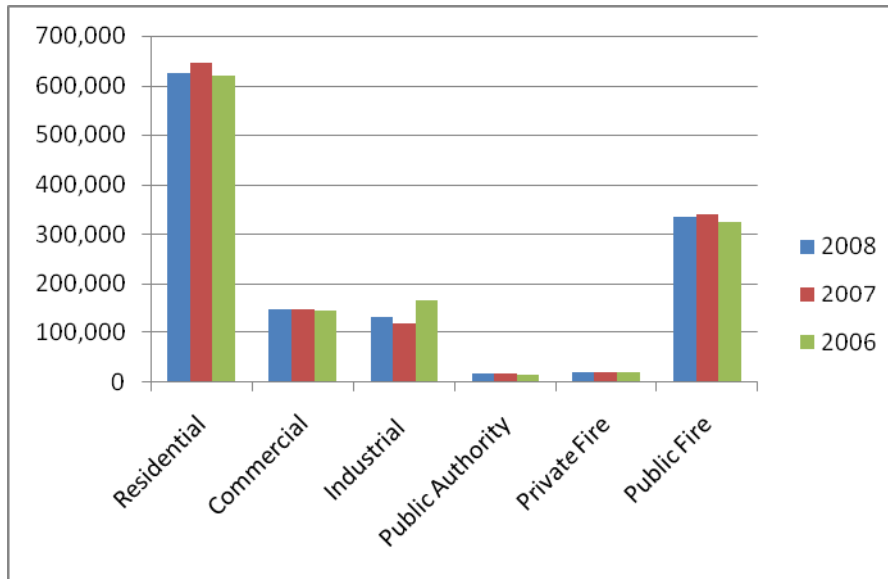
	2008	2007	2006
Residential	\$ 6,435,923	\$ 6,227,932	\$ 5,494,193
General Service	1,606,318	1,481,687	1,339,995
Small Power	1,225,980	1,148,879	984,332
Large Power	897,857	819,176	700,475
Industrial Power	2,234,590	2,079,620	1,876,521
Public Lighting	119,718	116,957	125,665
<b>Total Electric Sales</b>	<b>\$ 12,520,386</b>	<b>\$ 11,874,251</b>	<b>\$ 10,521,181</b>

# STOUGHTON UTILITIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

### UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Water Sales



Sales decreased \$13,678 or 1.07% in 2008. Revenue is down due to a slight decrease in sales to residential and commercial customers.

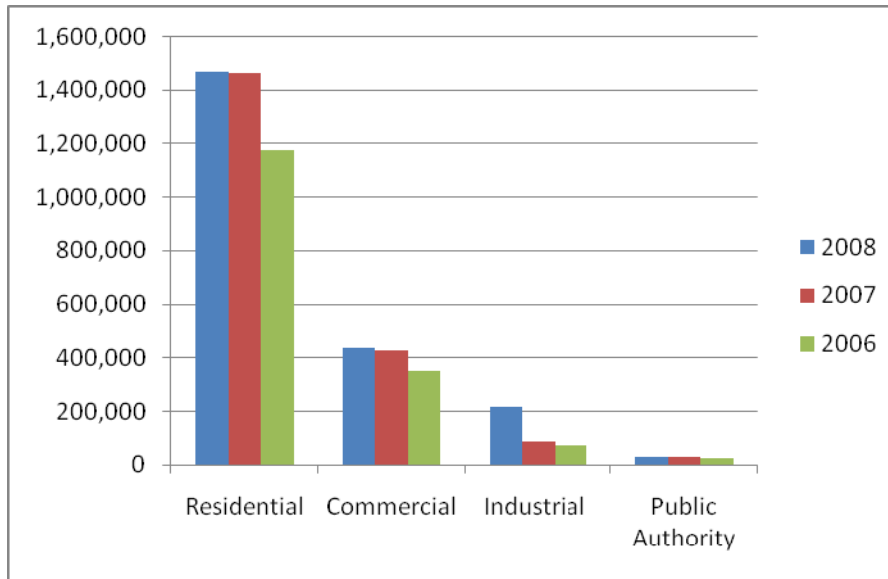
	2008	2007	2006
Residential	\$ 623,952	\$ 644,399	\$ 618,867
Commercial	144,915	146,394	143,479
Industrial	130,601	116,465	162,515
Public Authority	14,312	15,237	13,894
Private Fire	18,630	18,480	17,798
Public Fire	335,256	339,373	323,856
Unmetered	-	996	2,184
<b>Total Water Sales</b>	<b>\$ 1,267,666</b>	<b>\$ 1,281,344</b>	<b>\$ 1,282,593</b>

# STOUGHTON UTILITIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

### UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Wastewater Sales



The utility experienced a growth in revenues of \$144,723 or 7.22% in 2008. The increase is due to a significant increase in surcharges for treating high strength industrial discharge.

	2008	2007	2006
Residential	\$ 1,468,172	\$ 1,462,307	\$ 1,175,298
Commercial	434,356	428,139	347,604
Industrial	215,670	85,475	69,511
Public Authority	29,677	27,231	25,489
<b>Total Wastewater Sales</b>	<b>\$ 2,147,875</b>	<b>\$ 2,003,152</b>	<b>\$ 1,617,902</b>



## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

#### **UTILITY FINANCIAL ANALYSIS (cont.)**

The Statement of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

**Table 7**  
**Condensed Statements of Cash Flows**  
**Electric Utility**

	2008	2007	2006	2008-2007 Change
Cash Flows From:				
Operating activities	\$ 1,870,692	\$ 1,670,213	\$ 1,845,812	\$ 200,479
Non-capital financing activities	(256,896)	(241,240)	(220,227)	(15,656)
Capital and related financing activities	(2,951,964)	(2,327,451)	832,780	(624,513)
Investing activities	(1,232,150)	(4,059,578)	1,552,023	2,827,428
Net Change in Cash and Cash Equivalents	(2,570,318)	(4,958,056)	4,010,388	2,387,738
Cash and Cash Equivalents Beginning of Year	3,786,462	8,744,518	4,734,130	(4,958,056)
Cash and Cash Equivalents End of Year	\$ 1,216,144	\$ 3,786,462	\$ 8,744,518	\$ (2,570,318)

The decrease in cash and cash equivalents of \$2,570,318 is due to the purchase of investments with maturity periods exceeding one year and the retirement of the 1998 Mortgage Revenue Bonds.

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

#### UTILITY FINANCIAL ANALYSIS (cont.)

**Table 8**  
**Condensed Statements of Cash Flows -**  
**Water Utility**

	2008	2007	2006	2008-2007 Change
Cash Flows From:				
Operating activities	\$ 552,615	\$ 755,221	\$ 735,021	\$ (202,606)
Non-Capital financing activities	(206,040)	(199,663)	(185,993)	(6,377)
Capital and related financing activities	(1,532,522)	(1,226,753)	1,029,588	(305,769)
Investing activities	(722,534)	(850,218)	340,725	127,684
Net Change in Cash and Cash Equivalents	(1,908,481)	(1,521,413)	1,919,341	(387,068)
Cash and Cash Equivalents Beginning of Year	1,985,392	3,506,805	1,587,464	(1,521,413)
Cash and Cash Equivalents End of Year	\$ 76,911	\$ 1,985,392	\$ 3,506,805	\$ (1,908,481)

The water utility experienced a decrease in cash and cash equivalents of \$1,908,481 in 2008. The decrease was due to the purchase of mid to long-term investments and the retirement of the 1998 Mortgage Revenue Bonds.

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

#### UTILITY FINANCIAL ANALYSIS (cont.)

**Table 9**  
**Condensed Statements of Cash Flows -**  
**Wastewater Utility**

	2008	2007	2006	2008-2007 Change
Cash Flows From:				
Operating activities	\$ 1,302,723	\$ 1,151,081	\$ 843,285	\$ 151,642
Capital and related financing activities	(1,341,679)	(1,083,997)	(1,345,409)	(257,682)
Investing activities	(188,987)	534,842	155,706	(723,829)
Net Change in Cash and Cash Equivalents	(227,943)	601,926	(346,418)	(829,869)
Cash and Cash Equivalents Beginning of Year	2,647,372	2,045,446	2,391,864	601,926
Cash and Cash Equivalents End of Year	\$ 2,419,429	\$ 2,647,372	\$ 2,045,446	\$ (227,943)

The utility experienced a decrease in cash and cash equivalents of \$227,943 in 2008. The decrease was due to the re-investment of funds from a security that matured in 2007.

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

---

#### UTILITY FINANCIAL ANALYSIS (cont.)

---

**Table 10**  
**Capital Assets – Electric Utility**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2008-2007</u> <u>Change</u>
Capital Assets				
Transmission and distribution	\$19,186,513	\$ 18,633,807	\$ 17,955,320	\$ 552,706
General	<u>2,861,436</u>	<u>2,678,565</u>	<u>2,609,319</u>	<u>182,871</u>
Total Capital Assets	<u>22,047,949</u>	<u>21,312,372</u>	<u>20,564,639</u>	<u>735,577</u>
Less: Accumulated depreciation	(7,826,300)	(7,461,169)	(6,719,541)	(365,131)
Construction in progress	<u>347,181</u>	<u>594,288</u>	<u>212,502</u>	<u>(247,107)</u>
Net Capital Assets	<u>\$14,568,830</u>	<u>\$ 14,445,491</u>	<u>\$ 14,057,600</u>	<u>\$ 123,339</u>

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

#### UTILITY FINANCIAL ANALYSIS (cont.)

**Table 11**  
**Capital Assets – Water Utility**

	2008	2007	2006	2008-2007 Change
Capital Assets				
Source of supply	\$ 563,795	\$ 563,795	\$ 491,989	\$ -
Pumping	1,482,498	1,482,498	1,482,498	-
Water treatment	90,763	90,763	90,763	-
Transmission and distribution	11,485,289	11,113,008	10,059,601	372,281
General	688,670	656,617	630,131	32,053
Total Capital Assets	<u>14,311,015</u>	<u>13,906,681</u>	<u>12,754,982</u>	<u>404,334</u>
Less: Accumulated depreciation	(3,824,456)	(4,012,162)	(3,791,845)	187,706
Construction in progress	<u>9,143</u>	<u>336,948</u>	<u>554,462</u>	<u>(327,805)</u>
Net Capital Assets	<u>\$10,495,702</u>	<u>\$ 10,231,467</u>	<u>\$ 9,517,599</u>	<u>\$ 264,235</u>

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

#### UTILITY FINANCIAL ANALYSIS (cont.)

**Table 12**  
**Capital Assets – Wastewater Utility**

	2008	2007	2006	2008-2007 Change
Capital Assets				
Collection system	\$ 7,264,526	\$ 6,929,777	\$ 6,381,536	\$ 334,749
Collection system pumping	387,063	387,063	387,063	-
Treatment and disposal	12,582,116	10,369,729	10,369,729	2,212,387
General	559,216	454,599	460,066	104,617
Total Capital Assets	<u>20,792,921</u>	<u>18,141,168</u>	<u>17,598,394</u>	<u>2,651,753</u>
Less: Accumulated depreciation	(5,970,625)	(5,571,369)	(5,065,792)	(399,256)
Construction in progress	<u>49,149</u>	<u>2,047,719</u>	<u>484,910</u>	<u>(1,998,570)</u>
Net Capital Assets	<u>\$14,871,445</u>	<u>\$ 14,617,518</u>	<u>\$ 13,017,512</u>	<u>\$ 253,927</u>

#### LONG-TERM DEBT

As of December 31, 2008, the electric utility had total mortgage revenue bond debt outstanding of \$7,660,000 payable from and secured by a pledge of income and revenue to be derived from the operation of the electric utility. These issues were issued for electric system improvements, the construction of new substation, an east substation transformer, and costs associated with the implementation of automated meter reading (AMR)

As of December 31, 2008, the water utility had total mortgage revenue bond debt outstanding of \$2,230,000 payable from and secured by a pledge of income and revenue to be derived from the operation of the water utility. These issues were primarily for additions and improvements to the water system, street improvement projects, and AMR implementation.

The wastewater utility had \$5,965,181 of clean water fund loans outstanding as of December 31, 2008. The utility borrowed \$1.54 million in 2007 for a wastewater treatment plant hydraulic expansion project.

Tables of separate bond issues are included in note 6 of this audit report.

# STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2008 and 2007

---

## **CONTACTING UTILITY MANAGEMENT**

---

This financial report is designed to provide our customers, investors and creditors with a general overview of the utilities' finances. If you have questions about this report, or need additional financial information, contact the Finance and Administrative Manager, Stoughton Utilities, 600 South Fourth Street, P.O. Box 383, Stoughton, WI 53589.

General information relating to the Stoughton Utilities can be found at the utilities' web site at [www.stoughtonutilities.com](http://www.stoughtonutilities.com).

**ELECTRIC UTILITY**



# STOUGHTON ELECTRIC UTILITY

## STATEMENTS OF NET ASSETS December 31, 2008 and 2007

	<b>ASSETS</b>	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS</b>			
Cash and investments		\$ 5,757,084	\$ 4,724,704
Interest receivable		60,442	59,699
Restricted Assets			
Redemption account		461,457	588,677
Customer accounts receivable		1,467,663	1,354,197
Other accounts receivable		55,336	35,844
Due from municipality		13,978	2,891
Materials and supplies		139,767	147,069
Prepayments		<u>2,288</u>	<u>28,163</u>
Total Current Assets		<u>7,958,015</u>	<u>6,941,244</u>
<b>NON-CURRENT ASSETS</b>			
Restricted Assets			
Reserve account		838,094	1,046,094
Depreciation account		25,000	25,000
Construction account		-	800,292
Other Assets			
Electric plant and maintenance reserve account		102,971	1,072,620
Sick leave reserve account		97,000	97,465
Unamortized debt issuance costs		9,867	22,881
Investment in ATC		178,133	157,786
Non-utility property (net)		45,306	48,966
Capital Assets			
Plant in service		22,047,949	21,312,372
Accumulated depreciation		(7,826,300)	(7,461,169)
Construction work in progress		<u>347,181</u>	<u>594,288</u>
Total Non-Current Assets		<u>15,865,201</u>	<u>17,716,595</u>
<b>Total Assets</b>		<u>23,823,216</u>	<u>24,657,839</u>

	<b>LIABILITIES</b>	
	<u>2008</u>	<u>2007</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,061,308	\$ 799,726
Due to municipality	237,414	221,700
Customer deposits	24,989	23,928
Accrued wages	26,836	22,115
Accrued interest	2,885	3,709
Accrued liabilities	136,444	15,772
Commitment to community	101,135	82,254
Current Liabilities Payable from Restricted Assets		
Current portion of revenue bonds	500,000	650,000
Accrued interest	<u>83,736</u>	<u>100,462</u>
Total Current Liabilities	<u>2,174,747</u>	<u>1,919,666</u>
<b>NON-CURRENT LIABILITIES</b>		
Revenue bonds	7,160,000	8,590,000
Accrued sick leave	160,754	144,764
Customer advances for construction	<u>14,963</u>	<u>7,060</u>
Total Non-Current Liabilities	<u>7,335,717</u>	<u>8,741,824</u>
Total Liabilities	<u>9,510,464</u>	<u>10,661,490</u>
	<b>NET ASSETS</b>	
Net assets invested in capital assets, net of related debt	6,918,697	6,028,664
Restricted	1,240,815	1,559,309
Unrestricted	<u>6,153,240</u>	<u>6,408,376</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 14,312,752</u></u>	<u><u>\$ 13,996,349</u></u>

See accompanying notes to the financial statements.

## STOUGHTON ELECTRIC UTILITY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS Years Ended December 31, 2008 and 2007

	2008	2007
<b>OPERATING REVENUES</b>		
Sales of electricity	\$ 12,520,386	\$ 11,874,251
Other	<u>144,414</u>	<u>112,548</u>
Total Operating Revenues	<u>12,664,800</u>	<u>11,986,799</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	11,006,309	10,486,516
Depreciation	<u>772,081</u>	<u>711,395</u>
Total Operating Expenses	<u>11,778,390</u>	<u>11,197,911</u>
<b>OPERATING INCOME</b>	<u>886,410</u>	<u>788,888</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment income	286,012	473,304
Income from merchandising and jobbing	-	5,812
Rental income	-	58,567
Interest expense	(384,996)	(407,634)
Amortization of debt issuance costs	(13,014)	(6,129)
Miscellaneous expenses	(10,358)	(3,323)
Loss on early retirement of assets	<u>(268,404)</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>(390,760)</u>	<u>120,597</u>
Income Before Contributions and Transfers	495,650	909,485
<b>CAPITAL CONTRIBUTIONS</b>	93,363	115,582
<b>TRANSFER IN (OUT)</b>	(35,196)	(32,075)
<b>TRANSFERS - TAX EQUIVALENT</b>	<u>(237,414)</u>	<u>(221,700)</u>
<b>CHANGE IN NET ASSETS</b>	316,403	771,292
NET ASSETS - Beginning of Year	<u>13,996,349</u>	<u>13,225,057</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 14,312,752</u></u>	<u><u>\$ 13,996,349</u></u>

See accompanying notes to the financial statements.

# STOUGHTON ELECTRIC UTILITY

## STATEMENTS OF CASH FLOWS Years Ended December 31, 2008 and 2007

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 12,416,789	\$ 11,983,093
Received for street lighting	112,489	112,548
Paid to suppliers for goods and services	(9,874,451)	(9,647,889)
Paid to employees for operating payroll	(785,196)	(769,283)
Customer deposit	1,061	(8,256)
Net Cash Flows From Operating Activities	1,870,692	1,670,213
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paid to municipality for tax equivalent	(221,700)	(209,165)
Transfers to other funds	(35,196)	(32,075)
Net Cash Flows From Noncapital Financing Activities	(256,896)	(241,240)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(1,079,059)	(1,414,566)
Received from the sale of capital assets	8,375	-
Capital contributions received	101,266	110,867
Debt retired	(1,580,000)	(625,000)
Interest paid	(402,546)	(398,752)
Net Cash Flows From Capital and Related Financing Activities	(2,951,964)	(2,327,451)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(1,497,072)	(4,568,390)
Investments sold and matured	1,081,853	-
Dividends/(Investment) in ATC	(20,347)	95,207
Investment income	285,269	413,605
Net Cash Flows From Investing Activities	(150,297)	(4,059,578)
<b>Net Change in Cash and Cash Equivalents</b>	(1,488,465)	(4,958,056)
CASH AND CASH EQUIVALENTS - Beginning of Year	3,786,462	8,744,518
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,297,997	\$ 3,786,462
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Loss on early retirement of meters	\$ 268,404	\$ -

	<u>2008</u>	<u>2007</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>		
<b>FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 886,410	\$ 788,888
Nonoperating revenue (expense)	(10,358)	61,056
Noncash items in operating income		
Depreciation	772,081	711,395
Depreciation charged to clearing and other utilities	65,306	65,947
Changes in assets and liabilities		
Customer accounts receivable	(113,466)	44,666
Other accounts receivable	(19,492)	(13,372)
Due from municipality	(11,087)	(2,891)
Materials and supplies	7,302	(7,208)
Prepayments	25,875	4,221
Accounts payable	106,796	(43,809)
Customer deposits	1,061	(8,256)
Accrued sick leave	15,990	40,789
Other current liabilities	125,393	9,404
Commitment to community	18,881	19,383
	<u>18,881</u>	<u>19,383</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 1,870,692</u>	<u>\$ 1,670,213</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO</b>		
<b>STATEMENT OF NET ASSETS ACCOUNTS</b>		
Cash and investments	\$ 5,757,084	\$ 4,724,704
Redemption account	461,457	588,677
Reserve account	838,094	1,046,094
Depreciation account	25,000	25,000
Construction account	-	800,292
Electric plant and maintenance reserve account	102,971	1,072,620
Sick leave reserve account	97,000	97,465
Total Cash and Investments	<u>7,281,606</u>	<u>8,354,852</u>
Less: Noncash equivalents	<u>(4,983,609)</u>	<u>(4,568,390)</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 2,297,997</u>	<u>\$ 3,786,462</u>

See accompanying notes to the financial statements.

## **WATER UTILITY**

# STOUGHTON WATER UTILITY

## STATEMENTS OF NET ASSETS

December 31, 2008 and 2007

<b>ASSETS</b>	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 1,086,507	\$ 1,807,735
Interest receivable	32,650	21,771
Restricted Assets		
Redemption account	70,556	166,179
Customer accounts receivable	151,714	137,882
Other accounts receivable	66	66
Due from municipality	2,693	850
Materials and supplies	35,943	31,411
Prepayments	<u>562</u>	<u>9,877</u>
Total Current Assets	<u>1,380,691</u>	<u>2,175,771</u>
<b>NON-CURRENT ASSETS</b>		
Restricted Assets		
Reserve account	235,660	349,660
Depreciation account	25,000	25,000
Construction account	-	195,358
Other Assets		
Water plant and maintenance reserve account	366,373	386,349
Sick leave reserve account	79,861	79,861
Unamortized debt issuance costs	-	6,414
Non-utility property (net)	64,878	69,158
Capital Assets		
Plant in service	14,311,015	13,906,681
Accumulated depreciation	(3,824,456)	(4,012,162)
Construction work in progress	<u>9,143</u>	<u>336,948</u>
Total Non-Current Assets	<u>11,267,474</u>	<u>11,343,267</u>
Total Assets	<u>12,648,165</u>	<u>13,519,038</u>

		<u>2008</u>	<u>2007</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 36,353	\$ 9,571
Due to municipality		211,710	197,030
Accrued wages		10,530	9,094
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		80,000	215,000
Accrued interest		<u>16,509</u>	<u>22,425</u>
Total Current Liabilities		<u>355,102</u>	<u>453,120</u>
<b>NON-CURRENT LIABILITIES</b>			
Revenue bonds		2,150,000	2,780,000
Accrued sick leave		<u>71,135</u>	<u>74,656</u>
Total Non-Current Liabilities		<u>2,221,135</u>	<u>2,854,656</u>
Total Liabilities		<u>2,576,237</u>	<u>3,307,776</u>
<b>NET ASSETS</b>			
Net assets invested in capital assets, net of related debt		8,265,702	7,438,239
Restricted		314,707	518,414
Unrestricted		<u>1,491,519</u>	<u>2,254,609</u>
<b>TOTAL NET ASSETS</b>		<u>\$ 10,071,928</u>	<u>\$ 10,211,262</u>



## STOUGHTON WATER UTILITY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS Years Ended December 31, 2008 and 2007

	2008	2007
<b>OPERATING REVENUES</b>		
Sales of water	\$ 1,267,923	\$ 1,281,613
Other	<u>22,013</u>	<u>15,334</u>
Total Operating Revenues	<u>1,289,936</u>	<u>1,296,947</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	750,483	612,436
Depreciation	<u>309,071</u>	<u>291,161</u>
Total Operating Expenses	<u>1,059,554</u>	<u>903,597</u>
<b>OPERATING INCOME</b>	<u>230,382</u>	<u>393,350</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment income	50,641	196,303
Interest expense	(128,124)	(138,251)
Amortization of debt issuance costs	(6,414)	(1,069)
Miscellaneous expenses	-	(3,144)
Loss on early retirement of assets	<u>(213,683)</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>(297,580)</u>	<u>53,839</u>
Income (Loss) Before Contributions and Transfers	(67,198)	447,189
<b>CAPITAL CONTRIBUTIONS</b>	148,584	158,107
<b>TRANSFER IN (OUT)</b>	(9,010)	(14,720)
<b>TRANSFERS - TAX EQUIVALENT</b>	<u>(211,710)</u>	<u>(197,030)</u>
<b>CHANGE IN NET ASSETS</b>	(139,334)	393,546
NET ASSETS - Beginning of Year	<u>10,211,262</u>	<u>9,817,716</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 10,071,928</u></u>	<u><u>\$ 10,211,262</u></u>

See accompanying notes to the financial statements.

# STOUGHTON WATER UTILITY

## STATEMENTS OF CASH FLOWS Years Ended December 31, 2008 and 2007

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 1,296,420	\$ 1,356,143
Paid to suppliers for goods and services	(481,110)	(336,419)
Paid to employees for operating payroll	(262,695)	(264,503)
Net Cash Flows From Operating Activities	552,615	755,221
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paid to municipality for tax equivalent	(197,030)	(184,943)
Transfers to other funds	(9,010)	(14,720)
Net Cash Flows From Noncapital Financing Activities	(206,040)	(199,663)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(665,956)	(881,841)
Received from the sale of capital assets	32,474	-
Capital contributions received	-	1,000
Debt retired	(765,000)	(210,000)
Interest paid	(134,040)	(135,912)
Net Cash Flows From Capital and Related Financing Activities	(1,532,522)	(1,226,753)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(1,334,369)	(1,024,750)
Investments sold and matured	572,073	-
Investment income	39,762	174,532
Net Cash Flows From Investing Activities	(722,534)	(850,218)
<b>Net Change in Cash and Cash Equivalents</b>	(1,908,481)	(1,521,413)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,985,392	3,506,805
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 76,911	\$ 1,985,392
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Developer financed additions to utility plant	\$ 148,584	\$ 157,107
Loss on early retirement of meters	\$ 213,683	\$ -

	<u>2008</u>	<u>2007</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>		
<b>FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 230,382	\$ 393,350
Nonoperating revenue (expense)	-	1,140
Noncash items in operating income		
Depreciation	309,071	291,161
Depreciation charged to clearing and other utilities	32,179	33,919
Changes in assets and liabilities		
Customer accounts receivable	(13,832)	34,344
Other accounts receivable	-	924
Due from municipality	(1,843)	(583)
Materials and supplies	(4,532)	(5,185)
Prepayments	9,315	3,703
Accounts payable	(6,040)	9,494
Accrued wages	1,436	3,250
Accrued sick leave	(3,521)	(10,296)
	<u>552,615</u>	<u>755,221</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 552,615</b>	<b>\$ 755,221</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO</b>		
<b>STATEMENT OF NET ASSETS ACCOUNTS</b>		
Cash and investments	\$ 1,086,507	\$ 1,807,735
Redemption account	70,556	166,179
Reserve account	235,660	349,660
Depreciation account	25,000	25,000
Construction account	-	195,358
Water plant and maintenance reserve account	366,373	386,349
Sick leave reserve account	79,861	79,861
Total Cash and Investments	<u>1,863,957</u>	<u>3,010,142</u>
Less: Noncash equivalents	<u>(1,787,046)</u>	<u>(1,024,750)</u>
	<u>76,911</u>	<u>1,985,392</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ 76,911</b>	<b>\$ 1,985,392</b>

See accompanying notes to the financial statements.

## **WASTEWATER UTILITY**

# STOUGHTON WASTEWATER UTILITY

## STATEMENTS OF NET ASSETS December 31, 2008 and 2007

---

	<i>ASSETS</i>	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS</b>			
Cash and investments		\$ 1,945,174	\$ 2,027,719
Interest receivable		5,326	1,292
Restricted Assets			
Redemption account		367,603	400,741
Customer accounts receivable		289,176	250,760
Other accounts receivable		-	634
Due from municipality		4,373	932
Prepayments		<u>718</u>	<u>12,347</u>
Total Current Assets		<u>2,612,370</u>	<u>2,694,425</u>
<b>NON-CURRENT ASSETS</b>			
Restricted Assets			
Depreciation account		33,283	25,283
Replacement account		774,050	629,226
Construction account		123	123
Other Assets			
Sick leave reserve account		61,330	61,330
Capital Assets			
Plant in service		20,792,921	18,141,168
Accumulated depreciation		(5,970,625)	(5,571,369)
Construction work in progress		<u>49,149</u>	<u>2,047,719</u>
Total Non-Current Assets		<u>15,740,231</u>	<u>15,333,480</u>
Total Assets		<u>18,352,601</u>	<u>18,027,905</u>

<b>LIABILITIES</b>		<u>2008</u>	<u>2007</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 11,015	\$ 46,547
Accrued wages		17,902	7,908
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		576,069	554,092
Accrued interest		<u>28,340</u>	<u>30,998</u>
Total Current Liabilities		<u>633,326</u>	<u>639,545</u>
<b>NON-CURRENT LIABILITIES</b>			
Revenue bonds		5,389,112	5,844,893
Accrued sick leave		<u>79,587</u>	<u>73,107</u>
Total Non-Current Liabilities		<u>5,468,699</u>	<u>5,918,000</u>
 Total Liabilities		 <u>6,102,025</u>	 <u>6,557,545</u>
<b>NET ASSETS</b>			
Net assets invested in capital assets, net of related debt		8,906,387	8,218,656
Restricted		1,146,596	1,024,252
Unrestricted		<u>2,197,593</u>	<u>2,227,452</u>
 TOTAL NET ASSETS		 <u>\$ 12,250,576</u>	 <u>\$ 11,470,360</u>

See accompanying notes to the financial statements.

## STOUGHTON WASTEWATER UTILITY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS Years Ended December 31, 2008 and 2007

	2008	2007
<b>OPERATING REVENUES</b>		
Treatment charges	\$ 2,147,875	\$ 2,003,554
Other	<u>35,458</u>	<u>30,860</u>
Total Operating Revenues	<u>2,183,333</u>	<u>2,034,414</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	867,565	897,266
Depreciation	<u>562,817</u>	<u>513,823</u>
Total Operating Expenses	<u>1,430,382</u>	<u>1,411,089</u>
<b>OPERATING INCOME</b>	<u>752,951</u>	<u>623,325</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment income	80,131	149,704
Interest expense	(176,460)	(166,905)
Miscellaneous expenses	-	(771)
Gain (Loss) on early retirement	<u>59,950</u>	<u>(15,373)</u>
Total Non-Operating Revenues (Expenses)	<u>(36,379)</u>	<u>(33,345)</u>
Income Before Contributions	716,572	589,980
<b>CAPITAL CONTRIBUTIONS</b>	<u>63,644</u>	<u>100,660</u>
<b>CHANGE IN NET ASSETS</b>	780,216	690,640
NET ASSETS - Beginning of Year	<u>11,470,360</u>	<u>10,779,720</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 12,250,576</u></u>	<u><u>\$ 11,470,360</u></u>

See accompanying notes to the financial statements.

## STOUGHTON WASTEWATER UTILITY

### STATEMENTS OF CASH FLOWS Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 2,142,110	\$ 2,031,394
Paid to suppliers for goods and services	(578,851)	(601,697)
Paid to employees for operating payroll	<u>(260,536)</u>	<u>(278,616)</u>
Net Cash Flows From Operating Activities	<u>1,302,723</u>	<u>1,151,081</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(788,707)	(1,983,245)
Proceeds from sale of capital assets	59,950	-
Capital contributions received	-	1,250
Debt retired	(557,301)	(478,686)
Interest paid	(179,118)	(163,078)
Proceeds from debt issue	<u>123,497</u>	<u>1,539,762</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(1,341,679)</u>	<u>(1,083,997)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(756,828)	(497,050)
Investments sold and matured	491,744	883,480
Investment income	<u>76,097</u>	<u>148,412</u>
Net Cash Flows From Investing Activities	<u>(188,987)</u>	<u>534,842</u>
<b>Net Change in Cash and Cash Equivalents</b>	(227,943)	601,926
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,647,372</u>	<u>2,045,446</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,419,429</u>	<u>\$ 2,647,372</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Developer financed additions to utility plant	<u>\$ 63,644</u>	<u>\$ 99,410</u>
Loss on retirement of asset	<u>\$ -</u>	<u>\$ 15,373</u>



	<u>2008</u>	<u>2007</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 752,951	\$ 623,325
Nonoperating revenue (expense)	-	(771)
Noncash items in operating income		
Depreciation	562,817	513,823
Changes in assets and liabilities		
Customer accounts receivable	(38,416)	(4,556)
Other accounts receivable	634	3,022
Due from municipality	(3,441)	(715)
Prepayments	11,629	7,386
Accounts payable	75	-
Accrued sick leave	6,480	7,867
Other current liabilities	<u>9,994</u>	<u>1,700</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 1,302,723</u></b>	<b><u>\$ 1,151,081</u></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS ACCOUNTS</b>		
Cash and investments	\$ 1,945,174	\$ 2,027,719
Redemption account	367,603	400,741
Depreciation account	33,283	25,283
Replacement account	774,050	629,226
Construction account	123	123
Sick leave reserve account	<u>61,330</u>	<u>61,330</u>
Total Cash and Investments	3,181,563	3,144,422
Less: Noncash equivalents	<u>(762,134)</u>	<u>(497,050)</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 2,419,429</u></b>	<b><u>\$ 2,647,372</u></b>

See accompanying notes to the financial statements.

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

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

The significant accounting principles and policies utilized by the utilities are described below.

#### *REPORTING ENTITY*

The utilities are separate enterprise funds of the City of Stoughton (municipality). The utilities are managed by a utilities committee. The utilities provide electric, water and wastewater service to properties within the municipality. The utilities also provide electric service to the Townships of Dunkirk, Dunn, Pleasant Springs, Porter and Rutland.

The electric and water utilities operate under service rules and rates established by the Public Service Commission of Wisconsin (PSCW). The wastewater utility operates under rules and rates established by the utilities committee. The utilities are also regulated by the Wisconsin Department of Natural Resources.

#### *MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION*

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the utilities' financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Utilities also have the option of following subsequent private-sector guidance subject to this same limitation. The utilities have elected not to follow subsequent private-sector guidance.

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.

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

---

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

##### *Deposits and Investments*

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

Investment of utilities' funds are 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, 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 utilities have adopted an investment policy. That policy follows the state statute for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. 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.

##### *Receivables/Payables*

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

The utilities have the right under Wisconsin statutes to place delinquent electric, water and wastewater bills on the tax roll for collection for properties within the municipality. As such, no allowance for uncollectible customer accounts is considered necessary.

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

---

#### *ASSETS, LIABILITIES AND NET ASSETS (cont.)*

##### ***Materials and Supplies***

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

##### ***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.

##### ***Investment in American Transmission Company (ATC)***

The electric utility is a member of ATC. ATC was formed by approximately 25 utilities to plan, construct, maintain, monitor and own electric transmission facilities in Wisconsin. The utility owns less than 1/2 of 1 percent of ATC.

The investment earns dividends quarterly, some of which are paid in cash and some of which are required to be reinvested. From time to time, the utility has the option to contribute additional funds to maintain their proportionate share of ownership. The asset is valued at original cost plus additional contributions and reinvested dividends.

##### ***Sick Leave Reserve Account***

Upon retirement, these funds are used for insurance coverage for utility employees.

##### ***Non-Utility Property***

Electric utility non-utility property consists of the city dam with a balance of \$84,212 and leasehold rental property with a balance of \$91,158 at December 31, 2008 and 2007. Water utility non-utility property consists of a park shelter with a balance of \$107,000 at December 31, 2008 and 2007. The costs are being amortized on a straight-line basis over their useful life.

##### ***Capital Assets***

Capital assets are generally defined by the utilities as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year.

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

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### *ASSETS, LIABILITIES AND NET ASSETS (cont.)*

##### *Capital Assets (cont.)*

	<u>Years</u>
Electric Plant	
Transmission	33
Distribution	25 - 54
General	5 - 25
Water Plant	
Source of supply	34
Pumping	23 - 31
Water treatment	30 - 32
Transmission and distribution	18 - 77
General	5 - 34
Wastewater Plant	
Collecting system	100
Collecting system pumping	25 - 50
Treatment and disposal	15 - 40
General	5 - 20

##### *Accrued Vacation and Sick Leave*

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

##### *Customer Advances for Construction*

The balance represents fees collected for future capital improvements. The fees may be refundable based on rules filed with the PSCW or statutory requirements.

##### *Commitment to Community*

The electric utility charges fees to all customers as required by the 1999 Energy Reliability Act and 2005 Act 141. Revenues generated from the fees are used to fund energy conservation and low-income energy assistance ("Commitment to Community") programs. The utility is acting as an agent administering the program so revenues and expenses associated with the program are recorded as a current liability on the statement of net assets.

##### *Customer Deposits*

This account represents amounts deposited with the utilities by customers as security for payment of bills.

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

---

#### ***ASSETS, LIABILITIES AND NET ASSETS (cont.)***

##### ***Accrued liabilities***

The balance represents collections of various payroll and sales taxes due to the state and federal government.

##### ***Long-Term Obligations***

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

#### ***REVENUES AND EXPENSES***

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

##### ***Charges for Services***

Billings are rendered and recorded monthly based on metered usage. The utilities do accrue revenues beyond billing dates.

Current electric rates were approved by the PSCW on January 21, 2007. The rates are designed to provide a 6.5% return on rate base

Current water rates were approved by the PSCW effective June 1, 2006. The rates are designed to earn a 6.5% return on rate base

Current wastewater rates were approved by the utilities committee effective January 1, 2007.

##### ***Capital Contributions***

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

##### ***Transfers***

Transfers include the payment in lieu of taxes to the municipality and other operating transfers.

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

##### *EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS*

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Application of these standards may restate portions of these financial statements.

#### **NOTE 2 - DEPOSITS AND INVESTMENTS**

	Carrying Value as of December 31,		Risks
	2008	2007	
Checking and Savings	\$ 2,913,835	\$ 2,590,299	Custodial credit risk
LGIP	1,879,751	5,828,177	Credit and interest rate risks
Negotiable Certificates of Deposit	1,081,100	-	Custodial credit, credit, concentration, and interest rate risks
U.S. Agency Securities	2,030,580	3,013,200	Custodial credit, credit, concentration and interest rate risks
Corporate Bonds	4,421,110	3,076,990	Custodial credit, credit, concentration and interest rate risks
Petty Cash	<u>750</u>	<u>750</u>	
Totals	<u>\$ 12,327,126</u>	<u>\$ 14,509,416</u>	

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 as of December 31, 2007 and in the amount of \$250,000 for interest bearing and unlimited for non-interest bearing as of December 31, 2008.

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 principal losses may not be significant to individual municipalities.

The utilities may also maintain separate cash and investment accounts at the same financial institutions utilized by the municipality. Federal depository insurance and the SDGF apply to all municipal accounts, and accordingly, the amount of insured funds is not determinable for the utilities alone. Therefore, coverage for the utilities may be reduced. Investment income on commingled investments of the entire municipality is allocated based on average investment balances.

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

### **NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)**

Investments in the LGIP 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. This coverage expired on February 15, 2009.

\$500,000 of the utilities' investments have coverage from the Securities Investor Protection Corporation (SIPC).

In addition, the utilities, with the city, have collateral or depository insurance agreements in the amount of \$12,608,000 at December 31, 2008.

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, 2008 and 2007, the fair value of the LGIP's assets were substantially equal to the utilities' share.

#### ***Custodial Credit Risk***

##### **Deposits**

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

The utilities maintain certain deposits at the same institutions as the municipality. The custodial credit risk pertaining specifically to the utilities' resources at these institutions cannot be determined individually for those accounts. The following is a summary of the utilities' total deposit balances at these institutions.

	2008		2007	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Wells Fargo	\$ 2,965,497	\$ 2,913,835	\$ 2,718,458	\$ 2,590,299
Deposits Exposed to Custodial Credit Risk	\$ 2,965,497	\$ 2,913,835	\$ 2,718,458	\$ 2,590,299

The utilities' investment policy does not address this risk.

##### **Investments**

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



## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)**

##### ***Custodial Credit Risk*** (cont.)

##### **Investments** (cont.)

As of December 31, 2008 and 2007 the utilities' investments were exposed to custodial credit risk as follows:

U.S. Agencies - Implicitly Guaranteed	2008	2007
Neither insured nor registered and held by counterparty	<u>\$ 1,530,580</u>	<u>\$ 2,513,200</u>
Corporate Bonds		
Neither insured nor registered and held by counterparty	<u>\$ 4,421,110</u>	<u>\$ 3,076,990</u>
Negotiable Certificates of Deposit		
Neither insured nor registered and held by counterparty	<u>\$ 1,081,100</u>	<u>\$ -</u>

The utilities' investment policy does not address this risk.

##### ***Credit Risk***

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

As of December 31, 2008, the utilities' investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
U.S. Agencies - Implicitly Guaranteed	AAA	Aaa
Corporate Bonds	A-AAA	A2-Aaa
Negotiable Certificates of Deposit	not rated	

As of December 31, 2007, the utilities' investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
U.S. Agencies - Implicitly Guaranteed	AAA	Aaa
Corporate Bonds	A or AA	Aa

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)**

##### ***Credit Risk (cont.)***

The utilities held investments in the Local Government Investment Pool which is an external pool that is not rated.

The utilities' investment policy follows state statutes. There is one investment which does not meet these standards as it is rated below the highest two categories.

##### ***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2008 and 2007, the utilities' investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2008	2007
FHLB	U.S. Agencies - Implicitly Guaranteed	26.96%	25.30%
Home Savings Bank	Corporate bond	-	8.70%
Morgan Stanley	Corporate bond	6.13%	-
GE Capital	Corporate bond	12.87%	-
Goldman Sachs	Corporate bond	6.72%	-
HSBC	Corporate bond	13.51%	-
Citigroup Inc.	Corporate bond	6.41%	-
Wachovia Corp	Corporate bond	6.33%	-
Wells Fargo Corp	Corporate bond	6.72%	-

The utilities' investment policy does not address this risk.

##### ***Interest Rate Risk***

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2008, the utilities' investments were as follows:

Investment Type	Maturity (In Years)			
	Fair Value	Less than 1	1 - 3	3 or more
U.S. Agencies - Implicitly Guaranteed	\$ 2,030,580	\$ -	\$ -	\$ 2,030,580
Corporate Bonds	4,421,110	-	2,483,790	1,937,320
Negotiable Certificates of Deposit	1,081,100	388,998	591,896	100,206
<b>Totals</b>	<b>\$ 7,532,790</b>	<b>\$ 388,998</b>	<b>\$ 3,075,686</b>	<b>\$ 4,068,106</b>

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)**

##### *Interest Rate Risk* (cont.)

Investment Type	Fair Value	Weighted Average Maturity (Years)
External investment pools	\$ <u>1,879,751</u>	<u>.22</u>

As of December 31, 2007, the utilities' investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1 - 3	3 or more
U.S. Agencies - Implicitly Guaranteed	\$ 3,013,200	\$ 497,050	\$ 996,850	\$ 1,519,300
Corporate Bonds	<u>3,076,990</u>	-	<u>2,572,480</u>	<u>504,510</u>
Totals	<u>\$ 6,090,190</u>	<u>\$ 497,050</u>	<u>\$ 3,569,330</u>	<u>\$ 2,023,810</u>

Investment Type	Fair Value	Weighted Average Maturity (Years)
External investment pools	\$ <u>5,828,177</u>	<u>.153</u>

The utilities' investment policy does not address this risk.

#### **NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

The following is a schedule of interfund balances for the years ending December 31, 2008 and 2007:

Due To	Due From	2008		2007	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water utility	\$ 211,710	Payment in lieu of taxes	\$ 197,030	Payment in lieu of taxes
Electric utility	Municipality	13,978	Operating	2,891	Operating
Municipality	Electric utility	237,414	Payment in lieu of taxes	221,700	Payment in lieu of taxes
Water utility	Municipality	2,693	Operating	850	Operating
Wastewater utility	Municipality	4,373	Operating	932	Operating

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)**

The following is a schedule of transfer balances for the years ending December 31, 2008 and 2007:

To	From	2008		2007	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Electric utility	\$ 35,196	Operating	\$ 32,075	Operating
Municipality	Electric utility	237,414	Payment in lieu of taxes	221,700	Payment in lieu of taxes
Municipality	Water utility	9,010	Operating	14,720	Operating
Municipality	Water utility	211,710	Payment in lieu of taxes	197,030	Payment in lieu of taxes

#### **NOTE 4 - RESTRICTED ASSETS**

##### ***Restricted Accounts***

Certain proceeds of the utilities' debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited. The following accounts are reported as restricted assets:

- Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.
- Construction - Used to report debt proceeds restricted for use in construction.

##### ***Replacement Account***

As a condition of receiving state and federal funds for wastewater plant construction, the utilities have established an account for replacement of certain mechanical equipment.

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 4 - RESTRICTED ASSETS (cont.)**

##### *Restricted Net Assets*

The following calculation supports the amount of electric restricted net assets:

	2008	2007
Restricted Assets		
Redemption account	\$ 461,457	\$ 588,677
Reserve account	838,094	1,046,094
Depreciation account	25,000	25,000
Construction account	-	<u>800,292</u>
Total Restricted Assets	<u>1,324,551</u>	<u>2,460,063</u>
Less: Restricted Assets Not Funded by Revenues		
Construction account	-	<u>(800,292)</u>
Current Liabilities Payable From Restricted Assets	<u>(83,736)</u>	<u>(100,462)</u>
Total Restricted Net Assets as Calculated	<u>\$ 1,240,815</u>	<u>\$ 1,559,309</u>

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

	2008	2007
Restricted Assets		
Redemption account	\$ 70,556	\$ 166,179
Reserve account	235,660	349,660
Depreciation account	25,000	25,000
Construction account	-	<u>195,358</u>
Total Restricted Assets	<u>331,216</u>	<u>736,197</u>
Less: Restricted Assets Not Funded by Revenues		
Construction account	-	<u>(195,358)</u>
Current Liabilities Payable From Restricted Assets	<u>(16,509)</u>	<u>(22,425)</u>
Total Restricted Net Assets as Calculated	<u>\$ 314,707</u>	<u>\$ 518,414</u>

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 4 - RESTRICTED ASSETS (cont.)**

##### *Restricted Net Assets (cont.)*

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

	2008	2007
Restricted Assets		
Redemption account	\$ 367,603	\$ 400,741
Depreciation account	33,283	25,283
Replacement account	774,050	629,226
Construction account	123	123
Total Restricted Assets	1,175,059	1,055,373
Less: Restricted Assets Not Funded by Revenues		
Construction account	(123)	(123)
Current Liabilities Payable From Restricted Assets	(28,340)	(30,998)
Total Restricted Net Assets as Calculated	\$ 1,146,596	\$ 1,024,252

#### **NOTE 5 - CHANGES IN CAPITAL ASSETS**

##### *Electric Utility*

A summary of changes in electric capital assets for 2008 follows:

	Balance 01/01/08	Increases	Decreases	Balance 12/31/08
Capital assets, not being depreciated				
Land and land rights	\$ 220,797	\$ -	\$ -	\$ 220,797
Capital assets being depreciated				
Transmission	15,019	-	-	15,019
Distribution	18,397,991	1,275,330	722,624	18,950,697
General	2,678,565	209,282	26,411	2,861,436
Total Capital Assets Being Depreciated	21,091,575	1,484,612	749,035	21,827,152
Total Capital Assets	21,312,372	1,484,612	749,035	22,047,949
Less: Accumulated depreciation				
Transmission	(18,910)	(456)	-	(19,366)
Distribution	(5,911,275)	(958,722)	722,624	(6,147,373)
General	(1,530,984)	(154,987)	26,410	(1,659,561)
Total Accumulated Depreciation	(7,461,169)	(1,114,165)	749,034	(7,826,300)
Construction in progress	594,288	1,006,441	1,253,548	347,181
Net Capital Assets	\$ 14,445,491			\$ 14,568,830

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)**

##### *Electric Utility* (cont.)

A summary of changes in electric capital assets for 2007 follows:

	Balance 01/01/07	Increases	Decreases	Balance 12/31/07
Capital assets, not being depreciated				
Land and land rights	\$ 209,437	\$ 11,360	\$ -	\$ 220,797
Capital assets being depreciated				
Transmission	22,295	-	7,276	15,019
Distribution	17,723,588	972,681	298,278	18,397,991
General	2,609,319	69,246	-	2,678,565
Total Capital Assets Being Depreciated	20,355,202	1,041,927	305,554	21,091,575
Total Capital Assets	20,564,639	1,053,287	305,554	21,312,372
Less: Accumulated depreciation				
Transmission	(23,306)	(2,880)	7,276	(18,910)
Distribution	(5,288,305)	(921,248)	298,278	(5,911,275)
General	(1,407,930)	(123,054)	-	(1,530,984)
Total Accumulated Depreciation	(6,719,541)	(1,047,182)	305,554	(7,461,169)
Construction in progress	212,502	1,465,708	1,083,922	594,288
Net Capital Assets	\$ 14,057,600			\$ 14,445,491

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

---

#### NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)

---

##### *Water Utility*

A summary of changes in water capital assets for 2008 follows:

	Balance 01/01/08	Increases	Decreases	Balance 12/31/08
Capital assets, not being depreciated				
Land and land rights	\$ 24,841	\$ -	\$ -	\$ 24,841
Capital assets being depreciated				
Source of supply	552,160	-	-	552,160
Pumping	1,482,499	-	-	1,482,499
Water treatment	90,763	-	-	90,763
Transmission and distribution	11,099,801	1,077,438	705,157	11,472,082
General	656,617	97,728	65,675	688,670
Total Capital Assets Being Depreciated	13,881,840	1,175,166	770,832	14,286,174
Total Capital Assets	13,906,681	1,175,166	770,832	14,311,015
Less: Accumulated depreciation				
Source of supply	(221,532)	(16,013)	-	(237,545)
Pumping	(801,877)	(58,315)	-	(860,192)
Water treatment	(73,652)	(2,981)	-	(76,633)
Transmission and distribution	(2,523,883)	(442,196)	705,157	(2,260,922)
General	(391,218)	(63,621)	65,675	(389,164)
Total Accumulated Depreciation	(4,012,162)	(583,126)	770,832	(3,824,456)
Construction in progress	336,948	601,050	928,855	9,143
Net Capital Assets	\$ 10,231,467			\$ 10,495,702



## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

---

#### **NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)**

---

##### ***Water Utility*** (cont.)

A summary of changes in water capital assets for 2007 follows:

	Balance 01/01/07	Increases	Decreases	Balance 12/31/07
Capital assets, not being depreciated				
Land and land rights	\$ 24,841	\$ -	\$ -	\$ 24,841
Capital assets being depreciated				
Source of supply	480,354	89,339	17,533	552,160
Pumping	1,482,499	-	-	1,482,499
Water treatment	90,763	-	-	90,763
Transmission and distribution	10,046,394	1,119,007	65,600	11,099,801
General	630,131	26,486	-	656,617
Total Capital Assets Being Depreciated	12,730,141	1,234,832	83,133	13,881,840
Total Capital Assets	12,754,982	1,234,832	83,133	13,906,681
Less: Accumulated depreciation				
Source of supply	(234,169)	(14,971)	27,608	(221,532)
Pumping	(743,562)	(58,315)	-	(801,877)
Water treatment	(70,671)	(2,981)	-	(73,652)
Transmission and distribution	(2,397,862)	(212,626)	86,605	(2,523,883)
General	(345,581)	(45,637)	-	(391,218)
Total Accumulated Depreciation	(3,791,845)	(334,530)	114,213	(4,012,162)
Construction in progress	554,462	918,366	1,135,880	336,948
Net Capital Assets	\$ 9,517,599			\$ 10,231,467

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

---

#### **NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)**

---

##### ***Wastewater Utility***

A summary of changes in wastewater capital assets for 2008 follows:

	Balance 01/01/08	Increases	Decreases	Balance 12/31/08
Capital assets being depreciated				
Collecting system	\$ 6,929,777	\$ 337,459	\$ 2,710	\$ 7,264,526
Collecting system pumping	387,063	-	-	387,063
Treatment and disposal	10,369,729	2,212,387	-	12,582,116
General	454,599	265,467	160,850	559,216
Total Capital Assets Being Depreciated	18,141,168	2,815,313	163,560	20,792,921
Less: Accumulated depreciation	(5,571,369)	(562,816)	163,560	(5,970,625)
Construction in progress	2,047,719	487,632	2,486,202	49,149
Net Capital Assets	\$ 14,617,518			\$ 14,871,445

A summary of changes in wastewater capital assets for 2007 follows:

	Balance 01/01/07	Increases	Decreases	Balance 12/31/07
Capital assets being depreciated				
Collecting system	\$ 6,381,536	\$ 550,011	\$ 1,770	\$ 6,929,777
Collecting system pumping	387,063	-	-	387,063
Treatment and disposal	10,369,729	-	-	10,369,729
General	460,066	18,183	23,650	454,599
Total Capital Assets Being Depreciated	17,598,394	568,194	25,420	18,141,168
Less: Accumulated depreciation	(5,065,792)	(530,997)	25,420	(5,571,369)
Construction in progress	484,910	2,064,843	502,034	2,047,719
Net Capital Assets	\$ 13,017,512			\$ 14,617,518

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 6 - LONG-TERM OBLIGATIONS**

##### *Revenue Bonds - Electric*

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/08
May 1, 1998	Construction of substation	April 1, 2013	4.00 - 5.00%	\$ 2,225,000	\$ -
April 1, 2003	Electric system improvements	April 1, 2023	2.25 - 5.10	4,580,000	4,330,000
September 15, 2004	Additions and improvements	April 1, 2010	2.00 - 3.50	2,090,000	830,000
November 15, 2006	Electric system improvements	April 1, 2023	4.00 - 4.50	2,550,000	2,500,000

The 1998 bonds were paid in full with resources on hand in 2008.

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2009	\$ 500,000	\$ 325,623	\$ 825,623
2010	530,000	307,927	837,927
2011	350,000	291,992	641,992
2012	375,000	278,243	653,243
2013	400,000	263,367	663,367
2014 - 2018	2,400,000	1,021,232	3,421,232
2019 - 2023	3,105,000	370,824	3,475,824
Totals	<u>\$ 7,660,000</u>	<u>\$ 2,859,208</u>	<u>\$ 10,519,208</u>

All utilities' revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2008 and 2007 were \$1,981,722 and \$1,023,752, respectively. This includes the prepayment of the 1998 bonds in 2008. Total gross revenues as defined for the same periods were \$12,950,812 and \$12,524,482, respectively. Annual principal and interest payments are expected to require 6% of gross revenues.

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 6 - LONG-TERM OBLIGATIONS (cont.)**

##### *Revenue Bonds - Water*

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/08
May 1, 1998	Additions and improvements	May 1, 2013	4.00 - 5.00%	\$ 1,535,000	\$ -
March 25, 2003	Additions and improvements	May 1, 2013	3.50 - 4.80	520,000	355,000
November 15, 2006	Additions and improvements	May 1, 2023	4.00 - 4.50	1,925,000	1,875,000

The 1998 bonds were paid in full with resources on hand in 2008.

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2009	\$ 80,000	\$ 96,448	\$ 176,448
2010	115,000	92,335	207,335
2011	145,000	86,830	231,830
2012	155,000	80,355	235,355
2013	160,000	73,415	233,415
2014-2018	700,000	277,437	977,437
2019-2023	875,000	102,937	977,937
Totals	<u>\$ 2,230,000</u>	<u>\$ 809,757</u>	<u>\$ 3,039,757</u>

All utilities' revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2008 and 2007 were \$899,040 and \$345,912, respectively. This includes the prepayment of the 1998 bonds in 2008. Total gross revenues as defined for the same periods were \$1,340,577 and \$1,493,250, respectively. Annual principal and interest payments are expected to require 15% of gross revenues.

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 6 - LONG-TERM OBLIGATIONS (cont.)**

##### *Revenue Bonds - Wastewater*

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/08
March 9, 1994	WWTP improvements	May 1, 2013	3.224%	\$ 5,472,357	\$ 1,878,729
December 22, 1999	Wastewater interceptor	May 1, 2019	3.049	623,465	392,950
July 12, 2000	WWTP improvements	May 1, 2020	3.049	1,116,259	751,062
September 10, 2003	WWTP improvements	May 1, 2023	2.766	1,670,624	1,342,820
June 27, 2007	WWTP improvements	May 1, 2027	2.475	1,539,762	1,599,620

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2009	\$ 576,069	\$ 163,358	\$ 739,427
2010	593,657	145,529	739,186
2011	611,788	127,123	738,911
2012	630,476	108,150	738,626
2013	649,736	88,589	738,325
2014-2018	1,357,267	300,798	1,658,065
2019-2023	1,145,106	119,074	1,264,180
2024-2027	401,082	20,157	421,239
Totals	<u>\$ 5,965,181</u>	<u>\$ 1,072,778</u>	<u>\$ 7,037,959</u>

All utilities' revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2008 and 2007 were \$736,419 and \$641,764, respectively. Total gross revenues as defined for the same periods were \$2,263,464 and \$2,184,118, respectively. Annual principal and interest payments are expected to require 34% of gross revenues.

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 6 - LONG-TERM OBLIGATIONS (cont.)**

##### ***Long-Term Obligations Summary - Electric***

Long-term obligation activity for the year ended December 31, 2008 is as follows:

	<u>01/01/08 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/08 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 9,240,000	\$ -	\$ 1,580,000	\$ 7,660,000	\$ 500,000
Accrued sick leave	144,764	34,973	18,983	160,754	-
Customer advances for construction	7,060	7,903	-	14,963	-
<b>Totals</b>	<b><u>\$ 9,391,824</u></b>	<b><u>\$ 42,876</u></b>	<b><u>\$ 1,598,983</u></b>	<b><u>\$ 7,835,717</u></b>	<b><u>\$ 500,000</u></b>

Long-term obligation activity for the year ended December 31, 2007 is as follows:

	<u>01/01/07 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/07 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 9,865,000	\$ -	\$ 625,000	\$ 9,240,000	\$ 650,000
Accrued sick leave	103,975	42,394	1,605	144,764	-
Customer advances for construction	11,775	-	4,715	7,060	-
<b>Totals</b>	<b><u>\$ 9,980,750</u></b>	<b><u>\$ 42,394</u></b>	<b><u>\$ 631,320</u></b>	<b><u>\$ 9,391,824</u></b>	<b><u>\$ 650,000</u></b>

##### ***Long-Term Obligations Summary - Water***

Long-term obligation activity for the year ended December 31, 2008 is as follows:

	<u>01/01/08 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/08 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 2,995,000	\$ -	\$ 765,000	\$ 2,230,000	\$ 80,000
Accrued sick leave	74,656	12,653	16,174	71,135	-
<b>Totals</b>	<b><u>\$ 3,069,656</u></b>	<b><u>\$ 12,653</u></b>	<b><u>\$ 781,174</u></b>	<b><u>\$ 2,301,135</u></b>	<b><u>\$ 80,000</u></b>

Long-term obligation activity for the year ended December 31, 2007 is as follows:

	<u>01/01/07 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/07 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 3,205,000	\$ -	\$ 210,000	\$ 2,995,000	\$ 215,000
Accrued sick leave	84,952	13,071	23,367	74,656	-
<b>Totals</b>	<b><u>\$ 3,289,952</u></b>	<b><u>\$ 13,071</u></b>	<b><u>\$ 233,367</u></b>	<b><u>\$ 3,069,656</u></b>	<b><u>\$ 215,000</u></b>

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 6 - LONG-TERM OBLIGATIONS (cont.)**

##### ***Long-Term Obligations Summary - Wastewater***

Long-term obligation activity for the year ended December 31, 2008 is as follows:

	<u>01/01/08 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/08 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 6,398,985	\$ 123,496	\$ 557,300	\$ 5,965,181	\$ 576,069
Accrued sick leave	<u>73,107</u>	<u>15,817</u>	<u>9,337</u>	<u>79,587</u>	<u>-</u>
Totals	<u>\$ 6,472,092</u>	<u>\$ 139,313</u>	<u>\$ 566,637</u>	<u>\$ 6,044,768</u>	<u>\$ 576,069</u>

Long-term obligation activity for the year ended December 31, 2007 is as follows:

	<u>01/01/07 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/07 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 5,337,909	\$ 1,539,761	\$ 478,685	\$ 6,398,985	\$ 554,092
Accrued sick leave	<u>65,240</u>	<u>16,745</u>	<u>8,878</u>	<u>73,107</u>	<u>-</u>
Totals	<u>\$ 5,403,149</u>	<u>\$ 1,556,506</u>	<u>\$ 487,563</u>	<u>\$ 6,472,092</u>	<u>\$ 554,092</u>

##### ***Bond Covenant Disclosures***

The following information is provided in compliance with the resolutions creating the utilities' revenue bonds:

##### ***Insurance***

The utilities are exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 6 - LONG-TERM OBLIGATIONS (cont.)**

##### ***Bond Covenant Disclosures (cont.)***

##### ***Insurance (cont.)***

The utilities are covered under the following insurance policies at December 31, 2008:

Type	Coverage	Expiration
Automobile	\$ 5,000,000 CVMIC Self-Insured	1/1/09
Excess Liability	750,000 CVMIC Self-Insured	1/1/09
Workers Compensation	5,000,000 CVMIC Self-Insured	1/1/09
	1,000,000 CVMIC Self-Insured	1/1/09
Boiler Insurance	75,000,000 CVMIC Self-Insured	1/1/09
Property	41,852,265 Wisconsin Local Property Insurance Fund	2/1/08

##### ***Debt Coverage - Electric***

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.3 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2008 and 2007 as follows:

	2008	2007
Operating revenues	\$ 12,664,800	\$ 11,986,799
Investment income	286,012	473,304
Income from merchandising and jobbing	-	5,812
Rental income	-	58,567
Less: Operation and maintenance expenses	<u>(11,006,309)</u>	<u>(10,486,516)</u>
Net Defined Earnings	<u>\$ 1,944,503</u>	<u>\$ 2,037,966</u>
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 837,927	\$ 1,046,094
Coverage factor	<u>1.30</u>	<u>1.30</u>
Minimum Required Earnings	<u>\$ 1,089,305</u>	<u>\$ 1,359,922</u>
Actual Debt Coverage	<u>2.32</u>	<u>1.95</u>



# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

### NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

#### *Bond Covenant Disclosures (cont.)*

##### ***Debt Coverage - Water***

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.3 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2008 and 2007 as follows:

	2008	2007
Operating revenues	\$ 1,289,936	\$ 1,296,947
Investment income	50,641	196,303
Less: Operation and maintenance expenses	(750,483)	(612,436)
Net Defined Earnings	\$ 590,094	\$ 880,814
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 235,355	\$ 349,661
Coverage factor	1.30	1.30
Minimum Required Earnings	\$ 305,962	\$ 454,559
Actual Debt Coverage	2.51	2.52

##### ***Debt Coverage - Wastewater***

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.1 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was in 2008 and 2007 as follows:

	2008	2007
Operating revenues	\$ 2,183,333	\$ 2,034,414
Investment income	80,131	149,704
Less: Operation and maintenance expenses	(867,565)	(897,266)
Net Defined Earnings	\$ 1,395,899	\$ 1,286,852
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 739,427	\$ 634,214
Coverage factor	1.10	1.10
Minimum Required Earnings	\$ 813,370	\$ 697,635
Actual Debt Coverage	1.89	2.03

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 6 - LONG-TERM OBLIGATIONS (cont.)**

##### ***Bond Covenant Disclosures (cont.)***

##### ***Number of Customers - Electric***

The utility has the following number of customers and billed volumes for 2008 and 2007:

	Customers		Sales (000 kWh)	
	2008	2007	2008	2007
Residential	7,538	7,539	65,598	64,958
General	765	764	17,472	16,970
Small power	50	50	14,754	14,621
Large power	9	9	11,345	11,670
Industrial	7	7	27,962	28,915
Street and highway lighting	6	6	996	1,067
Totals	<u>8,375</u>	<u>8,375</u>	<u>138,127</u>	<u>138,201</u>

##### ***Number of Customers - Water***

The utility has the following number of customers and billed volumes for 2008 and 2007:

	Customers		Sales (000 gals)	
	2008	2007	2008	2007
Residential	4,369	4,339	230,516	235,362
Commercial	406	412	78,784	78,198
Industrial	21	21	119,410	115,610
Public authority	24	32	6,607	7,068
Totals	<u>4,820</u>	<u>4,804</u>	<u>435,317</u>	<u>436,238</u>

##### ***Number of Customers - Wastewater***

The utility has the following number of customers and billed volumes for 2008 and 2007:

	Customers		Sales (000 gals)	
	2008	2007	2008	2007
Residential	4,338	4,323	229,748	234,222
Commercial	381	383	78,633	80,193
Industrial	17	23	42,898	16,694
Public authority	19	18	5,249	5,002
Totals	<u>4,755</u>	<u>4,747</u>	<u>356,528</u>	<u>336,111</u>

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

---

### **NOTE 6 - LONG-TERM OBLIGATIONS (cont.)**

---

#### ***Bond Covenant Disclosures (cont.)***

##### ***Utilities Budget***

The 2008 and 2007 utilities' budgets were prepared and approved as required by the bond resolutions.

---

### **NOTE 7 - NET ASSETS**

---

GASB No. 34 requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

**Invested in capital assets, net of related debt** - This component of net 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

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

**Unrestricted net assets** - The component of net asset consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 7 - NET ASSETS (cont.)**

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

	2008	2007
Plant in service	\$ 22,047,949	\$ 21,312,372
Accumulated depreciation	(7,826,300)	(7,461,169)
Construction work in progress	347,181	594,288
Sub-Totals	14,568,830	14,445,491
Less: Capital related debt		
Current portion of capital related long-term debt	500,000	650,000
Long-term portion of capital related long-term debt	7,160,000	8,590,000
Unamortized debt issuance costs	(9,867)	(22,881)
Sub-Totals	7,650,133	9,217,119
Add: Unspent debt proceeds		
Construction funds	-	800,292
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 6,918,697	\$ 6,028,664

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

	2008	2007
Plant in service	\$ 14,311,015	\$ 13,906,681
Accumulated depreciation	(3,824,456)	(4,012,162)
Construction work in progress	9,143	336,948
Sub-Totals	10,495,702	10,231,467
Less: Capital related debt		
Current portion of capital related long-term debt	80,000	215,000
Long-term portion of capital related long-term debt	2,150,000	2,780,000
Unamortized debt issuance costs	-	(6,414)
Sub-Totals	2,230,000	2,988,586
Add: Unspent debt proceeds		
Construction funds	-	195,358
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 8,265,702	\$ 7,438,239

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 7 - NET ASSETS (cont.)**

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

	2008	2007
Plant in service	\$ 20,792,921	\$ 18,141,168
Accumulated depreciation	(5,970,625)	(5,571,369)
Construction work in progress	49,149	2,047,719
Sub-Totals	14,871,445	14,617,518
Less: Capital related debt		
Current portion of capital related long-term debt	576,069	554,092
Long-term portion of capital related long-term debt	5,389,112	5,844,893
Sub-Totals	5,965,181	6,398,985
Add: Unspent debt proceeds		
Construction funds	123	123
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 8,906,387	\$ 8,218,656

#### **NOTE 8 - EMPLOYEES RETIREMENT SYSTEM**

All eligible employees of the utilities 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 were required by statute to contribute 6.0% and 5.9% of their salary to the plan in 2008 and 2007, respectively. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits. Covered payroll listed below is substantially the same as total payroll.

Electric

	Year Ended December 31		
	2008	2007	2006
Total Covered Employee Payroll	\$ 779,144	\$ 785,082	\$ 812,560
Total Required Contributions	\$ 91,939	\$ 92,640	\$ 94,257
Total Required Contributions	11.8%	11.8%	11.6%

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

### **NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)**

Water

	Year Ended December 31		
	2008	2007	2006
Total Covered Employee Payroll	\$ 262,521	\$ 264,459	\$ 257,491
Total Required Contributions	<u>\$ 30,977</u>	<u>\$ 31,206</u>	<u>\$ 29,869</u>
Total Required Contributions	<u>11.8%</u>	<u>11.8%</u>	<u>11.6%</u>

Wastewater

	Year Ended December 31		
	2008	2007	2006
Total Covered Employee Payroll	\$ 310,839	\$ 292,622	\$ 280,431
Total Required Contributions	<u>\$ 36,679</u>	<u>\$ 34,529</u>	<u>\$ 32,530</u>
Total Required Contributions	<u>11.8%</u>	<u>11.8%</u>	<u>11.6%</u>

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

### **NOTE 9 - COMMITMENTS AND CONTINGENCIES**

***Long-Term Contracts - WPPI Energy***

The electric utility is one of 50 WPPI Energy member municipalities located throughout the States of Wisconsin, Iowa and Michigan. On December 1, 1989, each initial WPPI Energy member commenced purchasing electric service from WPPI Energy under a long-term Power Supply Contract for Participating Members (long-term contract). Under the long-term contract, WPPI Energy is obligated to provide and sell, and each member is obligated to take and pay for, the electric power and energy required for the operation of each member's electric utility.

The long-term contract requires all WPPI Energy members to pay for power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover WPPI Energy's revenue requirement including power supply costs, administrative expenses and debt service. WPPI Energy's subsequent year's operating budget and rates are approved annually by its Board of Directors, consisting of representatives from each member. The members have agreed to charge rates to retail customers sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy constitute operating expenses of the utility payable from any operating and maintenance fund established for that system.

In 2002, all WPPI Energy members ratified a thirteen year extension to their original thirty-five year contracts. The new contract expires at midnight on December 31, 2037.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract is \$429 million as of December 31, 2008.

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

---

### **NOTE 9 - COMMITMENTS AND CONTINGENCIES (cont.)**

---

#### ***Claims and Judgments***

From time to time, the utilities are 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 and the utilities' legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the utilities' financial position or results of operations.

#### ***Open Contracts***

The utilities have signed construction contracts that continue into subsequent years, including contracts for the utility building renovations for approximately \$700,000. The value of service provided and the corresponding liability as of December 31, 2008 has been accrued in these financial statements.

---

### **NOTE 10 - RISK MANAGEMENT**

---

#### ***Wisconsin Municipal Insurance Commission (WMIC) Cities and Villages Mutual Insurance Company (CVMIC)***

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC, and has numerous municipalities as members.

The CVMIC is a municipal mutual insurance company established on September 19, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the municipalities which make up the membership of the WMIC.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities. The municipality's share of such losses is less than 1%.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The municipality does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Financial statements of WMIC and CVMIC are available directly from: Cities and Village Mutual Insurance Company, 1250 South Sunnyslope Road, Suite 105, Brookfield, WI 53005.

---

### **NOTE 11 - SELF INSURANCE**

---

The utilities are part of the municipality's self-funded health insurance program with claims processed by an administrative firm on behalf of the municipality. A separate fund has been established into which deposits are made and actual claims are paid out. As part of the plan, a reinsurance policy has been purchased which covers claims in excess of \$45,000 per individual up to a maximum of \$1,000,000. Deposits to the self-insured fund in excess of the claims and other costs paid are retained by the municipality. The utilities' total contributions to the program during the years 2008 and 2007 were \$258,502 and \$262,659, respectively. Details of the plan can be found in the basic financial statements of the City of Stoughton.

**S U P P L E M E N T A L   I N F O R M A T I O N**



## **ELECTRIC UTILITY**

# STOUGHTON ELECTRIC UTILITY

## ELECTRIC UTILITY PLANT

December 31, 2008

	Balance 1/1/08	Additions	Retirements	Balance 12/31/08
<b>TRANSMISSION</b>				
Land and land rights	\$ 1	\$ -	\$ -	\$ 1
Poles and fixtures	5,035	-	-	5,035
Overhead conductors and devices	9,984	-	-	9,984
<b>Total Transmission</b>	<u>15,020</u>	<u>-</u>	<u>-</u>	<u>15,020</u>
<b>DISTRIBUTION</b>				
Land and land rights	220,796	-	-	220,796
Structures and improvements	44,389	-	-	44,389
Station equipment	3,921,023	-	-	3,921,023
Poles, towers and fixtures	2,756,204	4,011	13,277	2,746,938
Overhead conductors and devices	4,249,676	247,521	11,443	4,485,754
Underground conduit	241,809	17,278	-	259,087
Underground conductors and devices	2,108,782	172,119	12,356	2,268,545
Line transformers	2,491,925	169,861	22,614	2,639,172
Services	1,457,511	37,559	1,000	1,494,070
Meters	661,293	612,160	661,611	611,842
Street lighting and signal systems	465,379	14,821	323	479,877
<b>Total Distribution</b>	<u>18,618,787</u>	<u>1,275,330</u>	<u>722,624</u>	<u>19,171,493</u>
<b>GENERAL</b>				
Structures and improvements	961,251	79,105	-	1,040,356
Office furniture and equipment	119,828	22,770	-	142,598
Computer equipment	77,718	62,847	-	140,565
Transportation equipment	271,968	16,730	13,930	274,768
Stores equipment	9,984	-	-	9,984
Tools, shop and garage equipment	63,076	-	-	63,076
Laboratory equipment	50,236	-	-	50,236
Power-operated equipment	811,157	27,830	12,481	826,506
Communication equipment	33,894	-	-	33,894
SCADA equipment	279,453	-	-	279,453
<b>Total General</b>	<u>2,678,565</u>	<u>209,282</u>	<u>26,411</u>	<u>2,861,436</u>
<b>TOTAL ELECTRIC UTILITY PLANT</b>	<u><u>\$21,312,372</u></u>	<u><u>\$ 1,484,612</u></u>	<u><u>\$ 749,035</u></u>	<u><u>\$22,047,949</u></u>

# STOUGHTON ELECTRIC UTILITY

## ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2008 and 2007

	2008	2007
<b>OPERATING REVENUES</b>		
Sales of Electricity		
Residential	\$ 4,379,313	\$ 4,324,181
Rural	2,403,989	2,235,718
General service	1,266,168	1,155,439
Large commercial and industrial	1,148,552	1,078,310
Large power	897,857	819,176
Industrial	2,234,590	2,079,620
Public street and highway lighting	112,489	111,238
Interdepartmental	77,428	70,569
Total Sales of Electricity	12,520,386	11,874,251
Other Operating Revenues		
Forfeited discounts	42,340	44,429
Miscellaneous service revenues	-	204
Other	102,074	67,915
Total Operating Revenues	12,664,800	11,986,799
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Other Power Supply		
Purchased power	9,523,448	8,757,031
Transmission		
Operation supervision and engineering	11,065	6,644
Station	25,644	23,752
Overhead lines	96,456	78,857
Underground lines	32,338	36,185
Total Transmission	165,503	145,438
Distribution		
Overhead line	-	86
Street lighting and signal system	5,574	6,071
Meter	24,276	41,257
Customer installations	279	151
Miscellaneous	20,404	9,342
Maintenance		
Structures	-	16,215
Station equipment	10,336	25,021
Overhead lines	252,763	339,766
Underground lines	28,508	65,382
Line transformers	2,802	4,516
Street lighting and signal system	130	4,478
Meters	1,149	2,228
Miscellaneous	252	40,872
Total Distribution	346,473	555,385
Customer Accounts		
Meter reading	8,381	21,084
Accounting and collecting labor	143,742	142,479
Miscellaneous	360	4,301
Total Customer Accounts	152,483	167,864

## STOUGHTON ELECTRIC UTILITY

### ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES (cont.) Years Ended December 31, 2008 and 2007

---

	<u>2008</u>	<u>2007</u>
<b>OPERATING EXPENSES (cont.)</b>		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 278,244	\$ 257,117
Office supplies	35,949	32,755
Outside services employed	16,469	44,401
Property insurance	20,677	18,290
Injuries and damages	30,601	40,460
Employee pensions and benefits	242,705	284,058
Regulatory commission	809	1,551
Miscellaneous	11,273	20,412
Rents	10,673	7,093
Maintenance	<u>32,743</u>	<u>22,814</u>
Total Administrative and General	<u>680,143</u>	<u>728,951</u>
Taxes	<u>138,259</u>	<u>131,847</u>
Total Operation and Maintenance	11,006,309	10,486,516
Depreciation	<u>772,081</u>	<u>711,395</u>
Total Operating Expenses	<u>11,778,390</u>	<u>11,197,911</u>
 OPERATING INCOME	 <u>\$ 886,410</u>	 <u>\$ 788,888</u>

## STOUGHTON ELECTRIC UTILITY

### RATE OF RETURN - REGULATORY BASIS December 31, 2008 and 2007

	Electric	
	2008	2007
Utility Plant in Service		
Beginning of year	\$ 19,106,041	\$ 18,463,276
End of year	<u>19,780,415</u>	<u>19,106,041</u>
Average	<u>19,443,228</u>	<u>18,784,659</u>
Accumulated Depreciation		
Beginning of year	(7,109,767)	(6,449,335)
End of year	<u>(7,390,573)</u>	<u>(7,109,767)</u>
Average	<u>(7,250,170)</u>	<u>(6,779,551)</u>
Materials and Supplies		
Beginning of year	147,069	139,861
End of year	<u>139,767</u>	<u>147,069</u>
Average	<u>143,418</u>	<u>143,465</u>
Regulatory Liability		
Beginning of year	(354,564)	(376,724)
End of year	<u>(332,404)</u>	<u>(354,564)</u>
Average	<u>(343,484)</u>	<u>(365,644)</u>
Customer Advances for Construction		
Beginning of year	(7,060)	-
End of year	<u>(14,963)</u>	<u>-</u>
Average	<u>(11,012)</u>	<u>-</u>
 AVERAGE NET RATE BASE	 <u>\$ 11,981,980</u>	 <u>\$ 11,782,929</u>
 OPERATING INCOME - REGULATORY BASIS	 <u>\$ 733,320</u>	 <u>\$ 648,630</u>
 RATE OF RETURN (PERCENT)	 <u>6.12</u>	 <u>5.50</u>

This schedule is computed based on Public Service Commission of Wisconsin regulatory accounting which differs from accounting principles generally accepted in the United States of America due to GASB No. 34 as well as PSC order 05-US-105, which was effective January 1, 2003 as amended September 8, 2004.

## **WATER UTILITY**

# STOUGHTON WATER UTILITY

## WATER UTILITY PLANT December 31, 2008

	Balance 1/1/08	Additions	Retirements	Balance 12/31/08
<b>SOURCE OF SUPPLY</b>				
Land and land rights	\$ 11,635	\$ -	\$ -	\$ 11,635
Wells and springs	552,160	-	-	552,160
Total Source of Supply	<u>563,795</u>	<u>-</u>	<u>-</u>	<u>563,795</u>
<b>PUMPING</b>				
Structures and improvements	576,342	-	-	576,342
Other power production equipment	222,172	-	-	222,172
Electric pumping equipment	565,195	-	-	565,195
Other pumping equipment	118,789	-	-	118,789
Total Pumping	<u>1,482,498</u>	<u>-</u>	<u>-</u>	<u>1,482,498</u>
<b>WATER TREATMENT</b>				
Structures and improvements	13,671	-	-	13,671
Water treatment equipment	77,092	-	-	77,092
Total Water Treatment	<u>90,763</u>	<u>-</u>	<u>-</u>	<u>90,763</u>
<b>TRANSMISSION AND DISTRIBUTION</b>				
Land and land rights	13,206	-	-	13,206
Structures and improvements	1,611	-	-	1,611
Distribution reservoirs and standpipes	579,803	-	-	579,803
Transmission and distribution mains	7,244,462	344,727	4,488	7,584,701
Services	1,630,080	122,162	791	1,751,451
Meters	698,536	562,508	698,536	562,508
Hydrants	944,337	48,041	1,342	991,036
Other transmission and distribution plant	973	-	-	973
Total Transmission and Distribution	<u>11,113,008</u>	<u>1,077,438</u>	<u>705,157</u>	<u>11,485,289</u>
<b>GENERAL</b>				
Structures and improvements	219,506	-	-	219,506
Office furniture and equipment	33,342	5,963	-	39,305
Computer equipment	61,235	2,191	-	63,426
Transportation equipment	35,212	6,084	-	41,296
Stores equipment	2,187	-	-	2,187
Tools, shop and garage equipment	35,109	-	-	35,109
Power-operated equipment	84,219	83,490	65,675	102,034
Communication equipment	26,804	-	-	26,804
SCADA equipment	158,914	-	-	158,914
Miscellaneous equipment	89	-	-	89
Total General	<u>656,617</u>	<u>97,728</u>	<u>65,675</u>	<u>688,670</u>
<b>TOTAL WATER UTILITY PLANT</b>	<u><u>\$ 13,906,681</u></u>	<u><u>\$ 1,175,166</u></u>	<u><u>\$ 770,832</u></u>	<u><u>\$ 14,311,015</u></u>

## STOUGHTON WATER UTILITY

### WATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2008 and 2007

	2008	2007
<b>OPERATING REVENUES</b>		
Sales of Water		
Unmetered	\$ -	\$ 996
Metered		
Residential	623,952	644,399
Commercial	144,915	146,394
Industrial	130,601	116,465
Public authorities	14,312	15,237
Interdepartmental	257	269
Total Metered Sales	914,037	922,764
Private fire protection	18,630	18,480
Public fire protection	335,256	339,373
Total Sales of Water	1,267,923	1,281,613
Other Operating Revenues		
Forfeited discounts	4,428	5,825
Miscellaneous service revenue	-	414
Other	17,585	9,095
Total Operating Revenues	1,289,936	1,296,947
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Source of Supply		
Operation labor	689	422
Maintenance		
Wells and springs	22,422	5,768
Total Source of Supply	23,111	6,190
Pumping		
Fuel or purchased power for pumping	101,774	95,568
Pumping labor	6,042	4,217
Miscellaneous	3,532	4,793
Maintenance		
Structures and improvements	-	40
Pumping equipment	11,197	11,741
Total Pumping	122,545	116,359
Water Treatment		
Chemicals	14,710	16,213
Operation labor	8,381	9,585
Miscellaneous	259	384
Maintenance		
Structures and improvements	1,225	1,775
Water treatment equipment	3,908	7,259
Total Water Treatment	28,483	35,216



## STOUGHTON WATER UTILITY

### WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.) Years Ended December 31, 2008 and 2007

	2008	2007
<b>OPERATING EXPENSES (cont.)</b>		
Operation and Maintenance (cont.)		
Transmission and Distribution		
Transmission and distribution lines	\$ 4,012	\$ 2,741
Meters	18,656	10,761
Miscellaneous	20,491	18,668
Maintenance		
Reservoirs and standpipes	32,309	4,145
Mains	62,739	30,776
Services	29,368	33,773
Meters	555	5,135
Hydrants	4,784	1,232
Miscellaneous	5,328	17,424
Total Transmission and Distribution	178,242	124,655
Customer Accounts		
Meter reading	5,972	10,214
Accounting and collecting labor	37,600	39,783
Total Customer Accounts	43,572	49,997
Administrative and General		
Salaries	142,833	108,678
Office supplies	13,112	13,296
Outside services employed	17,286	18,555
Property insurance	7,306	6,651
Injuries and damages	10,135	13,038
Employee pensions and benefits	141,189	90,468
Regulatory commission	270	-
Miscellaneous	(171)	193
Rents	4,086	6,556
Maintenance	5,880	9,828
Total Administrative and General	341,926	267,263
Taxes	12,604	12,756
Total Operation and Maintenance	750,483	612,436
Depreciation	309,071	291,161
Total Operating Expenses	1,059,554	903,597
OPERATING INCOME	\$ 230,382	\$ 393,350

## STOUGHTON WATER UTILITY

### RATE OF RETURN - REGULATORY BASIS December 31, 2008 and 2007

	Water	
	2008	2007
Utility Plant in Service		
Beginning of year	\$ 8,649,319	\$ 7,655,252
End of year	8,905,070	8,649,319
Average	8,777,195	8,152,286
Accumulated Depreciation		
Beginning of year	(3,606,792)	(3,472,501)
End of year	(3,330,497)	(3,606,792)
Average	(3,468,645)	(3,539,647)
Materials and Supplies		
Beginning of year	31,411	26,226
End of year	35,943	31,411
Average	33,677	28,819
Regulatory Liability		
Beginning of year	(547,652)	(581,880)
End of year	(513,424)	(547,652)
Average	(530,538)	(564,766)
 AVERAGE NET RATE BASE	 \$ 4,811,689	 \$ 4,076,692
 OPERATING INCOME - REGULATORY BASIS	 \$ 107,260	 \$ 282,346
 RATE OF RETURN (PERCENT)	 2.23	 6.93

This schedule is computed based on Public Service Commission of Wisconsin regulatory accounting which differs from accounting principles generally accepted in the United States of America due to GASB No. 34 as well as PSC order 05-US-105, which was effective January 1, 2003 as amended September 8, 2004.

## WASTEWATER UTILITY

## STOUGHTON WASTEWATER UTILITY

### WASTEWATER UTILITY PLANT December 31, 2008

	Balance 1/1/08	Additions	Retirements	Balance 12/31/08
<b>COLLECTING SYSTEM</b>				
Collecting mains	\$ 5,085,232	\$ 329,843	\$ 2,710	\$ 5,412,365
Interceptor mains	1,795,594	7,616	-	1,803,210
Force mains	48,951	-	-	48,951
Total Collecting System	<u>6,929,777</u>	<u>337,459</u>	<u>2,710</u>	<u>7,264,526</u>
<b>COLLECTING SYSTEM PUMPING</b>				
Structures and improvements	64,891	-	-	64,891
Electric pumping equipment	300,773	-	-	300,773
Other power pumping equipment	21,399	-	-	21,399
Total Collecting System Pumping	<u>387,063</u>	<u>-</u>	<u>-</u>	<u>387,063</u>
<b>TREATMENT AND DISPOSAL</b>				
Structures and improvements	3,249,743	-	-	3,249,743
Preliminary treatment equipment	1,149,655	106,026	-	1,255,681
Primary treatment equipment	225,711	848,206	-	1,073,917
Secondary treatment equipment	477,493	-	-	477,493
Advanced treatment equipment	666,396	1,258,155	-	1,924,551
Chlorination equipment	366,162	-	-	366,162
Sludge treatment and disposal equipment	3,489,315	-	-	3,489,315
Plant site piping	685,498	-	-	685,498
Flow metering and monitoring equipment	25,166	-	-	25,166
Other treatment and disposal equipment	34,590	-	-	34,590
Total Treatment and Disposal	<u>10,369,729</u>	<u>2,212,387</u>	<u>-</u>	<u>12,582,116</u>
<b>GENERAL</b>				
Office furniture and equipment	27,375	7,453	-	34,828
Computer equipment	86,732	4,108	-	90,840
Transportation equipment	311,461	253,906	160,850	404,517
Communication equipment	3,362	-	-	3,362
Other general equipment	25,669	-	-	25,669
Total General	<u>454,599</u>	<u>265,467</u>	<u>160,850</u>	<u>559,216</u>
<b>TOTAL WASTEWATER UTILITY PLANT</b>	<u>\$18,141,168</u>	<u>\$ 2,815,313</u>	<u>\$ 163,560</u>	<u>\$20,792,921</u>

## STOUGHTON WASTEWATER UTILITY

### WASTEWATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2008 and 2007

	2008	2007
<b>OPERATING REVENUES</b>		
Wastewater Revenues		
Residential	\$ 1,468,172	\$ 1,462,307
Commercial	433,972	428,139
Industrial	215,670	85,475
Public authorities	29,677	27,231
Interdepartmental sales	384	402
Total Wastewater Revenues	2,147,875	2,003,554
Other Operating Revenues		
Forfeited discounts	10,136	9,556
Miscellaneous	25,322	21,304
Total Operating Revenues	2,183,333	2,034,414
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Operation		
Supervision and labor	967	557
Power and fuel for pumping	70,236	72,697
Sludge conditioning chemicals	13,874	13,701
Other operating supplies	50,377	51,345
Transportation	419	-
Total Operation	135,873	138,300
Maintenance		
Collection system	52,836	86,008
Treatment and disposal plant equipment	132,372	66,597
General plant structures and equipment	55,003	54,032
Total Maintenance	240,211	206,637
Customer Accounts		
Accounting and collecting	105,752	94,809
Administrative and General		
Salaries	81,936	71,326
Office supplies	15,654	20,658
Outside services employed	54,983	81,243
Insurance	19,903	26,759
Employees pensions and benefits	117,576	143,294
Miscellaneous	12,170	10,974
Rents	61,343	82,214
Total Administrative and General	363,565	436,468
Taxes	22,164	21,052
Total Operation and Maintenance	867,565	897,266
Depreciation	562,817	513,823
Total Operating Expenses	1,430,382	1,411,089
 OPERATING INCOME	 \$ 752,951	 \$ 623,325