

STOUGHTON UTILITIES

An Enterprise Fund of the
City of Stoughton, Wisconsin

FINANCIAL STATEMENTS
Including Independent Auditors' Report

Years Ended December 31, 2009 and 2008

STOUGHTON UTILITIES

An Enterprise Fund of the City of Stoughton, Wisconsin

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INDEPENDENT AUDITORS' REPORT

To the Utilities Committee
Stoughton Utilities
Stoughton, Wisconsin

We have audited the accompanying statements of net assets of Stoughton Utilities, enterprise funds of the City of Stoughton, Wisconsin, as of December 31, 2009 and 2008, 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 the 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, 2009 and 2008, 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.

Baker Tilly Virchow Krause LLP

Madison, Wisconsin
March 8, 2010

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

STOUGHTON UTILITIES

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

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, 2009, 2008 and 2007. You are invited to read this narrative in conjunction with the utilities' financial statements.

FINANCIAL HIGHLIGHTS

ELECTRIC:

- Completed renovation of the Utility Administration Building in 2009.
- The electric division's net assets increased by \$609,921 from the prior year.
- Revenues decreased in 2009 by 0.92%. The decrease was due to a drop in sales to large power and industrial customers.
- Purchased property in the Town of Rutland to be used for future substation construction. The property was later annexed in the City of Stoughton.
- The remaining 1998 electric and water revenue bonds were paid in full in December 2008.

WATER:

- The utility applied for and was awarded a grant for \$630,000 to be used for construction of a new water tower on the City's east side.
- Financed \$875,000 of water projects including the water utility portion of the Utility Administration Building renovation.
- The water division's net assets increased by \$75,965 from the prior year.
- Revenues from water sales increased by 2.41% in 2009. An increase in retail rates was effective on October 1, 2009.
- Completed electric, water and wastewater distribution system studies in 2009. The results will be used in the utility's capital improvement and retail rates planning.

WASTEWATER:

- Installed an air blower at the treatment facility to reduce energy costs associated with aeration tank operations.
- The wastewater division's net assets increased by \$563,654 from the prior year.
- Operating revenue increased slightly in 2009 due to additional industrial customer surcharges for treatment of high strength waste.
- Financed \$835,000 of sewer projects including the wastewater utility portion of the Utility Administration Building renovation.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

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, 2009 and 2008

UTILITY FINANCIAL ANALYSIS (cont.)

Table 1
Condensed Statement of Net Assets – Electric Utility

	2009	200	200	2009-2008 Change
Current and Other Assets	\$ 8,884,883	\$ 9,254,386	\$ 10,212,348	\$ (369,503)
Capital Assets	<u>15,005,746</u>	<u>14,568,830</u>	<u>14,445,491</u>	<u>436.91</u>
Total Assets	<u>23,890,629</u>	<u>23,823,216</u>	<u>24,657,839</u>	<u>67,413</u>
Long-Term Debt Outstanding	6,630,000	7,160,000	8,590,000	(530,000)
Other Liabilities	<u>2,337,956</u>	<u>2,350,464</u>	<u>2,071,490</u>	<u>(12,508)</u>
Total Liabilities	<u>8,967,956</u>	<u>9,510,464</u>	<u>10,661,490</u>	<u>(542,508)</u>
Invested in Capital Assets				
Net of Related Debt	7,851,580	6,918,697	6,028,664	932,88
-	1,264,843	1,240,815	1,559,309	24,028
-	<u>5,806,250</u>	<u>6,153,240</u>	<u>6,408,376</u>	<u>(346,990)</u>
Total Net	<u>\$14,922,673</u>	<u>\$ 14,312,752</u>	<u>\$ 13,996,349</u>	<u>\$ 609,92</u>

In 2009, the electric utility net assets increased \$609,921, an increase of 4.26%.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

UTILITY FINANCIAL ANALYSIS (cont.)

Table 2
Condensed Statement of Net Assets – Water Utility

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009-2008 Change</u>
Current and Other Assets	\$ 1,659,737	\$ 2,152,463	\$ 3,287,571	\$ (492,726)
Capital Assets	<u>10,979,317</u>	<u>10,495,702</u>	<u>10,231,467</u>	<u>483,61</u>
Total	<u>12,639,054</u>	<u>12,648,165</u>	<u>13,519,038</u>	<u>(9,111)</u>
Long-Term Debt Outstanding	2,035,000	2,150,000	2,780,000	(115,000)
Other Liabilities	<u>456,16</u>	<u>426,23</u>	<u>527,77</u>	<u>29,924</u>
Total Liabilities	<u>2,491,161</u>	<u>2,576,237</u>	<u>3,307,776</u>	<u>(85,076)</u>
Invested in Capital Assets				
Net of Related Debt	8,829,317	8,265,702	7,438,239	563,61
-	342,15	314,70	518,41	27,446
-	<u>976,42</u>	<u>1,491,519</u>	<u>2,254,609</u>	<u>(515,096)</u>
Total Net	<u>\$10,147,893</u>	<u>\$10,071,928</u>	<u>\$ 10,211,262</u>	<u>\$ 75,965</u>

In 2009, the water utility net assets increased \$75,965, an increase of 0.75%. The water utility implemented a rate increase on October 1, 2009.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

UTILITY FINANCIAL ANALYSIS (cont.)

Table 3
Condensed Statements of Net Assets – Wastewater Utility

	2009	2008	2007	2009-2008 Change
Current and Other Assets	\$ 3,282,601	\$ 3,481,156	\$ 3,410,387	\$ (198,555)
Capital Assets	15,043,459	14,871,445	14,617,518	172,014
Total Assets	<u>18,326,060</u>	<u>18,352,601</u>	<u>18,027,905</u>	<u>(26,541)</u>
Long-Term Debt Outstanding	4,795,455	5,389,112	5,844,893	(593,657)
Other Liabilities	716,375	712,913	712,652	3,462
Total Liabilities	<u>5,511,830</u>	<u>6,102,025</u>	<u>6,557,545</u>	<u>(590,195)</u>
Invested in Capital Assets				
Net of Related Debt	9,654,470	8,906,387	8,218,656	748,083
-Restricted	1,217,299	1,146,596	1,024,252	70,703
-Unrestricted	1,942,461	2,197,593	2,227,452	(255,132)
Total Net Assets	<u>\$12,814,230</u>	<u>\$ 12,250,576</u>	<u>\$ 11,470,360</u>	<u>\$ 563,654</u>

In 2009, wastewater net assets increased \$563,654 or 4.60%.

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, 2009 and 2008

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

	2009	2008	2007	2009-2008 Change
Operating Revenues	\$ 12,547,681	\$ 12,664,800	\$ 11,986,799	\$ (117,119)
Non-Operating Revenues	369,993	286,012	537,683	83,981
Total Revenues	12,917,674	12,950,812	12,524,482	(33,138)
Depreciation Expense	792,269	772,081	711,395	20,188
Other Operating Expense	10,927,087	11,006,309	10,486,516	(79,222)
Non-Operating Expenses	335,160	676,772	417,086	(341,612)
Total Expenses	12,054,516	12,455,162	11,614,997	(400,646)
Income Before Capital Contributions and Transfers	863,158	495,650	909,485	367,508
Capital Contributions	38,002	93,363	115,582	(55,361)
Transfers - Tax Equivalent Transfers	(258,797)	(237,414)	(221,700)	(21,383)
	(32,442)	(35,196)	(32,075)	2,754
Changes in Net Assets	609,921	316,403	771,292	293,518
Beginning Net Assets	14,312,752	13,996,349	13,225,057	316,403
Total Net Assets-Ending	\$ 14,922,673	\$ 14,312,752	\$ 13,996,349	\$ 609,921

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

UTILITY FINANCIAL ANALYSIS (cont.)

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

	2009	2008	2007	2009-2008 Change
Operating Revenues	\$ 1,320,413	\$ 1,289,936	\$ 1,296,947	\$ 30,477
Non-Operating Revenues	134,766	50,641	196,303	84,125
Total Revenues	<u>1,455,179</u>	<u>1,340,577</u>	<u>1,493,250</u>	<u>114,602</u>
Depreciation Expense	321,225	309,071	291,161	12,154
Other Operating Expense	727,627	750,483	612,436	(22,856)
Non-Operating Expenses	100,013	348,221	142,464	(248,208)
Total Expenses	<u>1,148,865</u>	<u>1,407,775</u>	<u>1,046,061</u>	<u>(258,910)</u>
Income Before Capital Contributions and Transfers	306,314	(67,198)	447,189	373,512
Capital Contributions	3,421	148,584	158,107	(145,163)
Transfers - Tax Equivalent Transfers	(228,514)	(211,710)	(197,030)	(16,804)
	<u>(5,256)</u>	<u>(9,010)</u>	<u>(14,720)</u>	<u>3,754</u>
Changes in Net Assets	75,965	(139,334)	393,546	215,299
Beginning Net Assets	<u>10,071,928</u>	<u>10,211,262</u>	<u>9,817,716</u>	<u>(139,334)</u>
Total Net Assets-Ending	<u>\$ 10,147,893</u>	<u>\$ 10,071,928</u>	<u>\$ 10,211,262</u>	<u>\$ 75,965</u>

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

UTILITY FINANCIAL ANALYSIS (cont.)

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

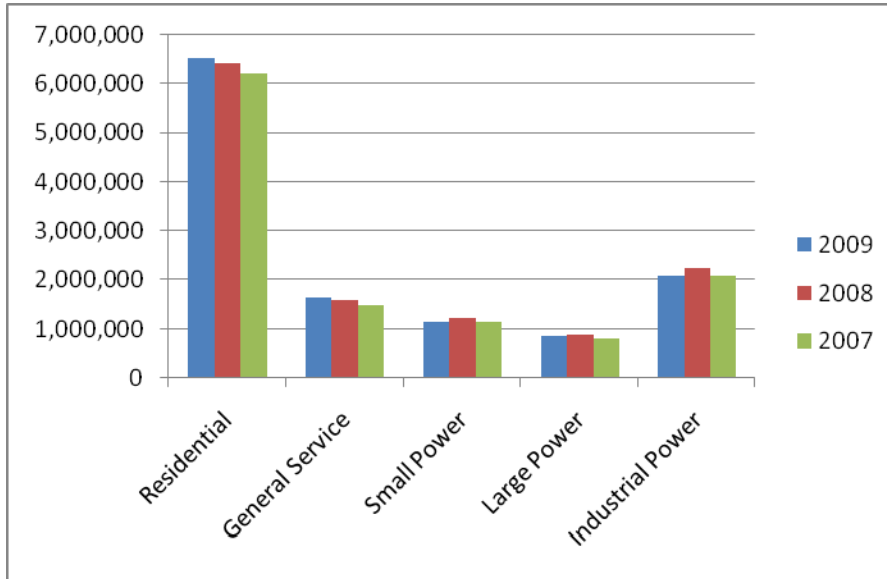
	2009	2008	2007	2009-2008 Change
Operating Revenues	\$ 2,198,566	\$ 2,183,333	\$ 2,034,414	\$ 15,233
Non-Operating Revenues	23,852	140,081	149,704	(116,229)
Total Revenues	<u>2,222,418</u>	<u>2,323,414</u>	<u>2,184,118</u>	<u>(100,996)</u>
Depreciation Expense	636,277	562,817	513,823	73,460
Other Operating Expense	861,703	867,565	897,266	(5,862)
Non-Operating Expenses	160,784	176,460	183,049	(15,676)
Total Expenses	<u>1,658,764</u>	<u>1,606,842</u>	<u>1,594,138</u>	<u>51,922</u>
Income Before Capital Contributions and Transfers	563,654	716,572	589,980	(152,918)
Capital Contributions	<u>-</u>	<u>63,644</u>	<u>100,660</u>	<u>(63,644)</u>
Changes in Net Assets	563,654	780,216	690,640	(216,562)
Beginning Net Assets	<u>12,250,576</u>	<u>11,470,360</u>	<u>10,779,720</u>	<u>780,216</u>
Total Net Assets-Ending	<u>\$ 12,814,230</u>	<u>\$ 12,250,576</u>	<u>\$ 11,470,360</u>	<u>\$ 563,654</u>

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Electric Sales



Declining electric sales to large power and industrial customers resulted in a decrease in total sales of \$100,173, or 0.80% in 2009.

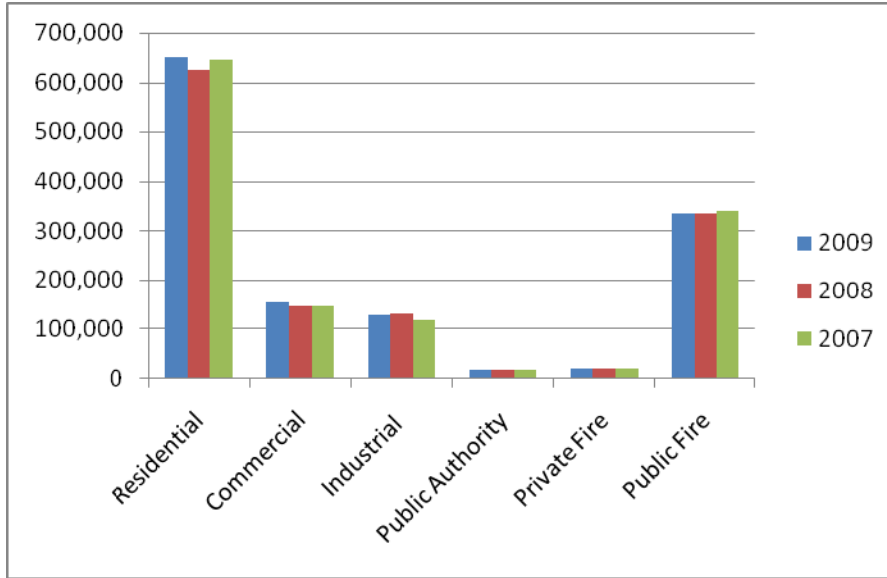
	2009	2008	2007
Residential	\$ 6,536,235	\$ 6,435,923	\$ 6,227,932
General Service	1,652,891	1,606,318	1,481,687
Small Power	1,137,138	1,225,980	1,148,879
Large Power	864,748	897,857	819,176
Industrial Power	2,100,050	2,234,590	2,079,620
Public Lighting	129,151	119,718	116,957
Total Electric Sales	<u>\$ 12,420,213</u>	<u>\$ 12,520,386</u>	<u>\$ 11,874,251</u>

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Water Sales



Sales increased \$30,784 or 2.43% in 2009. A retail rate increase was implemented on October 1, 2009.

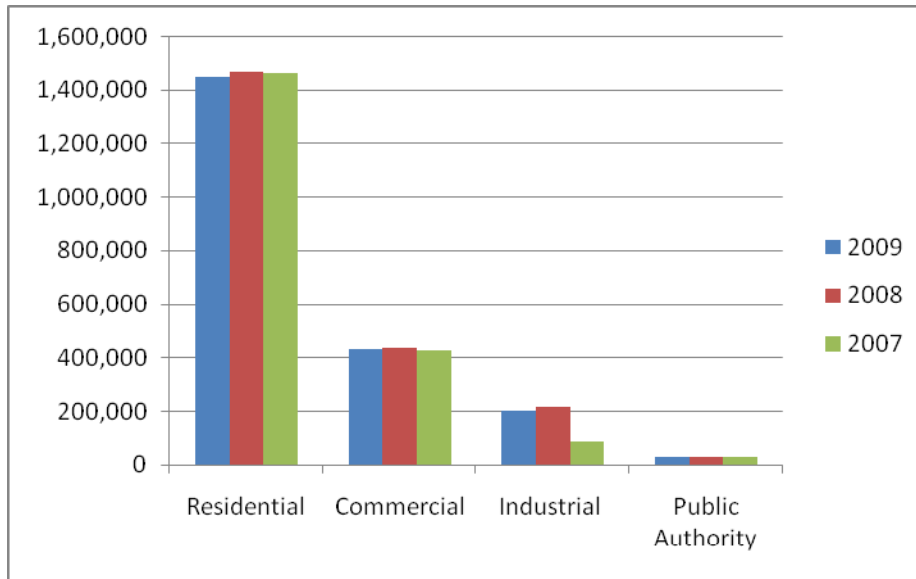
	2009	2008	2007
Residential	\$ 650,463	\$ 623,952	\$ 644,399
Commercial	152,687	144,915	146,394
Industrial	126,679	130,601	116,465
Public Authority	15,857	14,312	15,237
Private Fire	19,394	18,630	18,480
Public Fire	333,370	335,256	339,373
Unmetered	-	-	996
Total Water Sales	\$ 1,298,450	\$ 1,267,666	\$ 1,281,344

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Wastewater Sales



The utility experienced a decline in revenues of \$37,383 or 1.74% in 2009. Consumption was slightly lower in 2009.

	2009	2008	2007
Residential	\$ 1,446,074	\$ 1,468,172	\$ 1,462,307
Commercial	432,652	434,356	428,139
Industrial	201,249	215,670	85,475
Public Authority	30,517	29,677	27,231
Total Wastewater Sales	<u>\$ 2,110,492</u>	<u>\$ 2,147,875</u>	<u>\$ 2,003,152</u>

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

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

	2009	2008	2007	2009-2008 Change
Cash Flows From:				
Operating activities	\$ 1,567,399	\$ 1,870,692	\$ 1,670,213	\$ (303,293)
Non-capital financing activities	(272,007)	(256,896)	(241,240)	(15,111)
Capital and related financing activities	(2,065,190)	(2,951,964)	(2,327,451)	886,774
Investing activities	649,492	(150,297)	(4,059,578)	799,789
Net Change in Cash and Cash Equivalents	(120,306)	(1,488,465)	(4,958,056)	1,368,159
Cash and Cash Equivalents Beginning of Year	2,297,997	3,786,462	8,744,518	(1,488,465)
Cash and Cash Equivalents End of Year	\$ 2,177,691	\$ 2,297,997	\$ 3,786,462	\$ (120,306)

The utility paid for a remodel to the Utility Administration Building from available operating funds. This resulted in a decrease in cash and cash equivalents of \$120,306.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

UTILITY FINANCIAL ANALYSIS (cont.)

Table 8
Condensed Statements of Cash Flows -
Water Utility

	2009	2008	2007	2009-2008 Change
Cash Flows From:				
Operating activities	\$ 578,298	\$ 552,615	\$ 755,221	\$ 25,683
Non-Capital financing activities	(214,815)	(206,040)	(199,663)	(8,775)
Capital and related financing activities	(1,008,698)	(1,532,522)	(1,226,753)	523,824
Investing activities	568,304	(722,534)	(850,218)	1,290,838
Net Change in Cash and Cash Equivalents	(76,911)	(1,908,481)	(1,521,413)	1,831,570
Cash and Cash Equivalents Beginning of Year	76,911	1,985,392	3,506,805	(1,908,481)
Cash and Cash Equivalents End of Year	\$ -	\$ 76,911	\$ 1,985,392	\$ (76,911)

The water utility experienced a decrease in cash and cash equivalents of \$76,911 in 2009. The decrease was due to the Utility Administration Building remodel which was paid from available operating funds.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

UTILITY FINANCIAL ANALYSIS (cont.)

Table 9
Condensed Statements of Cash Flows -
Wastewater Utility

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009-2008</u> <u>Change</u>
Cash Flows From:				
Operating activities	\$ 1,341,531	\$ 1,302,723	\$ 1,151,081	\$ 38,808
Capital and related financing activities	(1,547,719)	(1,341,679)	(1,083,997)	(206,040)
Investing activities	<u>(346,598)</u>	<u>(188,987)</u>	<u>534,842</u>	<u>(157,611)</u>
Net Change in Cash and Cash Equivalents	(552,786)	(227,943)	601,926	(324,843)
Cash and Cash Equivalents Beginning of Year	<u>2,419,429</u>	<u>2,647,372</u>	<u>2,045,446</u>	<u>(227,943)</u>
Cash and Cash Equivalents End of Year	<u>\$ 1,866,643</u>	<u>\$ 2,419,429</u>	<u>\$ 2,647,372</u>	<u>\$ (552,786)</u>

The utility experienced a decrease in cash and cash equivalents of \$552,786 in 2009. The decrease was due to the Utility Administration Building remodel and the purchase of a long-term investment maturing in 2014.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

UTILITY FINANCIAL ANALYSIS (cont.)

Table 10
Capital Assets – Electric Utility

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009-2008</u> <u>Change</u>
Capital Assets				
Transmission and distribution	\$20,088,223	\$ 19,186,513	\$ 18,633,807	\$ 901,71
	<u>3,464,187</u>	<u>2,861,436</u>	<u>2,678,565</u>	<u>602,75</u>
Total Capital Assets	<u>23,552,410</u>	<u>22,047,949</u>	<u>21,312,372</u>	<u>1,504,461</u>
Less: Accumulated depreciation	(8,597,069)	(7,826,300)	(7,461,169)	(770,769)
Construction in progress	<u>50,40</u>	<u>347,18</u>	<u>594,28</u>	<u>(296,776)</u>
Net Capital Assets	<u>\$15,005,746</u>	<u>\$ 14,568,830</u>	<u>\$ 14,445,491</u>	<u>\$ 436,91</u>

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

UTILITY FINANCIAL ANALYSIS (cont.)

Table 11
Capital Assets – Water Utility

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009-2008</u> <u>Change</u>
Capital Assets				
Source of supply	\$ 575,629	\$ 563,795	\$ 563,795	\$ 11,834
Pumping	1,506,362	1,482,498	1,482,498	23,864
Water treatment	90,763	90,763	90,763	-
Transmission and distribution	11,828,361	11,485,289	11,113,008	343,072
General	<u>907,307</u>	<u>688,670</u>	<u>656,617</u>	<u>218,637</u>
Total Capital Assets	<u>14,908,422</u>	<u>14,311,015</u>	<u>13,906,681</u>	<u>597,407</u>
Less: Accumulated depreciation	(4,169,917)	(3,824,456)	(4,012,162)	(345,461)
Construction in progress	<u>240,812</u>	<u>9,143</u>	<u>336,948</u>	<u>231,669</u>
Net Capital Assets	<u>\$10,979,317</u>	<u>\$ 10,495,702</u>	<u>\$ 10,231,467</u>	<u>\$ 483,615</u>

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

UTILITY FINANCIAL ANALYSIS (cont.)

Table 12
Capital Assets – Wastewater Utility

	2009	2008	2007	2009-2008 Change
Capital Assets				
Collection system	\$ 7,684,151	\$ 7,264,526	\$ 6,929,777	\$ 419,625
Collection system pumping	389,554	387,063	387,063	2,491
Treatment and disposal	12,735,749	12,582,116	10,369,729	153,633
General	836,829	559,216	454,599	277,613
Total Capital Assets	<u>21,646,283</u>	<u>20,792,921</u>	<u>18,141,168</u>	<u>853,362</u>
Less: Accumulated depreciation	(6,605,232)	(5,970,625)	(5,571,369)	(634,607)
Construction in progress	<u>2,408</u>	<u>49,149</u>	<u>2,047,719</u>	<u>(46,741)</u>
Net Capital Assets	<u>\$15,043,459</u>	<u>\$ 14,871,445</u>	<u>\$ 14,617,518</u>	<u>\$ 172,014</u>

LONG-TERM DEBT

As of December 31, 2009, the electric utility had total mortgage revenue bond debt outstanding of \$7,160,000 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, 2009, the water utility had total mortgage revenue bond debt outstanding of \$2,150,000 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 \$5,389,112 of clean water fund loans outstanding as of December 31, 2009. These bonds were issued for a series of wastewater treatment plant upgrade and expansion projects.

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

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

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.

ELECTRIC UTILITY

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF NET ASSETS

December 31, 2009 and 2008

ASSETS	2009	2008
CURRENT ASSETS		
Cash and investments	\$ 5,314,779	\$ 5,757,084
Interest receivable	29,103	60,442
Restricted Assets		
Redemption account	481,077	461,457
Customer accounts receivable	1,488,877	1,467,663
Other accounts receivable	37,998	55,336
Due from municipality	31,808	13,978
Due from water utility	2,151	-
Materials and supplies	131,388	139,767
Prepayments	27,465	2,288
Total Current Assets	7,544,646	7,958,015
NON-CURRENT ASSETS		
Restricted Assets		
Reserve account	838,094	838,094
Depreciation account	25,000	25,000
Other Assets		
Electric plant and maintenance reserve account	103,498	102,971
Sick leave reserve account	97,000	97,000
Unamortized debt issuance costs	5,834	9,867
Investment in ATC	230,898	178,133
Non-utility property (net)	39,913	45,306
Capital Assets		
Plant in service	23,199,746	22,047,949
Accumulated depreciation	(8,597,069)	(7,826,300)
Property held for future use	352,664	-
Construction work in progress	50,405	347,181
Total Non-Current Assets	16,345,983	15,865,201
Total Assets	23,890,629	23,823,216

	LIABILITIES	
	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES		
Accounts payable	\$ 1,071,807	\$ 1,061,308
Due to municipality	258,797	237,414
Customer deposits	29,031	24,989
Accrued wages	32,996	26,836
Accrued interest	5,803	2,885
Accrued liabilities	59,246	136,444
Commitment to community	106,450	101,135
Current Liabilities Payable from Restricted Assets		
Current portion of revenue bonds	530,000	500,000
Accrued interest	79,328	83,736
Total Current Liabilities	<u>2,173,458</u>	<u>2,174,747</u>
NON-CURRENT LIABILITIES		
Revenue bonds	6,630,000	7,160,000
Accrued sick leave	158,539	160,754
Customer advances for construction	5,959	14,963
Total Non-Current Liabilities	<u>6,794,498</u>	<u>7,335,717</u>
 Total Liabilities	 <u>8,967,956</u>	 <u>9,510,464</u>
NET ASSETS		
Net assets invested in capital assets, net of related debt	7,851,580	6,918,697
Restricted	1,264,843	1,240,815
Unrestricted	5,806,250	6,153,240
 TOTAL NET ASSETS	 <u>\$ 14,922,673</u>	 <u>\$ 14,312,752</u>

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS Years Ended December 31, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Sales of electricity	\$ 12,420,213	\$ 12,520,386
Other	127,468	144,414
Total Operating Revenues	12,547,681	12,664,800
OPERATING EXPENSES		
Operation and maintenance	10,927,087	11,006,309
Depreciation	792,269	772,081
Total Operating Expenses	11,719,356	11,778,390
OPERATING INCOME	828,325	886,410
NON-OPERATING REVENUES (EXPENSES)		
Investment income	369,993	286,012
Interest expense	(325,283)	(384,996)
Amortization of debt issuance costs	(4,033)	(13,014)
Miscellaneous expenses	(5,844)	(10,358)
Loss on early retirement of assets	-	(268,404)
Total Non-Operating Revenues (Expenses)	34,833	(390,760)
Income Before Contributions and Transfers	863,158	495,650
CAPITAL CONTRIBUTIONS	38,002	93,363
TRANSFER IN (OUT)	(32,442)	(35,196)
TRANSFERS - TAX EQUIVALENT	(258,797)	(237,414)
CHANGE IN NET ASSETS	609,921	316,403
NET ASSETS - Beginning of Year	14,312,752	13,996,349
NET ASSETS - END OF YEAR	\$ 14,922,673	\$ 14,312,752

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 12,394,609	\$ 12,416,789
Received for street lighting	129,151	112,489
Paid to suppliers for goods and services	(10,153,139)	(9,874,451)
Paid to employees for operating payroll	(807,264)	(785,196)
Customer deposit	4,042	1,061
Net Cash Flows From Operating Activities	1,567,399	1,870,692
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(237,414)	(221,700)
Cash implicitly financed for the water utility	(2,151)	-
Transfers to other funds	(32,442)	(35,196)
Net Cash Flows From Noncapital Financing Activities	(272,007)	(256,896)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,281,384)	(1,079,059)
Received from the sale of capital assets	12,820	8,375
Capital contributions received	28,998	101,266
Debt retired	(500,000)	(1,580,000)
Interest paid	(325,624)	(402,546)
Net Cash Flows From Capital and Related Financing Activities	(2,065,190)	(2,951,964)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(2,733,928)	(1,497,072)
Investments sold and matured	3,139,050	1,081,853
Dividends/(Investment) in ATC	(21,532)	(20,347)
Investment income	265,902	285,269
Net Cash Flows From Investing Activities	649,492	(150,297)
Net Change in Cash and Cash Equivalents	(120,306)	(1,488,465)
CASH AND CASH EQUIVALENTS - Beginning of Year	2,297,997	3,786,462
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,177,691	\$ 2,297,997
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Loss on early retirement of meters	\$ -	\$ 268,404
Unrealized gain (loss) on investments	\$ 104,918	\$ (48,513)

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2009 and 2008

	2009	2008
RECONCILIATION OF OPERATING INCOME TO NET CASH		
FLOW FROM OPERATING ACTIVITIES		
Operating income	\$ 828,325	\$ 886,410
Nonoperating revenue (expense)	(5,844)	(10,358)
Noncash items in operating income		
Depreciation	792,269	772,081
Depreciation charged to clearing and other utilities	63,600	65,306
Changes in assets and liabilities		
Customer accounts receivable	(21,214)	(113,466)
Other account receivable	17,338	(19,492)
Due from municipality	(17,830)	(11,087)
Materials and supplies	8,379	7,302
Prepayments	(25,177)	25,875
Accounts payable	(8,551)	106,796
Customer deposits	4,042	1,061
Accrued sick leave	(2,215)	15,990
Other current liabilities	(71,038)	125,393
Commitment to community	5,315	18,881
	\$ 1,567,399	\$ 1,870,692
NET CASH FLOWS FROM OPERATING ACTIVITIES		
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO		
STATEMENT OF NET ASSETS ACCOUNTS		
Cash and investments	\$ 5,314,779	\$ 5,757,084
Redemption account	481,077	461,457
Reserve account	838,094	838,094
Depreciation account	25,000	25,000
Electric plant and maintenance reserve account	103,498	102,971
Sick leave reserve account	97,000	97,000
Total Cash and Investments	6,859,448	7,281,606
Less: Noncash equivalents	(4,681,757)	(4,983,609)
	\$ 2,177,691	\$ 2,297,997
CASH AND CASH EQUIVALENTS		

WATER UTILITY

STOUGHTON WATER UTILITY

STATEMENTS OF NET ASSETS December 31, 2009 and 2008

ASSETS	2009	2008
CURRENT ASSETS		
Cash and investments	\$ 576,512	\$ 1,086,507
Interest receivable	4,968	32,650
Restricted Assets		
Redemption account	97,287	70,556
Customer accounts receivable	165,728	151,714
Other accounts receivable	4,455	66
Due from municipality	-	2,693
Materials and supplies	33,175	35,943
Prepayments	9,623	562
Total Current Assets	891,748	1,380,691
NON-CURRENT ASSETS		
Restricted Assets		
Reserve account	235,660	235,660
Depreciation account	25,000	25,000
Other Assets		
Water plant and maintenance reserve account	366,870	366,373
Sick leave reserve account	79,861	79,861
Non-utility property (net)	60,598	64,878
Capital Assets		
Plant in service	14,908,422	14,311,015
Accumulated depreciation	(4,169,917)	(3,824,456)
Construction work in progress	240,812	9,143
Total Non-Current Assets	11,747,306	11,267,474
Total Assets	12,639,054	12,648,165

	LIABILITIES	
	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES		
Accounts payable	\$ 9,564	\$ 36,353
Due to municipality	228,514	211,710
Due to electric utility	2,151	-
Accrued wages	11,466	10,530
Current Liabilities Payable from Restricted Assets		
Current portion of revenue bonds	115,000	80,000
Accrued interest	15,794	16,509
Total Current Liabilities	<u>382,489</u>	<u>355,102</u>
NON-CURRENT LIABILITIES		
Revenue bonds	2,035,000	2,150,000
Accrued sick leave	73,672	71,135
Total Non-Current Liabilities	<u>2,108,672</u>	<u>2,221,135</u>
Total Liabilities	<u>2,491,161</u>	<u>2,576,237</u>
NET ASSETS		
Net assets invested in capital assets, net of related debt	8,829,317	8,265,702
Restricted	342,153	314,707
Unrestricted	976,423	1,491,519
TOTAL NET ASSETS	<u>\$ 10,147,893</u>	<u>\$ 10,071,928</u>

STOUGHTON WATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS Years Ended December 31, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Sales of water	\$ 1,298,450	\$ 1,267,923
Other	21,963	22,013
Total Operating Revenues	1,320,413	1,289,936
OPERATING EXPENSES		
Operation and maintenance	727,627	750,483
Depreciation	321,225	309,071
Total Operating Expenses	1,048,852	1,059,554
OPERATING INCOME	271,561	230,382
NON-OPERATING REVENUES (EXPENSES)		
Investment income	134,766	50,641
Interest expense	(95,733)	(128,124)
Amortization of debt issuance costs	-	(6,414)
Miscellaneous expenses	(4,280)	-
Loss on early retirement of assets	-	(213,683)
Total Non-Operating Revenues (Expenses)	34,753	(297,580)
Income Before Contributions and Transfers	306,314	(67,198)
CAPITAL CONTRIBUTIONS	3,421	148,584
TRANSFER IN (OUT)	(5,256)	(9,010)
TRANSFERS - TAX EQUIVALENT	(228,514)	(211,710)
CHANGE IN NET ASSETS	75,965	(139,334)
NET ASSETS - Beginning of Year	10,071,928	10,211,262
NET ASSETS - END OF YEAR	\$ 10,147,893	\$ 10,071,928

STOUGHTON WATER UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,304,703	\$ 1,296,420
Paid to suppliers for goods and services	(441,889)	(481,110)
Paid to employees for operating payroll	(284,516)	(262,695)
Net Cash Flows From Operating Activities	578,298	552,615
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(211,710)	(197,030)
Cash implicity financed by electric utility	2,151	-
Transfers to other funds	(5,256)	(9,010)
Net Cash Flows From Noncapital Financing Activities	(214,815)	(206,040)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(835,671)	(665,956)
Received from the sale of capital assets	-	32,474
Capital contributions received	3,421	-
Debt retired	(80,000)	(765,000)
Interest paid	(96,448)	(134,040)
Net Cash Flows From Capital and Related Financing Activities	(1,008,698)	(1,532,522)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(1,369,931)	(1,334,369)
Investments sold and matured	1,854,367	572,073
Investment income	83,868	39,762
Net Cash Flows From Investing Activities	568,304	(722,534)
Net Change in Cash and Cash Equivalents	(76,911)	(1,908,481)
CASH AND CASH EQUIVALENTS - Beginning of Year	76,911	1,985,392
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 0	\$ 76,911
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Loss on early retirement of meters	\$ -	\$ 213,683
Developer financed additions to utility plant	\$ -	\$ 148,584
Unrealized gain (loss) on investments	\$ 78,580	\$ (71,824)

STOUGHTON WATER UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2009 and 2008

	2009	2008
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 271,561	\$ 230,382
Noncash items in operating income		
Depreciation	321,225	309,071
Depreciation charged to clearing and other utilities	30,831	32,179
Changes in assets and liabilities		
Customer accounts receivable	(14,014)	(13,832)
Other account receivable	(4,389)	-
Due from municipality	2,693	(1,843)
Materials and supplies	2,768	(4,532)
Prepayments	(9,061)	9,315
Accounts payable	(26,789)	(6,040)
Accrued wages	936	1,436
Accrued sick leave	2,537	(3,521)
	<u>\$ 578,298</u>	<u>\$ 552,615</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 578,298</u>	<u>\$ 552,615</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS ACCOUNTS		
Cash and investments	\$ 576,512	\$ 1,086,507
Redemption account	97,287	70,556
Reserve account	235,660	235,660
Depreciation account	25,000	25,000
Water plant and maintenance reserve account	366,870	366,373
Sick leave reserve account	79,861	79,861
Total Cash and Investments	1,381,190	1,863,957
Less: Noncash equivalents	(1,381,190)	(1,787,046)
	<u>\$ -</u>	<u>\$ 76,911</u>
CASH AND CASH EQUIVALENTS	<u>\$ -</u>	<u>\$ 76,911</u>

WASTEWATER UTILITY

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF NET ASSETS December 31, 2009 and 2008

	ASSETS	2009	2008
CURRENT ASSETS			
Cash and investments		\$ 1,697,636	\$ 1,945,174
Interest receivable		2,400	5,326
Restricted Assets			
Redemption account		432,003	367,603
Customer accounts receivable		264,423	289,176
Other accounts receivable		1,595	-
Due from municipality		-	4,373
Prepayments		12,029	718
Total Current Assets		<u>2,410,086</u>	<u>2,612,370</u>
NON-CURRENT ASSETS			
Restricted Assets			
Depreciation account		33,283	33,283
Replacement account		777,779	774,050
Construction account		123	123
Other Assets			
Sick leave reserve account		61,330	61,330
Capital Assets			
Plant in service		21,646,283	20,792,921
Accumulated depreciation		(6,605,232)	(5,970,625)
Construction work in progress		2,408	49,149
Total Non-Current Assets		<u>15,915,974</u>	<u>15,740,231</u>
Total Assets		<u>18,326,060</u>	<u>18,352,601</u>

LIABILITIES		<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES			
Accounts payable		\$ 40	\$ 11,015
Accrued wages		14,621	17,902
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		593,657	576,069
Accrued interest		25,766	28,340
Total Current Liabilities		<u>634,084</u>	<u>633,326</u>
NON-CURRENT LIABILITIES			
Revenue bonds		4,795,455	5,389,112
Accrued sick leave		82,291	79,587
Total Non-Current Liabilities		<u>4,877,746</u>	<u>5,468,699</u>
Total Liabilities		<u>5,511,830</u>	<u>6,102,025</u>
NET ASSETS			
Net assets invested in capital assets, net of related debt		9,654,470	8,906,387
Restricted		1,217,299	1,146,596
Unrestricted		1,942,461	2,197,593
TOTAL NET ASSETS		<u>\$ 12,814,230</u>	<u>\$ 12,250,576</u>

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS Years Ended December 31, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Treatment charges	\$ 2,110,492	\$ 2,147,875
Other	88,074	35,458
Total Operating Revenues	2,198,566	2,183,333
OPERATING EXPENSES		
Operation and maintenance	861,703	867,565
Depreciation	636,277	562,817
Total Operating Expenses	1,497,980	1,430,382
OPERATING INCOME	700,586	752,951
NON-OPERATING REVENUES (EXPENSES)		
Investment income	23,852	80,131
Interest expense	(160,784)	(176,460)
Gain (Loss) on early retirement of assets	-	59,950
Total Non-Operating Revenues (Expenses)	(136,932)	(36,379)
Income Before Contributions	563,654	716,572
CAPITAL CONTRIBUTIONS	-	63,644
CHANGE IN NET ASSETS	563,654	780,216
NET ASSETS - Beginning of Year	12,250,576	11,470,360
NET ASSETS - END OF YEAR	\$ 12,814,230	\$ 12,250,576

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 2,226,097	\$ 2,142,110
Paid to suppliers for goods and services	(487,121)	(578,851)
Paid to employees for operating payroll	(397,445)	(260,536)
Net Cash Flows From Operating Activities	1,341,531	1,302,723
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(808,292)	(788,707)
Received from the sale of capital assets	-	59,950
Debt retired	(576,069)	(557,301)
Interest paid	(163,358)	(179,118)
Proceeds from debt issue	-	123,497
Net Cash Flows From Capital and Related Financing Activities	(1,547,719)	(1,341,679)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(1,147,412)	(756,828)
Investments sold and matured	756,829	491,744
Investment income	43,985	76,097
Net Cash Flows From Investing Activities	(346,598)	(188,987)
Net Change in Cash and Cash Equivalents	(552,786)	(227,943)
CASH AND CASH EQUIVALENTS - Beginning of Year	2,419,429	2,647,372
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,866,643	\$ 2,419,429
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer financed additions to utility plant	\$ -	\$ 63,644
Unrealized gain (loss) on investments	\$ (17,206)	\$ 5,305

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2009 and 2008

	2009	2008
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 700,586	\$ 752,951
Noncash items in operating income		
Depreciation	636,277	562,817
Changes in assets and liabilities		
Customer accounts receivable	24,753	(38,416)
Other account receivable	(1,595)	634
Due from municipality	4,373	(3,441)
Prepayments	(11,311)	11,629
Accounts payable	(10,975)	75
Accrued sick leave	2,704	6,480
Other current liabilities	(3,281)	9,994
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,341,531	\$ 1,302,723
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS ACCOUNTS		
Cash and investments	\$ 1,697,636	\$ 1,945,174
Redemption account	432,003	367,603
Depreciation account	33,283	33,283
Replacement account	777,779	774,050
Construction account	123	123
Sick leave reserve account	61,330	61,330
Total Cash and Investments	3,002,154	3,181,563
Less: Noncash equivalents	(1,135,511)	(762,134)
CASH AND CASH EQUIVALENTS	\$ 1,866,643	\$ 2,419,429

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

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, 2009 and 2008

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, 2009 and 2008

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 \$91,458 at December 31, 2009 and 2008. Water utility non-utility property consists of a park shelter with a balance of \$107,000 at December 31, 2009 and 2008. 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, 2009 and 2008

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, 2009 and 2008

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 2, 2007. The rates are designed to provide a 6.5% return on rate base

Current water rates were approved by the PSCW effective October 1, 2009. The rates are designed to earn a 6.5% return on rate base

Current wastewater rates were approved by the utilities committee effective July 5, 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, 2009 and 2008

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* to be effective for the year ended December 31, 2010. Application of these standards may restate portions of these financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

	<u>Carrying Value as of</u>		<u>Risks</u>
	<u>December 31,</u>		
	<u>2009</u>	<u>2008</u>	
Checking and Savings	\$ 2,447,381	\$ 2,913,835	Custodial credit risk
LGIP	1,841,204	1,879,751	Credit and interest rate risks
Negotiable Certificates of Deposit	3,239,224	1,081,100	Custodial credit, credit, concentration and interest rate risks
U.S. Agency Securities	2,678,848	2,030,580	Custodial credit, credit, concentration and interest rate risks
Corporate Bonds	1,035,385	4,421,110	Custodial credit, credit, concentration and interest rate risks
Petty Cash	<u>750</u>	<u>750</u>	
Totals	<u>\$ 11,242,792</u>	<u>\$ 12,327,126</u>	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited amount for non-interest bearing accounts. Negotiable certificates are diversified between institutions to maximize this coverage.

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, 2009 and 2008

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Investments in the LGIP were covered under a surety bond issued by Financial Security Assurance, Inc. The bond insured 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 provided 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 \$5,292,470 at December 31, 2009 and \$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, 2009 and 2008, 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.

	2009		2008	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Wells Fargo	\$ 2,291,248	\$ 2,201,453	\$ 2,965,497	\$ 2,913,835
Wells Fargo Brokerage	928	928	-	-
Ameriprise Financial	245,000	245,000	-	-
Deposits Exposed to Custodial Credit Risk	<u>\$ 2,537,176</u>	<u>\$ 2,447,381</u>	<u>\$ 2,965,497</u>	<u>\$ 2,913,835</u>

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, 2009 and 2008

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Investments (cont.)

As of December 31, 2009 and 2008 the utilities' investments were exposed to custodial credit risk as follows:

U.S. Agencies - Implicitly Guaranteed	2009	2008
Neither insured nor registered and held by counterparty	<u>\$ 2,178,848</u>	<u>\$ 1,530,580</u>
Corporate Bonds		
Neither insured nor registered and held by counterparty	<u>\$ 1,035,385</u>	<u>\$ 4,421,110</u>
Negotiable Certificates of Deposit		
Neither insured nor registered and held by counterparty	<u>\$ 3,239,224</u>	<u>\$ 1,081,100</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, 2009, the utilities' investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
U.S. Agencies - Implicitly Guaranteed	AAA	Aaa
Corporate Bonds	AA	Aa2
Negotiable Certificates of Deposit	not rated	

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	

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

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.

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, 2009 and 2008, the utilities' investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2009	2008
FHLB	U.S. Agencies - Implicitly Guaranteed	7.19%	26.96%
GNMA	U.S. Agencies - Implicitly Guaranteed	20.75%	-%
Morgan Stanley	Corporate bond	-%	6.13%
GE Capital	Corporate bond	14.89%	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, 2009, the utilities' investments were as follows:

Investment Type	Maturity (In Years)			
	Fair Value	Less than 1	1 - 3	Over 3
U.S. Agencies - Implicitly Guaranteed	\$ 2,678,848	\$ -	\$ 500,000	\$ 2,178,848
Corporate Bonds	1,035,385	-	512,750	522,635
Negotiable Certificates of Deposit	3,239,224	838,816	2,152,532	247,876
Totals	<u>\$ 6,953,457</u>	<u>\$ 838,816</u>	<u>\$ 3,165,282</u>	<u>\$ 2,949,359</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk (cont.)

Investment Type	Fair Value	Weighted Average Maturity (Years)
External investment pools	\$ 1,841,204	.24

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

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1 - 3	Over 3
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
Totals	\$ 7,532,790	\$ 388,998	\$ 3,075,686	\$ 4,068,106

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

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, 2009 and 2008:

Due To	Due From	2009		2008	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water utility	\$ 228,514	Payment in lieu of taxes	\$ 211,710	Payment in lieu of taxes
Electric utility	Municipality	31,808	Operating	13,978	Operating
Municipality	Electric utility	258,797	Payment in lieu of taxes	237,414	Payment in lieu of taxes
Water utility	Municipality	-		2,693	Operating
Wastewater utility	Municipality	-		4,373	Operating
Electric utility	Water utility	2,151	Implicit cash financing		

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

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

The following is a schedule of transfer balances for the years ending December 31, 2009 and 2008:

To	From	2009		2008	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Electric utility	\$ 32,442	Operating	\$ 35,196	Operating
Municipality	Electric utility	258,797	Payment in lieu of taxes	237,414	Payment in lieu of taxes
Municipality	Water utility	5,256	Operating	9,010	Operating
Municipality	Water utility	228,514	Payment in lieu of taxes	211,710	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, 2009 and 2008

NOTE 4 - RESTRICTED ASSETS (cont.)

Restricted Net Assets

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

	<u>2009</u>	<u>2008</u>
Restricted Assets		
Redemption account	\$ 481,077	\$ 461,457
Reserve account	838,094	838,094
Depreciation account	<u>25,000</u>	<u>25,000</u>
Total Restricted Assets	<u>1,344,171</u>	<u>1,324,551</u>
Current Liabilities Payable From Restricted Assets	<u>(79,328)</u>	<u>(83,736)</u>
Total Restricted Net Assets as Calculated	<u>\$ 1,264,843</u>	<u>\$ 1,240,815</u>

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

	<u>2009</u>	<u>2008</u>
Restricted Assets		
Redemption account	\$ 97,287	\$ 70,556
Reserve account	235,660	235,660
Depreciation account	<u>25,000</u>	<u>25,000</u>
Total Restricted Assets	<u>357,947</u>	<u>331,216</u>
Current Liabilities Payable From Restricted Assets	<u>(15,794)</u>	<u>(16,509)</u>
Total Restricted Net Assets as Calculated	<u>\$ 342,153</u>	<u>\$ 314,707</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

NOTE 4 - RESTRICTED ASSETS (cont.)

Restricted Net Assets (cont.)

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

	2009	2008
Restricted Assets		
Redemption account	\$ 432,003	\$ 367,603
Depreciation account	33,283	33,283
Replacement account	777,779	774,050
Construction account	123	123
Total Restricted Assets	1,243,188	1,175,059
Less: Restricted Assets Not Funded by Revenues		
Construction account	(123)	(123)
Current Liabilities Payable From Restricted Assets	(25,766)	(28,340)
Total Restricted Net Assets as Calculated	\$ 1,217,299	\$ 1,146,596

NOTE 5 - CHANGES IN CAPITAL ASSETS

Electric Utility

A summary of changes in electric capital assets for 2009 follows:

	Balance 01/01/09	Increases	Decreases	Balance 12/31/09
Capital assets, not being depreciated				
Land and land rights	\$ 220,797	\$ -	\$ -	\$ 220,797
Property held for future use	-	352,664	-	352,664
Total Capital Assets Not Being Depreciated	220,797	352,664	-	573,461
Capital assets being depreciated				
Transmission	15,019	-	-	15,019
Distribution	18,950,697	633,121	84,075	19,499,743
General	2,861,436	602,751	-	3,464,187
Total Capital Assets Being Depreciated	21,827,152	1,235,872	84,075	22,978,949
Total Capital Assets	22,047,949	1,588,536	84,075	23,552,410
Less: Accumulated depreciation				
Transmission	(19,366)	-	-	(19,366)
Distribution	(6,147,373)	(709,078)	97,920	(6,758,531)
General	(1,659,561)	(159,611)	-	(1,819,172)
Total Accumulated Depreciation	(7,826,300)	(868,689)	97,920	(8,597,069)
Construction in progress	347,181	1,514,812	1,811,588	50,405
Net Capital Assets	\$ 14,568,830			\$ 15,005,746

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)

Electric Utility (cont.)

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, 2009 and 2008

NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)

Water Utility

A summary of changes in water capital assets for 2009 follows:

	Balance 01/01/09	Increases	Decreases	Balance 12/31/09
Capital assets, not being depreciated				
Land and land rights	\$ 24,841	\$ -	\$ -	\$ 24,841
Capital assets being depreciated				
Source of supply	552,160	11,834	-	563,994
Pumping	1,482,499	23,864	-	1,506,363
Water treatment	90,763	-	-	90,763
Transmission and distribution	11,472,082	349,667	6,595	11,815,154
General	688,670	218,637	-	907,307
Total Capital Assets Being Depreciated	14,286,174	604,002	6,595	14,883,581
Total Capital Assets	14,311,015	604,002	6,595	14,908,422
Less: Accumulated depreciation				
Source of supply	(237,545)	(16,184)	-	(253,729)
Pumping	(860,192)	(58,840)	-	(919,032)
Water treatment	(76,633)	(2,981)	-	(79,614)
Transmission and distribution	(2,260,922)	(214,826)	6,595	(2,469,153)
General	(389,164)	(59,225)	-	(448,389)
Total Accumulated Depreciation	(3,824,456)	(352,056)	6,595	(4,169,917)
Construction in progress	9,143	696,394	464,725	240,812
Net Capital Assets	\$ 10,495,702			\$ 10,979,317

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)

Water Utility (cont.)

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, 2009 and 2008

NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)

Wastewater Utility

A summary of changes in wastewater capital assets for 2009 follows:

	Balance 01/01/09	Increases	Decreases	Balance 12/31/09
Capital assets being depreciated				
Collecting system	\$ 7,264,526	\$ 421,295	\$ 1,670	\$ 7,684,151
Collecting system pumping	387,063	2,491	-	389,554
Treatment and disposal	12,582,116	153,633	-	12,735,749
General	559,216	277,613	-	836,829
Total Capital Assets Being Depreciated	20,792,921	855,032	1,670	21,646,283
Less: Accumulated depreciation	(5,970,625)	(636,277)	1,670	(6,605,232)
Construction in progress	49,149	585,331	632,072	2,408
Net Capital Assets	\$ 14,871,445	-	-	\$ 15,043,459

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

NOTE 6 - LONG-TERM OBLIGATIONS

Revenue Bonds - Electric

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/09
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	4,255,000
September 15, 2004	Additions and improvements	April 1, 2010	2.00 - 3.50	2,090,000	430,000
November 15, 2006	Electric system improvements	April 1, 2023	4.00 - 4.50	2,550,000	2,475,000

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
2010	\$ 530,000	\$ 307,927	\$ 837,927
2011	350,000	291,993	641,993
2012	375,000	278,243	653,243
2013	400,000	263,368	663,368
2014	450,000	246,968	696,968
2015 - 2019	2,500,000	905,794	3,405,794
2020 - 2023	2,555,000	239,295	2,794,295
Totals	\$ 7,160,000	\$ 2,533,588	\$ 9,693,588

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 2009 and 2008 were \$825,624 and \$1,981,722, respectively. This includes the prepayment of the 1998 bonds in 2008. Total gross revenues as defined for the same periods were \$12,917,674 and \$12,950,812, respectively. Annual principal and interest payments are expected to require 6% of gross revenues.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

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 12/31/09
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	300,000
November 15, 2006	Additions and improvements	May 1, 2023	4.00 - 4.50	1,925,000	1,850,000

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
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	125,000	67,219	192,219
2015-2019	725,000	246,219	971,219
2020-2023	725,000	66,938	791,938
Totals	<u>\$ 2,150,000</u>	<u>\$ 713,311</u>	<u>\$ 2,863,311</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 2009 and 2008 were \$176,448 and \$899,040, respectively. This includes the prepayment of the 1998 bonds in 2008. Total gross revenues as defined for the same periods were \$1,455,179 and \$1,340,577, respectively. Annual principal and interest payments are expected to require 14% of gross revenues.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Revenue Bonds - Wastewater

The following bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/09</u>
March 9, 1994	WWTP improvements	May 1, 2013	3.224 %	\$ 5,472,357	\$ 1,526,442
December 22, 1999	Wastewater interceptor	May 1, 2019	3.049	623,465	362,347
July 12, 2000	WWTP improvements	May 1, 2020	3.049	1,116,259	698,288
September 10, 2003	WWTP improvements	May 1, 2023	2.766	1,670,624	1,269,375
June 27, 2007	WWTP improvements	May 1, 2027	2.475	1,539,762	1,532,660

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 593,657	\$ 145,529	\$ 739,186
2011	611,788	127,123	738,911
2012	630,475	108,150	738,625
2013	649,737	88,589	738,326
2014	256,735	75,084	331,819
2015-2019	1,395,109	262,425	1,657,534
2020-2024	947,153	91,095	1,038,249
2025-2027	304,458	11,426	315,884
Totals	<u>\$ 5,389,112</u>	<u>\$ 909,421</u>	<u>\$ 6,298,533</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 2009 and 2008 were \$739,427 and \$736,419, respectively. Total gross revenues as defined for the same periods were \$2,222,418 and \$2,263,464, respectively. Annual principal and interest payments are expected to require 16% of gross revenues.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Electric

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

	01/01/09 Balance	Additions	Reductions	12/31/09 Balance	Due Within One Year
Revenue bonds	\$ 7,660,000	\$ -	\$ 500,000	\$ 7,160,000	\$ 530,000
Accrued sick leave	160,754	24,432	26,647	158,539	-
Customer advances for construction	14,963	32,895	41,899	5,959	-
Totals	\$ 7,835,717	\$ 32,895	\$ 544,114	\$ 7,324,498	\$ 530,000

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

	01/01/08 Balance	Additions	Reductions	12/31/08 Balance	Due Within One Year
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	-
Totals	\$ 9,391,824	\$ 42,876	\$ 1,598,983	\$ 7,835,717	\$ 500,000

Long-Term Obligations Summary - Water

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

	01/01/09 Balance	Additions	Reductions	12/31/09 Balance	Due Within One Year
Revenue bonds	\$ 2,230,000	\$ -	\$ 80,000	\$ 2,150,000	\$ 115,000
Accrued sick leave	71,135	8,047	5,510	73,672	-
Totals	\$ 2,301,135	\$ 2,537	\$ 80,000	\$ 2,223,692	\$ 115,000

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

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Wastewater

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

	<u>01/01/09</u> Balance	<u>Additions</u>	<u>Reductions</u>	<u>12/31/09</u> Balance	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 5,965,181	\$ -	\$ 576,068	\$ 5,389,112	\$ 593,657
Accrued sick leave	<u>79,587</u>	<u>10,513</u>	<u>7,809</u>	<u>82,291</u>	<u>-</u>
Totals	<u>\$ 6,044,768</u>	<u>\$ 2,704</u>	<u>\$ 576,069</u>	<u>\$ 5,471,403</u>	<u>\$ 593,657</u>

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

	<u>01/01/08</u> Balance	<u>Additions</u>	<u>Reductions</u>	<u>12/31/08</u> Balance	<u>Due Within</u> <u>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>

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 the exception of health care which is discussed in Note 11, 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, 2009 and 2008

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Insurance (cont.)

The utilities are covered under the following insurance policies at December 31, 2009:

Type	Coverage	Expiration
Automobile	\$ 5,000,000 CVMIC Self-Insured	1/1/10
Excess Liability	750,000 CVMIC Self-Insured	1/1/10
Workers Compensation	5,000,000 CVMIC Self-Insured	1/1/10
	1,000,000 CVMIC Self-Insured	1/1/10
Boiler Insurance	75,000,000 CVMIC Self-Insured	1/1/10
Property	43,376,649 Wisconsin Local Property Insurance Fund	2/1/10

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 2009 and 2008 as follows:

	2009	2008
Operating revenues	\$ 12,547,681	\$ 12,664,800
Investment income	369,993	286,012
Less: Operation and maintenance expenses	<u>(10,927,087)</u>	<u>(11,006,309)</u>
Net Defined Earnings	<u>\$ 1,990,587</u>	<u>\$ 1,944,503</u>
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 837,927	\$ 837,927
Coverage factor	<u>1.30</u>	<u>1.30</u>
Minimum Required Earnings	<u>\$ 1,089,305</u>	<u>\$ 1,089,305</u>
Actual Debt Coverage	<u>2.38</u>	<u>2.32</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

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 2009 and 2008 as follows:

	2009	2008
Operating revenues	\$ 1,320,413	\$ 1,289,936
Investment income	134,766	50,641
Less: Operation and maintenance expenses	(727,627)	(750,483)
 Net Defined Earnings	 \$ 727,552	 \$ 590,094
 Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 235,355	\$ 235,355
Coverage factor	1.30	1.30
 Minimum Required Earnings	 \$ 305,962	 \$ 305,962
 Actual Debt Coverage	 3.09	 2.51

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 2009 and 2008 as follows:

	2009	2008
Operating revenues	\$ 2,198,566	\$ 2,183,333
Investment income	23,852	80,131
Less: Operation and maintenance expenses	(861,703)	(867,565)
 Net Defined Earnings	 \$ 1,360,715	 \$ 1,395,899
 Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 739,186	\$ 739,427
Coverage factor	1.10	1.10
 Minimum Required Earnings	 \$ 813,104	 \$ 813,370
 Actual Debt Coverage	 1.84	 1.89

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

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 2009 and 2008:

	Customers		Sales (000 kWh)	
	2009	2008	2009	2008
Residential	7,569	7,538	63,498	65,598
General	771	765	17,254	17,472
Small power	50	50	13,215	14,754
Large power	9	9	9,894	11,345
Industrial	7	7	24,379	27,962
Street and highway lighting	6	6	1,012	996
Totals	8,412	8,375	129,252	138,127

Number of Customers - Water

The utility has the following number of customers and billed volumes for 2009 and 2008:

	Customers		Sales (000 gals)	
	2009	2008	2009	2008
Residential	4,373	4,369	225,614	230,516
Commercial	407	406	80,284	78,784
Industrial	21	21	111,817	119,410
Public authority	35	24	7,152	6,607
Totals	4,836	4,820	424,867	435,317

Number of Customers - Wastewater

The utility has the following number of customers and billed volumes for 2009 and 2008:

	Customers		Sales (000 gals)	
	2009	2008	2009	2008
Residential	4,344	4,338	225,276	229,748
Commercial	382	381	78,799	78,633
Industrial	17	17	47,391	42,898
Public authority	24	19	5,389	5,249
Totals	4,767	4,755	356,855	356,528

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Utilities Budget

The 2009 and 2008 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.

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

	2009	2008
Plant in service	\$ 23,552,410	\$ 22,047,949
Accumulated depreciation	(8,597,069)	(7,826,300)
Construction work in progress	50,405	347,181
Sub-Totals	15,005,746	14,568,830
Less: Capital related debt		
Current portion of capital related long-term debt	530,000	500,000
Long-term portion of capital related long-term debt	6,630,000	7,160,000
Unamortized debt issuance costs	(5,834)	(9,867)
Sub-Totals	7,154,166	7,650,133
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 7,851,580	\$ 6,918,697

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

NOTE 7 - NET ASSETS (cont.)

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

	2009	2008
Plant in service	\$ 14,908,422	\$ 14,311,015
Accumulated depreciation	(4,169,917)	(3,824,456)
Construction work in progress	240,812	9,143
Sub-Totals	10,979,317	10,495,702
Less: Capital related debt		
Current portion of capital related long-term debt	115,000	80,000
Long-term portion of capital related long-term debt	2,035,000	2,150,000
Sub-Totals	2,150,000	2,230,000
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 8,829,317	\$ 8,265,702

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

	2009	2008
Plant in service	\$ 21,646,283	\$ 20,792,921
Accumulated depreciation	(6,605,232)	(5,970,625)
Construction work in progress	2,408	49,149
Sub-Totals	15,043,459	14,871,445
Less: Capital related debt		
Current portion of capital related long-term debt	593,657	576,069
Long-term portion of capital related long-term debt	4,795,455	5,389,112
Sub-Totals	5,389,112	5,965,181
Add: Unspent debt proceeds		
Construction funds	123	123
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 9,654,470	\$ 8,906,387

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

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 5.8% and 5.9% of their salary to the plan in 2009 and 2008, 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		
	2009	2008	2007
Total Covered Employee Payroll	\$ 815,578	\$ 779,144	\$ 785,082
Total Required Contributions	\$ 94,607	\$ 91,939	\$ 92,640
Total Required Contributions	<u>11.6%</u>	<u>11.8%</u>	<u>11.8%</u>

Water

	Year Ended December 31		
	2009	2008	2007
Total Covered Employee Payroll	\$ 244,957	\$ 262,521	\$ 264,459
Total Required Contributions	\$ 28,415	\$ 30,977	\$ 31,206
Total Required Contributions	<u>11.6%</u>	<u>11.8%</u>	<u>11.8%</u>

Wastewater

	Year Ended December 31		
	2009	2008	2007
Total Covered Employee Payroll	\$ 339,224	\$ 310,839	\$ 292,622
Total Required Contributions	\$ 39,350	\$ 36,679	\$ 34,529
Total Required Contributions	<u>11.6%</u>	<u>11.8%</u>	<u>11.8%</u>

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Long-Term Contracts - WPPI Energy

The electric utility is one of 51 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 \$423 million as of December 31, 2009.

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 water tower construction for approximately \$1,280,000. The value of service provided and the corresponding liability as of December 31, 2009 has been accrued in these financial statements.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

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 2009 and 2008 were \$230,646 and \$258,502, respectively. Details of the plan can be found in the basic financial statements of the City of Stoughton.

NOTE 12 – SUBSEQUENT EVENTS

The utilities committee has authorized the issuance of water revenue bonds in 2010 for the construction of a new water tower. Upon completion of the project the phase II water rates authorized by the PSCW will go into effect.

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, 2009

	Balance 1/1/2009	Additions	Retirements	Balance 12/31/2009
TRANSMISSION				
Land and land rights	\$ 1	\$ -	\$ -	\$ 1
Poles and fixtures	5,035	-	-	5,035
Overhead conductors and devices	9,984	-	-	9,984
Total Transmission	<u>15,020</u>	<u>-</u>	<u>-</u>	<u>15,020</u>
DISTRIBUTION				
Land and land rights	220,796	-	-	220,796
Structures and improvements	44,389	-	-	44,389
Station equipment	3,921,023	18,700	-	3,939,723
Poles, towers and fixtures	2,746,938	53,664	6,320	2,794,282
Overhead conductors and devices	4,485,754	191,371	25,079	4,652,046
Underground conduit	259,087	27,620	2,548	284,159
Underground conductors and devices	2,268,545	147,546	15,720	2,400,371
Line transformers	2,639,172	90,458	13,734	2,715,896
Services	1,494,070	63,729	8,338	1,549,461
Meters	611,842	-	-	611,842
Street lighting and signal systems	479,877	40,033	12,336	507,574
Total Distribution	<u>19,171,493</u>	<u>633,121</u>	<u>84,075</u>	<u>19,720,539</u>
GENERAL				
Structures and improvements	1,040,356	510,904	-	1,551,260
Office furniture and equipment	142,598	33,262	-	175,860
Computer equipment	140,565	32,709	-	173,274
Transportation equipment	274,768	-	-	274,768
Stores equipment	9,984	-	-	9,984
Tools, shop and garage equipment	63,076	1,500	-	64,576
Laboratory equipment	50,236	-	-	50,236
Power-operated equipment	826,506	-	-	826,506
Communication equipment	33,894	24,376	-	58,270
SCADA equipment	279,453	-	-	279,453
Total General	<u>2,861,436</u>	<u>602,751</u>	<u>-</u>	<u>3,464,187</u>
TOTAL ELECTRIC UTILITY PLANT	<u>\$ 22,047,949</u>	<u>\$ 1,235,872</u>	<u>\$ 84,075</u>	<u>\$ 23,199,746</u>

STOUGHTON ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Sales of Electricity		
Residential	\$ 4,420,205	\$ 4,379,313
Rural	2,456,175	2,403,989
General service	1,312,746	1,266,168
Large commercial and industrial	1,070,508	1,148,552
Large power	864,748	897,857
Industrial	2,100,050	2,234,590
Public street and highway lighting	129,151	112,489
Interdepartmental	66,630	77,428
Total Sales of Electricity	12,420,213	12,520,386
Other Operating Revenues		
Forfeited discounts	42,411	42,340
Other	85,057	102,074
Total Operating Revenues	12,547,681	12,664,800
OPERATING EXPENSES		
Operation and Maintenance		
Other Power Supply		
Purchased power	9,377,438	9,523,448
Transmission		
Operating supervision and engineering	5,940	11,065
Station	22,663	25,644
Overhead lines	69,121	96,456
Underground lines	36,770	32,338
Total Transmission	134,494	165,503
Distribution		
Street lighting and signal system	5,605	5,574
Meter	17,335	24,276
Customer installations	383	279
Miscellaneous	23,292	20,404
Maintenance		
Station equipment	37,047	10,336
Overhead lines	224,802	252,763
Underground lines	11,490	28,508
Line transformers	1,790	2,802
Street lighting and signal system	2,393	130
Meters	424	1,149
Miscellaneous	-	252
Total Distribution	324,561	346,473
Customer Accounts		
Meter reading	4,783	8,381
Accounting and collecting labor	170,063	143,742
Miscellaneous	4,976	360
Total Customer Accounts	179,822	152,483

STOUGHTON ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2009 and 2008

	2009	2008
OPERATING EXPENSES (cont'd)		
Operation and Maintenance (cont'd)		
Administrative and General		
Salaries	\$ 263,215	\$ 278,244
Office supplies	61,867	35,949
Outside services employed	35,385	16,469
Property insurance	19,642	20,677
Injuries and damages	27,842	30,601
Employee pensions and benefits	255,968	242,705
Regulatory commission	-	809
Miscellaneous	14,611	11,273
Rents	10,964	10,673
Maintenance	72,145	32,743
Total Administrative and General	761,639	680,143
Taxes	149,133	138,259
Total Operation and Maintenance	10,927,087	11,006,309
Depreciation	792,269	772,081
Total Operating Expenses	11,719,356	11,778,390
OPERATING INCOME	\$ 828,325	\$ 886,410

STOUGHTON ELECTRIC UTILITY

RATE OF RETURN - REGULATORY BASIS December 31, 2009 and 2008

	2009	2008
Utility Plant in Service		
Beginning of year	\$ 19,780,415	\$ 19,106,041
End of year	20,901,724	19,780,415
Average	20,341,070	19,443,228
Accumulated Depreciation		
Beginning of year	(7,390,573)	(7,109,767)
End of year	(8,075,447)	(7,390,573)
Average	(7,733,010)	(7,250,170)
Materials and Supplies		
Beginning of year	139,767	147,069
End of year	131,388	139,767
Average	135,578	143,418
Regulatory Liability		
Beginning of year	(332,404)	(354,564)
End of year	(310,244)	(332,404)
Average	(321,324)	(343,484)
Customer Advances for Construction		
Beginning of year	(14,963)	(7,060)
End of year	(5,959)	(14,963)
Average	(10,461)	(11,012)
AVERAGE NET RATE BASE	\$ 12,411,853	\$ 11,981,980
OPERATING INCOME - REGULATORY BASIS	\$ 655,426	\$ 733,320
RATE OF RETURN (PERCENT)	5.28	6.12

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.

WATER UTILITY

STOUGHTON WATER UTILITY

WATER UTILITY PLANT December 31, 2009

	Balance 1/1/2009	Additions	Retirements	Balance 12/31/2009
SOURCE OF SUPPLY				
Land and land rights	\$ 11,635	\$ -	\$ -	\$ 11,635
Wells and springs	552,160	11,834	-	563,994
Total Source of Supply	<u>563,795</u>	<u>11,834</u>	<u>-</u>	<u>575,629</u>
PUMPING				
Structures and improvements	576,342	-	-	576,342
Other power production equipment	222,172	23,864	-	246,036
Electric pumping equipment	565,195	-	-	565,195
Other pumping equipment	118,789	-	-	118,789
Total Pumping	<u>1,482,498</u>	<u>23,864</u>	<u>-</u>	<u>1,506,362</u>
WATER TREATMENT				
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>
TRANSMISSION AND DISTRIBUTION				
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	7,584,701	255,780	4,252	7,836,229
Services	1,751,451	47,230	-	1,798,681
Meters	562,508	10,583	-	573,091
Hydrants	991,036	36,074	2,343	1,024,767
Other transmission and distribution plant	973	-	-	973
Total Transmission and Distribution	<u>11,485,289</u>	<u>349,667</u>	<u>6,595</u>	<u>11,828,361</u>
GENERAL				
Land and land rights	219,506	185,784	-	405,290
Office furniture and equipment	39,305	12,095	-	51,400
Computer equipment	63,426	11,894	-	75,320
Transportation equipment	41,296	-	-	41,296
Stores equipment	2,187	-	-	2,187
Tools, shop and garage equipment	35,109	-	-	35,109
Power-operated equipment	102,034	-	-	102,034
Communication equipment	26,804	8,864	-	35,668
SCADA equipment	158,914	-	-	158,914
Miscellaneous equipment	89	-	-	89
Total General	<u>688,670</u>	<u>218,637</u>	<u>-</u>	<u>907,307</u>
TOTAL WATER UTILITY PLANT	<u>\$ 14,311,015</u>	<u>\$ 604,002</u>	<u>\$ 6,595</u>	<u>\$ 14,908,422</u>

STOUGHTON WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Sales of Water		
Metered		
Residential	\$ 650,463	\$ 623,952
Commercial	152,417	144,915
Industrial	126,679	130,601
Public authorities	15,857	14,312
Interdepartmental	270	257
Total Metered Sales	945,686	914,037
Private fire protection	19,394	18,630
Public fire protection	333,370	335,256
Total Sales of Water	1,298,450	1,267,923
Other Operating Revenues		
Forfeited discounts	4,380	4,428
Other	17,583	17,585
Total Operating Revenues	1,320,413	1,289,936
OPERATING EXPENSES		
Operation and Maintenance		
Source of Supply		
Operation labor	626	689
Maintenance		
Wells and springs	4,529	22,422
Total Source of Supply	5,155	23,111
Pumping		
Fuel or purchased power for pumping	112,191	101,774
Pumping labor	2,045	6,042
Miscellaneous	8,390	3,532
Maintenance		
Pumping equipment	13,056	11,197
Total Pumping	135,682	122,545
Water Treatment		
Chemicals	11,382	14,710
Operation labor	1,835	8,381
Miscellaneous	461	259
Maintenance		
Structures and improvements	1,450	1,225
Water treatment equipment	3,315	3,908
Total Water Treatment	18,443	28,483

STOUGHTON WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2009 and 2008

	2009	2008
OPERATING EXPENSES (cont'd)		
Operation and Maintenance (cont'd)		
Transmission and Distribution		
Transmission and distribution lines	\$ 4,326	\$ 4,012
Meters	6,140	18,656
Miscellaneous	25,678	20,491
Maintenance		
Reservoirs and standpipes	8,354	32,309
Mains	81,829	62,739
Services	29,152	29,368
Meters	593	555
Hydrants	21,441	4,784
Miscellaneous	3,758	5,328
Total Transmission and Distribution	181,271	178,242
Customer Accounts		
Meter reading	2,110	5,972
Accounting and collecting labor	48,496	37,600
Total Customer Accounts	50,606	43,572
Administrative and General		
Salaries	154,782	142,833
Office supplies	7,251	13,112
Outside services employed	29,389	17,286
Property insurance	6,992	7,306
Injuries and damages	10,316	10,135
Employee pensions and benefits	97,372	141,189
Regulatory commission	8,631	270
Miscellaneous	1,864	(171)
Rents	3,986	4,086
Maintenance	2,020	5,880
Total Administrative and General	322,603	341,926
Taxes	13,867	12,604
Total Operation and Maintenance	727,627	750,483
Depreciation	321,225	309,071
Total Operating Expenses	1,048,852	1,059,554
OPERATING INCOME	\$ 271,561	\$ 230,382

STOUGHTON WATER UTILITY

RATE OF RETURN - REGULATORY BASIS December 31, 2009 and 2008

	2009	2008
Utility Plant in Service		
Beginning of year	\$ 8,905,070	\$ 8,649,319
End of year	9,502,316	8,905,070
Average	9,203,693	8,777,195
Accumulated Depreciation		
Beginning of year	(3,330,497)	(3,606,792)
End of year	(2,902,806)	(3,330,497)
Average	(3,116,652)	(3,468,645)
Materials and Supplies		
Beginning of year	35,943	31,411
End of year	33,175	35,943
Average	34,559	33,677
Regulatory Liability		
Beginning of year	(513,424)	(547,652)
End of year	(479,196)	(513,424)
Average	(496,310)	(530,538)
AVERAGE NET RATE BASE	\$ 5,625,290	\$ 4,811,689
OPERATING INCOME - REGULATORY BASIS	\$ 131,634	\$ 107,260
RATE OF RETURN (PERCENT)	2.34	2.23

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.

WASTEWATER UTILITY

STOUGHTON WASTEWATER UTILITY

WASTEWATER UTILITY PLANT

December 31, 2009

	Balance 1/1/2009	Additions	Retirements	Balance 12/31/2009
COLLECTING SYSTEM				
Land and land rights	\$ -	\$ 100	\$ -	\$ 100
Collecting mains	5,412,365	421,195	1,670	5,831,890
Interceptor mains	1,803,210	-	-	1,803,210
Force mains	48,951	-	-	48,951
Total Collecting System	7,264,526	421,295	1,670	7,684,151
COLLECTING SYSTEM PUMPING				
Structures and improvements	64,891	2,491	-	67,382
Electric pumping equipment	300,773	-	-	300,773
Other pumping equipment	21,399	-	-	21,399
Total Collecting System Pumping	387,063	2,491	-	389,554
TREATMENT AND DISPOSAL				
Structures and improvements	3,249,743	-	-	3,249,743
Preliminary treatment equipment	1,255,681	-	-	1,255,681
Primary treatment equipment	1,073,917	61,041	-	1,134,958
Secondary treatment equipment	477,493	51,798	-	529,291
Advanced treatment equipment	1,924,551	-	-	1,924,551
Chlorination equipment	366,162	-	-	366,162
Sludge treatment and disposal equipment	3,489,315	40,794	-	3,530,109
Plant site pumping	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	12,582,116	153,633	-	12,735,749
GENERAL				
Structures and improvements	-	232,233	-	232,233
Office furniture and equipment	34,828	15,119	-	49,947
Computer equipment	90,840	19,181	-	110,021
Transportation equipment	404,517	-	-	404,517
Communication equipment	3,362	11,080	-	14,442
Other general equipment	25,669	-	-	25,669
Total General	559,216	277,613	-	836,829
TOTAL WASTEWATER UTILITY PLANT	\$ 20,792,921	\$ 855,032	\$ 1,670	\$ 21,646,283

STOUGHTON WASTEWATER UTILITY

WASTEWATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Wastewater Revenues		
Residential	\$ 1,446,074	\$ 1,468,172
Commercial	432,263	433,972
Industrial	201,249	215,670
Public authorities	30,517	29,677
Interdepartmental	389	384
Total Wastewater Revenues	2,110,492	2,147,875
Other Operating Revenues		
Forfeited discounts	8,979	10,136
Miscellaneous	79,095	25,322
Total Operating Revenues	2,198,566	2,183,333
OPERATING EXPENSES		
Operation and Maintenance		
Operation		
Supervision and labor	1,282	967
Power and fuel for pumping	24,517	70,236
Sludge conditioning chemicals	12,686	13,874
Other operating supplies	38,336	50,377
Transportation	-	419
Total Operation	76,821	135,873
Maintenance		
Collection system	91,400	52,836
Treatment and disposal plant equipment	116,952	132,372
General plant structures and equipment	57,032	55,003
Total Maintenance	265,384	240,211
Customer Accounts		
Accounting and collecting	130,857	105,752
Administrative and General		
Salaries	79,589	81,936
Office supplies	9,800	15,654
Outside services employed	56,476	54,983
Insurance	20,095	19,903
Employee pensions and benefits	126,921	117,576
Miscellaneous	10,669	12,170
Rents	59,842	61,343
Total Administrative and General	363,392	363,565
Taxes	25,249	22,164
Total Operation and Maintenance	861,703	867,565
Depreciation	636,277	562,817
Total Operating Expenses	1,497,980	1,430,382
OPERATING INCOME	\$ 700,586	\$ 752,951