

**VILLAGE OF MARSHALL WATER  
AND SEWER DEPARTMENT**

An Enterprise Fund of the  
Village of Marshall, Wisconsin

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2011 and 2010

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**  
An Enterprise Fund of the Village of Marshall, Wisconsin

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December 31, 2011 and 2010

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## INDEPENDENT AUDITORS' REPORT

To the Village Board  
Village of Marshall Water and Sewer Department  
Marshall, Wisconsin

We have audited the accompanying statements of net assets of Village of Marshall Water and Sewer Department, an enterprise fund of the Village of Marshall, Wisconsin, as of December 31, 2011 and 2010, 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 utility 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 Village of Marshall Water and Sewer Department enterprise fund and do not purport to, and do not, present fairly the financial position of the Village of Marshall, 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 previously present fairly, in all material respects, the financial position of Village of Marshall Water and Sewer Department as of December 31, 2011 and 2010, 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 as they apply to enterprise funds of governmental entities.

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

To the Village Board  
Village of Marshall Water and Sewer Department

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

*Baker Tully Virechow Krause, LLP*

Madison, Wisconsin  
March 27, 2012

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

## STATEMENTS OF NET ASSETS December 31, 2011 and 2010

<b>ASSETS</b>	2011	2010
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 374,694	\$ 701,292
Interest receivable	3,098	-
Restricted Assets		
Redemption account	295,872	492,294
Customer accounts receivable	130,205	108,520
Other accounts receivable	584	4,050
Due from municipality	34,720	-
Current portion of advance	124,750	121,194
Total Current Assets	963,923	1,427,350
<b>NON-CURRENT ASSETS</b>		
Restricted Assets		
Reserve account	166,028	165,428
Replacement account	569,285	517,035
Construction account	694,730	694,730
Other Assets		
Capital projects sinking fund	312,356	309,556
Preliminary survey and investigation	4,687	4,687
Unamortized debt issuance costs	25,632	31,858
Advances to other funds	740,894	865,644
Property held for future use	290,488	290,488
Capital Assets		
Plant in service		
Water	5,254,761	5,145,476
Sewer	11,054,211	11,033,994
Total Plant in Service	16,308,972	16,179,470
Accumulated depreciation		
Water	(1,140,731)	(1,048,068)
Sewer	(3,924,932)	(3,608,672)
Total Accumulated Depreciation	(5,065,663)	(4,656,740)
Construction work in progress		
Water	928,592	297,633
Total Non-Current Assets	14,976,001	14,699,789
Total Assets	15,939,924	16,127,139

<b>LIABILITIES</b>		<u>2011</u>	<u>2010</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 30,917	\$ 10,457
Due to municipality		-	317,529
Accrued taxes		-	90,518
Accrued interest		7,183	7,883
Current portion of general obligation debt		60,000	60,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		528,464	540,577
Accrued interest		22,267	25,214
Total Current Liabilities		<u>648,831</u>	<u>1,052,178</u>
<b>NON-CURRENT LIABILITIES</b>			
General obligation debt		525,000	585,000
Revenue bonds		3,565,860	4,094,324
Accrued sick leave		7,901	10,278
Total Non-Current Liabilities		<u>4,098,761</u>	<u>4,689,602</u>
 Total Liabilities		 <u>4,747,592</u>	 <u>5,741,780</u>
<b>NET ASSETS</b>			
Net assets invested in capital assets, net of related debt		9,078,583	8,253,888
Restricted		1,008,918	1,149,543
Unrestricted		<u>1,104,831</u>	<u>981,928</u>
 TOTAL NET ASSETS		 <u>\$ 11,192,332</u>	 <u>\$ 10,385,359</u>

See accompanying notes to the financial statements.

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS Years Ended December 31, 2011 and 2010

	2011	2010
<b>OPERATING REVENUES</b>		
Water		
Sales of water	\$ 441,919	\$ 451,005
Other	26,178	26,154
Total	468,097	477,159
Sewer		
Treatment charges	660,955	689,498
Other	9,505	7,299
Total	670,460	696,797
Total Operating Revenues	1,138,557	1,173,956
<b>OPERATING EXPENSES</b>		
Water		
Operation and maintenance	199,106	178,340
Depreciation	109,816	108,660
Total Water	308,922	287,000
Sewer		
Operation and maintenance	332,804	322,009
Depreciation	329,707	329,170
Total Sewer	662,511	651,179
Total Operating Expenses	971,433	938,179
<b>OPERATING INCOME</b>		
Water	159,175	190,159
Sewer	7,949	45,618
Total Operating Income	167,124	235,777
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment income	29,904	32,072
Investment income on advance to TIF	49,342	55,229
Interest expense	(163,797)	(183,205)
Interest charged to construction	19,410	23,237
Amortization of debt issuance costs	(6,226)	(6,307)
Total Non-Operating Revenues (Expenses)	(71,367)	(78,974)
Income Before Contributions and Transfers	95,757	156,803
<b>CAPITAL CONTRIBUTIONS</b>	56,647	3,553
<b>CAPITAL CONTRIBUTIONS - MUNICIPAL</b>	750,000	-
<b>TRANSFERS - TAX EQUIVALENT</b>	(95,431)	(90,518)
<b>CHANGE IN NET ASSETS</b>	806,973	69,838
NET ASSETS - Beginning of Year	10,385,359	10,315,521
<b>NET ASSETS - END OF YEAR</b>	\$ 11,192,332	\$ 10,385,359

See accompanying notes to the financial statements.

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

### STATEMENTS OF CASH FLOWS Years Ended December 31, 2011 and 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 1,085,618	\$ 1,175,100
Paid to suppliers for goods and services	(655,480)	(232,516)
Paid to employees for operating payroll	(196,060)	(211,297)
Net Cash Flows From Operating Activities	234,078	731,287
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paid to municipality for tax equivalent	(185,949)	(79,447)
Received on long term advance to TIF	170,536	172,970
Net Cash Flows From Noncapital Financing Activities	(15,413)	93,523
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(751,467)	(67,569)
Capital contributions received	806,647	3,553
Debt retired	(600,577)	(583,070)
Interest paid	(167,444)	(186,731)
Net Cash Flows From Capital and Related Financing Activities	(712,841)	(833,817)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(1,009,543)	(1,010,000)
Investments sold and matured	1,010,000	-
Investment income	26,807	32,072
Net Cash Flows From Investing Activities	27,264	(977,928)
<b>Net Change in Cash and Cash Equivalents</b>	(466,912)	(986,935)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,870,334	2,857,269
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,403,422	\$ 1,870,334
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Change in market value of investments	\$ 3,102	\$ -
Interest charged to construction	\$ 19,410	\$ 23,237

	<u>2011</u>	<u>2010</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 167,124	\$ 235,777
Noncash items in operating income		
Depreciation	439,523	437,830
Changes in assets and liabilities		
Customer accounts receivable	(21,685)	(5,167)
Other accounts receivable	3,466	3,100
Due from other funds	(34,720)	3,212
Accounts payable	276	(2,427)
Due to other funds	(317,529)	58,962
Accrued sick leave	<u>(2,377)</u>	<u>-</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 234,078</u></b>	<b><u>\$ 731,287</u></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS ACCOUNTS</b>		
Cash and investments	\$ 374,694	\$ 701,292
Redemption account	295,872	492,294
Reserve account	166,028	165,428
Replacement account	569,285	517,035
Construction account	694,730	694,730
Capital project sinking account	<u>312,356</u>	<u>309,555</u>
Total Cash and Investments	2,412,965	2,880,334
Less: Noncash equivalents	<u>(1,009,543)</u>	<u>(1,010,000)</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 1,403,422</u></b>	<b><u>\$ 1,870,334</u></b>

See accompanying notes to the financial statements.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The financial statements of Village of Marshall Water and Sewer Department (utility) 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 utility are described below.

#### ***REPORTING ENTITY***

The utility is a separate enterprise fund of the Village of Marshall (municipality). The utility is managed by a village board. The utility provides water and sewer service to properties within the municipality.

The water utility operates under service rules and rates established by the Public Service Commission of Wisconsin (PSCW). The sewer utility operates under rules and rates established by the village board.

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the utility's 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 utility has 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.

#### ***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.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

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

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

##### *Deposits and Investments (cont.)*

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

- > Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- > 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 the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- > Bonds or securities issued or guaranteed by the federal government.
- > The local government investment pool.
- > Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- > Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- > Repurchase agreements with public depositories, with certain conditions.

The utility has adopted an investment policy. That policy follows the state statute for allowable investments. The policy does not specifically address the risks disclosed in GASB No. 40.

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

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

##### *Restricted Assets*

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

##### *Capital Projects Sinking Fund*

The utility has set up a capital project sinking fund which is used to accumulate unrestricted payments received from TIF. The intent is the funds will be used for future capital projects and/or debt service.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

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

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

##### *Preliminary Survey and Investigation*

The balance represents initial project engineering costs related to utility plant construction. The balance will be capitalized upon commencement of the project.

##### *Property Held for Future Use*

The water utility acquired property for future use of a water tower and the sewer utility maintains property for future use following the retirement of the old wastewater treatment plant.

##### *Capital Assets*

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

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

	<u>Years</u>
Water Plant	
Source of supply	34
Pumping	23 - 31
Water treatment	17
Transmission and distribution	18 - 77
General	4 - 17
Sewer Plant	
Collecting system	50 - 100
Collecting system pumping	20
Treatment and disposal	15 - 40
General	7 - 20

##### *Vacation and Sick Leave*

Under terms of employment, employees are granted vacation and sick leave in varying amounts. Employees are not allowed to accumulate unused vacation pay beyond their service anniversary date, unless the employee has prior written approval by the Village Board. In order to be eligible to receive village sponsored retirement benefits an employee must be able to satisfy the rule of 76 (seventy-six) and must have a minimum of 5 (five) years of service with the village. The rule of 76 allocates 1 point for each full year of age and 1 point for each full year of service with the village. When employees satisfy the rule of 76, they are eligible to receive \$50 per each 8 hours of accrued sick leave upon retirement. No payment is made when they leave employment for other reasons and do not satisfy the rule of 76.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

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

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

##### *Long-Term Obligations*

Long-term debt and other obligations are reported as utility liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the 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 utility distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the utility's principal ongoing operations. The principal operating revenues of the utility 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 utility does not accrue revenues beyond billing dates.

Current water rates were approved by the PSCW effective November 10, 2009.

Current sewer rates were approved by the village board effective September 11, 2009.

##### *Capital Contributions*

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

##### *Connection Fees*

The utility has received sewer connection fees which must be used in accordance with local ordinances. The intent is the funds will be used for future expansions of the treatment plant or to pay debt service for the existing treatment plant.

##### *Taxes*

Taxes included in the financial statements include PSCW remainder assessment and social security taxes. Municipal utilities are exempt from income taxes and therefore no income tax liability is recorded by the utility.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

### **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. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 64 *Derivative Instruments: Applications of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*. Application of these standards may restate portions of these financial statements.

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

	Carrying Value as of		Risks
	December 31,		
	2011	2010	
Checking and savings	\$ (120,338)	\$ (8,578)	Custodial credit
Certificates of deposits	700,000	1,010,000	Custodial credit
Money market	1,590,815	1,735,237	Custodial credit
LGIP	66	154,035	Credit and interest rate
U.S. securities	312,645	-	Interest rate and concentration of credit risk
Petty cash	200	200	N/A
Totals	\$ 2,483,388	\$ 2,890,894	

The utility share of the co-mingled cash account is not included in the above table.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction accounts as of December 31, 2011. Coverage as of December 31, 2010 included \$250,000 for interest bearing accounts and unlimited amounts for noninterest bearing accounts.

Bank accounts and credit unions are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000.

The utility 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 utility alone. Therefore, coverage for the utility may be reduced. Investment income on commingled investments of the entire municipality is allocated based on average investment balances.

In addition, the utility and village has collateral or depository insurance agreements with the municipality in the amount of \$2,820,118 and \$3,282,376 at December 31, 2011 and 2010 respectively.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

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

#### *Custodial Credit Risk*

#### **Deposits**

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

The utility maintains certain deposits in the same institutions as the municipality. The following is a summary of the utility's total deposit balances at these institutions.

	2011		2010	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Farmers & Merchants State Bank				
Non-interest bearing	\$ 29,485	\$ (120,338)	\$ 6,696	\$ (8,578)
Interest bearing	987,690	987,689	1,735,238	1,735,237
First Business Bank	200,000	200,000	200,000	200,000
Merchants & Farmers Union Bank	-	-	135,000	135,000
Investors Bank	-	-	500,000	500,000
Union Bank of Blair	500,000	500,000	175,000	175,000
	<u>\$ 1,717,175</u>	<u>\$ 1,567,351</u>	<u>\$ 2,751,934</u>	<u>\$ 2,736,659</u>
Totals				

#### **Investments**

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

The utility maintains certain investments with the same counterparties as the municipality. The following is a summary of the these investment balances disclosed by type.

	2011	
	Bank Balance	Carrying Value
Federal Farm Credit Bank	<u>\$ 312,645</u>	<u>\$ 312,645</u>

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

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

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#### *Credit Risk*

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

As of December 31, 2011, the utility's investments were rated as follows:

<u>Investment Type</u>	<u>Standard &amp; Poors</u>
U.S. Securities	AAA, AA+

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

#### *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. The utility maintains certain investments commingled with the municipality. The concentration of credit risk pertaining specifically to the utility's resources cannot be determined for those accounts. Please refer to the municipality's financial statements for information on this risk.

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010

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

***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, 2011, the utility's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1 year	1-5 years	Greater than 10 years
U.S. Securities	\$ 312,645	\$ -	\$ 312,645	\$ -

  

Investment Type	Fair Value	Weighted Average Maturity (Years)
Local Government Investment Pool	\$ 66	0.27

As of December 31, 2010, the utility's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Local Government Investment Pool	\$ 154,035	0.20

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

The following is a schedule of interfund balances for the years ending December 31, 2011 and 2010:

Due To	Due From	2011		2010	
		Amount	Principal Purpose	Amount	Principal Purpose
Utility Municipality	Municipality Utility	\$ 34,720	Operating expenses	\$ -	Operating expenses
		-		317,529	

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010

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

The following is a schedule of transfer balances for the years ending December 31, 2011 and 2010:

To	From	2011		2010	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Utility	\$ 95,431	Payment in lieu of taxes	\$ 90,518	Payment in lieu of taxes
Utility	TIF	750,000	Contribution for Well #3	-	

**NOTE 4 - RESTRICTED ASSETS**

***Restricted Accounts***

Certain proceeds of the utility's 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.
- 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 utility has established an account for replacement of certain mechanical equipment. In the prior year the utility utilized the annuity method to determine an annual deposit of \$49,300. In the current year the utility changed to the alternative method of funding, which does not require an annual deposit.

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010

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

***Restricted Net Assets***

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

	<u>2011</u>	<u>2010</u>
Restricted Assets		
Redemption account	\$ 295,872	\$ 492,294
Reserve account	166,028	165,428
Replacement account	569,285	517,035
Construction account	<u>694,730</u>	<u>694,730</u>
Total Restricted Assets	<u>1,725,915</u>	<u>1,869,487</u>
Less: Restricted Assets Not Funded by Revenues		
Construction account	<u>(694,730)</u>	<u>(694,730)</u>
Current Liabilities Payable From Restricted Assets	<u>(22,267)</u>	<u>(25,214)</u>
Total Restricted Net Assets as Calculated	<u>\$ 1,008,918</u>	<u>\$ 1,149,543</u>

**NOTE 5 - ADVANCES TO OTHER FUNDS**

***Advance to Tax Incremental Financing (TIF) District***

As part of the construction costs for the wastewater treatment plant and related collection system improvements, the utility borrowed funds for the TIF portion of the projects. The total amount advanced to the TIF district equaled \$2,198,081. The scheduled repayment to the utility includes a principal amount plus 5% interest. Additional principal payments are allowed and will be kept in a segregated account for future debt payments.

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/2011</u>
5/01/1999	Tax Incremental Financing	5/01/2018	5%	\$ 2,198,081	\$ 865,644

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

### NOTE 5 - ADVANCES TO OTHER FUNDS (cont.)

#### *Advance to Tax Incremental Financing (TIF) District (cont.)*

Repayment requirements to maturity follow:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 124,750	\$ 43,282	\$ 168,032
2013	128,411	37,045	165,456
2014	132,180	30,624	162,804
2015	136,060	24,015	160,075
2016	140,055	17,212	157,267
2017	144,168	10,209	154,377
2018	<u>60,020</u>	<u>3,001</u>	<u>63,021</u>
Totals	<u>\$ 865,644</u>	<u>\$ 165,388</u>	<u>\$ 1,031,032</u>

### NOTE 6 - CHANGES IN CAPITAL ASSETS

#### *Water Utility*

A summary of changes in water capital assets for 2011 follows:

	<u>Balance 01/01/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/11</u>
Capital assets, not being depreciated				
Land and land rights	\$ 36,137	\$ -	\$ -	\$ 36,137
Capital assets being depreciated				
Source of supply	25,637	-	-	25,637
Pumping	132,421	-	-	132,421
Water treatment	3,809	-	-	3,809
Transmission and distribution	4,818,376	133,145	23,860	4,927,661
General	<u>129,096</u>	<u>-</u>	<u>-</u>	<u>129,096</u>
Total Capital Assets Being Depreciated	<u>5,109,339</u>	<u>133,145</u>	<u>23,860</u>	<u>5,218,624</u>
Total Capital Assets	<u>5,145,476</u>	<u>133,145</u>	<u>23,860</u>	<u>5,254,761</u>
Less: Accumulated depreciation	<u>(1,048,068)</u>	<u>(116,523)</u>	<u>23,860</u>	<u>(1,140,731)</u>
Construction in progress	<u>297,633</u>	<u>685,064</u>	<u>54,105</u>	<u>928,592</u>
Net Capital Assets	<u>\$ 4,395,041</u>			<u>\$ 5,042,622</u>

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

### NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

#### **NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)**

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

A summary of changes in water capital assets for 2010 follows:

	Balance 01/01/10	Increases	Decreases	Balance 12/31/10
Capital assets, not being depreciated				
Land and land rights	\$ 36,137	\$ -	\$ -	\$ 36,137
Capital assets being depreciated				
Source of supply	25,637	-	-	25,637
Pumping	124,523	7,898	-	132,421
Water treatment	3,809	-	-	3,809
Transmission and distribution	4,808,460	19,396	9,480	4,818,376
General	129,096	-	-	129,096
Total Capital Assets Being Depreciated	5,091,525	27,294	9,480	5,109,339
Total Capital Assets	5,127,662	27,294	9,480	5,145,476
Less: Accumulated depreciation	(942,422)	(115,126)	9,480	(1,048,068)
Construction in progress	253,295	44,338	-	297,633
Net Capital Assets	\$ 4,438,535			\$ 4,395,041

##### ***Sewer Utility***

A summary of changes in sewer capital assets for 2011 follows:

	Balance 01/01/11	Increases	Decreases	Balance 12/31/11
Capital assets, not being depreciated				
Land and land rights	\$ 215,728	\$ -	\$ -	\$ 215,728
Capital assets being depreciated				
Collecting system	3,921,381	26,957	6,740	3,941,598
Collecting system pumping	218,989	-	-	218,989
Treatment and disposal	6,353,902	-	-	6,353,902
General	323,994	-	-	323,994
Total Capital Assets Being Depreciated	10,818,266	26,957	6,740	10,838,483
Total Capital Assets	11,033,994	26,957	6,740	11,054,211
Less: Accumulated depreciation	(3,608,672)	(323,000)	6,740	(3,924,932)
Net Capital Assets	\$ 7,425,322			\$ 7,129,279

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

### NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

#### NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

##### *Sewer Utility* (cont.)

A summary of changes in sewer capital assets for 2010 follows:

	Balance 01/01/10	Increases	Decreases	Balance 12/31/10
Capital assets, not being depreciated				
Land and land rights	\$ 215,728	\$ -	\$ -	\$ 215,728
Capital assets being depreciated				
Collecting system	3,921,381	-	-	3,921,381
Collecting system pumping	213,094	11,791	5,896	218,989
Treatment and disposal	6,350,211	7,383	3,692	6,353,902
General	323,994	-	-	323,994
Total Capital Assets Being Depreciated	<u>10,808,680</u>	<u>19,174</u>	<u>9,588</u>	<u>10,818,266</u>
Total Capital Assets	<u>11,024,408</u>	<u>19,174</u>	<u>9,588</u>	<u>11,033,994</u>
Less: Accumulated depreciation	<u>(3,295,556)</u>	<u>(322,704)</u>	<u>9,588</u>	<u>(3,608,672)</u>
Net Capital Assets	<u>\$ 7,728,852</u>			<u>\$ 7,425,322</u>

#### NOTE 7 - LONG-TERM OBLIGATIONS

##### *Revenue Bonds - Sewer*

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/11
8/27/97	Wastewater treatment plant improvements	5/1/17	3.096%	\$ 6,351,233	\$ 2,420,852
11/24/98	Wastewater collection system improvements	5/1/18	2.640	1,155,695	493,472

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010

**NOTE 7 - LONG-TERM OBLIGATIONS (cont.)**

***Revenue Bonds - Sewer (cont.)***

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 438,464	\$ 81,338	\$ 519,802
2013	451,741	67,859	519,600
2014	465,422	53,970	519,392
2015	479,519	39,659	519,178
2016	494,044	24,913	518,957
2017	509,010	9,720	518,730
2018	<u>76,124</u>	<u>1,005</u>	<u>77,129</u>
Totals	<u>\$ 2,914,324</u>	<u>\$ 278,464</u>	<u>\$ 3,192,788</u>

All sewer utility 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 2011 and 2010 were \$519,997 and \$520,187, respectively. Total customer gross revenues as defined for the same periods were \$912,595 and \$889,355. Annual principal and interest payments are expected to require 50% of gross revenues on average.

***Revenue Bonds - Water***

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 12/31/11</u>
12/27/07	Water system improvements	11/1/22	3.55-4.10%	\$ 1,265,000	\$ 1,180,000

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 90,000	\$ 45,623	\$ 135,623
2013	95,000	42,383	137,383
2014	95,000	38,915	133,915
2015	100,000	35,400	135,400
2016	105,000	31,650	136,650
2017	105,000	27,660	132,660
2018-2022	<u>590,000</u>	<u>72,841</u>	<u>662,841</u>
Totals	<u>\$ 1,180,000</u>	<u>\$ 294,472</u>	<u>\$ 1,474,472</u>

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

### NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

#### NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

##### *Revenue Bonds - Water* (cont.)

All water utility 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 2011 and 2010 were \$165,428 and \$164,933, respectively. Total customer gross revenues as defined for the same periods were \$483,049 and \$493,195. Annual principal and interest payments are expected to require 28% of gross revenues on average.

##### *General Obligation Debt*

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/11
12/27/07	To finance new sewer projects	03/01/17	3.40-3.75%	\$ 760,000	\$ 585,000

General obligation bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2012	\$ 60,000	\$ 20,481	\$ 80,481
2013	60,000	18,336	78,336
2014	65,000	16,078	81,078
2015	65,000	13,714	78,714
2016	70,000	11,233	81,233
2017	265,000	4,969	269,969
Totals	<u>\$ 585,000</u>	<u>\$ 84,811</u>	<u>\$ 669,811</u>

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

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

	1/1/11 Balance	Additions	Reductions	12/31/11 Balance	Due Within One Year
Revenue bonds	\$ 4,634,901	\$ -	\$ 540,577	\$ 4,094,324	\$ 528,464
General obligation debt	645,000	-	60,000	585,000	60,000
Accrued sick leave	10,278	11,107	13,484	7,901	-
Totals	<u>\$ 5,290,179</u>	<u>\$ 11,107</u>	<u>\$ 614,061</u>	<u>\$ 4,687,225</u>	<u>\$ 588,464</u>

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010

**NOTE 7 - LONG-TERM OBLIGATIONS (cont.)**

***Long-Term Obligations Summary*** (cont.)

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

	<u>1/1/10</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/10</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 5,157,971	\$ -	\$ 523,070	\$ 4,634,901	\$ 540,577
General obligation debt	705,000	-	60,000	645,000	60,000
Accrued sick leave	<u>10,278</u>	<u>10,680</u>	<u>10,680</u>	<u>10,278</u>	<u>-</u>
Totals	<u>\$ 5,873,249</u>	<u>\$ 10,680</u>	<u>\$ 593,750</u>	<u>\$ 5,290,179</u>	<u>\$ 600,577</u>

***Bond Covenant Disclosures***

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

***Insurance***

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

The utility is covered under the following insurance policies at December 31, 2011:

<u>Type</u>	<u>Coverage</u>
<i>Community Insurance Corporation</i>	
General Liability	\$ 3,000,000
Automobile	3,000,000
Workers Compensation	100,000
<i>Fidelity &amp; Deposit Companies</i>	
Employee Theft	\$ 100,000
P.S. Bond	30,000
<i>Hartford Steam &amp; Boiler</i>	
Boiler and Machinery	\$ 50,000,000

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010

**NOTE 7 - LONG-TERM OBLIGATIONS (cont.)**

*Bond Covenant Disclosures (cont.)*

*Debt Coverage - Sewer*

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.10 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 2011 but not 2010 as follows:

	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 670,460	\$ 696,797
Investment income	14,952	16,036
Connection fees	56,647	3,553
TIF principal and interest	170,536	172,969
Replacement account deposit	-	(49,300)
Less: Operation and maintenance expenses	<u>(332,804)</u>	<u>(322,009)</u>
 Net Defined Earnings	 <u>\$ 579,791</u>	 <u>\$ 518,046</u>
 Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 519,802	\$ 519,998
Coverage factor	<u>1.10</u>	<u>1.10</u>
 Minimum Required Earnings	 <u>\$ 571,782</u>	 <u>\$ 571,998</u>
 Actual Debt Coverage	 <u>1.12</u>	 <u>1.00</u>

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

### NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

#### NOTE 7 - 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 1.25 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 as follows:

	2011	2010
Operating revenues	\$ 468,097	\$ 477,159
Investment income	14,952	16,036
Less: Operation and maintenance expenses	(199,106)	(178,340)
Net Defined Earnings	\$ 283,943	\$ 314,855
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 165,428	\$ 165,428
Coverage factor	1.25	1.25
Minimum Required Earnings	\$ 206,785	\$ 206,785
Actual Debt Coverage	1.72	1.90

##### *Number of Customers and Billed Volumes - Sewer*

The utility has the following number of customers and billed volumes for 2011 and 2010:

	Customers		Sales (000 gals)	
	2011	2010	2011	2010
Residential	1,034	1,028	46,089	46,094
Commercial	85	81	31,558	38,207
Industrial	7	6	191	174
Public authority	15	14	1,862	1,997
Totals	1,141	1,129	79,700	86,472

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010

**NOTE 7 - LONG-TERM OBLIGATIONS (cont.)**

*Bond Covenant Disclosures (cont.)*

*Number of Customers and Billed Volumes - Water*

The utility has the following number of customers and billed volumes for 2011 and 2010:

	Customers		Sales (000 gals)	
	2011	2010	2011	2010
Residential	1,034	1,028	46,630	46,436
Commercial	85	81	27,422	36,315
Industrial	7	6	349	271
Public authority	15	14	1,920	2,016
Totals	<u>1,141</u>	<u>1,129</u>	<u>76,321</u>	<u>85,038</u>

**NOTE 8 - 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 - This component of net asset consists 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 utility's policy to use restricted resources first, then unrestricted resources as they are needed.

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010

**NOTE 8 - NET ASSETS (cont.)**

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

	<u>2011</u>	<u>2010</u>
Plant in service	\$ 16,308,972	\$ 16,179,470
Accumulated depreciation	(5,065,663)	(4,656,740)
Construction work in progress	<u>928,592</u>	<u>297,633</u>
Sub-Totals	<u>12,171,901</u>	<u>11,820,363</u>
Less: Capital related debt		
Current portion of capital related long-term debt	588,464	600,577
Long-term portion of capital related long-term debt	4,090,860	4,679,324
Unamortized debt issuance costs funded with borrowing	(25,632)	(31,858)
Advance to TIF - non-current portion	(740,894)	(865,644)
Advance to TIF - current portion	<u>(124,750)</u>	<u>(121,194)</u>
Sub-Totals	<u>3,788,048</u>	<u>4,261,205</u>
Add: Unspent debt proceeds		
Construction funds	<u>694,730</u>	<u>694,730</u>
 Total Net Assets Invested in Capital Assets, Net of Related Debt	 <u>\$ 9,078,583</u>	 <u>\$ 8,253,888</u>

**NOTE 9 - EMPLOYEES RETIREMENT SYSTEM**

All eligible employees of the utility participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (1,200 hours for employees hired on or after July 1, 2011) are eligible to participate in the System. Covered employees in the General category were required by statute to contribute 6.2% of their salary in 2010, 6.5% of their salary through June 28, 2011 and 5.8% of their salary beginning June 29, 2011. Employers generally make these contributions to the plan on behalf of employees through June 28, 2011. Thereafter, employees are required to fund their contribution, subject to terms of employment contracts and which employee group they are a member of. 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.

	<u>Year Ended December 31</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total Covered Employee Payroll	\$ 184,776	\$ 196,053	\$ 194,535
Total Required Contributions	<u>\$ 20,325</u>	<u>\$ 21,566</u>	<u>\$ 20,232</u>
Total Required Contributions	<u>11.0%</u>	<u>11.0%</u>	<u>10.4%</u>

Details of the plan are disclosed in the basic financial statements of the Village of Marshall.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

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### NOTE 10 - COMMITMENTS AND CONTINGENCIES

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#### *Claims and Judgments*

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

#### *Open Contracts*

The utility has open contracts for approximately \$732,200 for the construction of well #3. As of December 31, 2011, approximately \$325,500 has been expended.

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### NOTE 11 - SIGNIFICANT CUSTOMERS

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#### *Water Utility*

The utility has one significant customer who was responsible for 9% and 10% of operating revenues in 2011 and 2010, respectively.

#### *Sewer Utility*

The utility has one significant customer who was responsible for 21% and 26% of operating revenues in 2011 and 2010, respectively.

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### NOTE 12 - SUBSEQUENT EVENTS

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The utility evaluated subsequent events through March 27, 2012, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

#### *Rate Adjustment*

A 9% increase in sewer rates was approved by the Village Board effective February 11, 2012.

The PSCW approved an increase in water rates effective in 2012. This rate increase will cause an increase revenues by approximately 12%.

**SUPPLEMENTAL INFORMATION**

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

## WATER UTILITY PLANT December 31, 2011

	Balance 1/1/11	Additions	Retirements	Balance 12/31/11
<b>SOURCE OF SUPPLY</b>				
Land and land rights	\$ 36,138	\$ -	\$ -	\$ 36,138
Wells and springs	25,637	-	-	25,637
Total Source of Supply	61,775	-	-	61,775
<b>PUMPING</b>				
Structures and improvements	29,772	-	-	29,772
Electric pumping equipment	88,883	-	-	88,883
Diesel pumping equipment	13,766	-	-	13,766
Total Pumping	132,421	-	-	132,421
<b>WATER TREATMENT</b>				
Water treatment equipment	3,809	-	-	3,809
<b>TRANSMISSION AND DISTRIBUTION</b>				
Distribution reservoirs and standpipes	462,722	-	-	462,722
Transmission and distribution mains	2,804,625	98,018	14,310	2,888,333
Services	920,629	-	-	920,629
Meters	240,081	12,632	5,040	247,673
Hydrants	390,318	22,495	4,510	408,303
Total Transmission and Distribution	4,818,375	133,145	23,860	4,927,660
<b>GENERAL</b>				
Office furniture and equipment	3,053	-	-	3,053
Computer equipment	14,247	-	-	14,247
Transportation equipment	65,645	-	-	65,645
Miscellaneous equipment	46,151	-	-	46,151
Total General	129,096	-	-	129,096
<b>TOTAL WATER UTILITY PLANT</b>	<b>\$ 5,145,476</b>	<b>\$ 133,145</b>	<b>\$ 23,860</b>	<b>\$ 5,254,761</b>

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

**SEWER UTILITY PLANT**

December 31, 2011

	Balance 1/1/11	Additions	Retirements	Balance 12/31/11
<b>COLLECTING SYSTEM</b>				
Land and land rights	\$ 3,737	\$ -	\$ -	\$ 3,737
Service connections	861,850	723	180	862,393
Collecting mains	2,817,000	26,234	6,560	2,836,674
Interceptor mains	123,575	-	-	123,575
Force mains	118,956	-	-	118,956
Total Collecting System	<u>3,925,118</u>	<u>26,957</u>	<u>6,740</u>	<u>3,945,335</u>
<b>COLLECTING SYSTEM PUMPING</b>				
Electric pumping equipment	<u>218,989</u>	-	-	<u>218,989</u>
<b>TREATMENT AND DISPOSAL</b>				
Land and land rights	211,991	-	-	211,991
Structures and improvements	973,635	-	-	973,635
Preliminary treatment equipment	702,787	-	-	702,787
Primary treatment equipment	4,443	-	-	4,443
Secondary treatment equipment	1,546,283	-	-	1,546,283
Chlorination equipment	180,298	-	-	180,298
Sludge treatment and disposal equipment	1,721,524	-	-	1,721,524
Plant site piping	961,187	-	-	961,187
Flow metering and monitoring equipment	5,005	-	-	5,005
Outfall sewer pipes	183,873	-	-	183,873
Other treatment and disposal equipment	74,867	-	-	74,867
Total Treatment and Disposal	<u>6,565,893</u>	-	-	<u>6,565,893</u>
<b>GENERAL</b>				
Office furniture and equipment	15,594	-	-	15,594
Computer equipment	90,407	-	-	90,407
Transportation equipment	117,251	-	-	117,251
Other general equipment	100,742	-	-	100,742
Total General	<u>323,994</u>	-	-	<u>323,994</u>
<b>TOTAL SEWER UTILITY PLANT</b>	<u>\$11,033,994</u>	<u>\$ 26,957</u>	<u>\$ 6,740</u>	<u>\$11,054,211</u>

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

### WATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2011 and 2010

	2011	2010
<b>OPERATING REVENUES</b>		
Sales of Water		
Unmetered	\$ 762	\$ 667
Metered		
Residential	196,069	194,476
Commercial	63,888	75,145
Industrial	1,336	1,185
Public authorities	6,745	6,910
Total Metered Sales	268,038	277,716
Private fire protection	900	900
Public fire protection	172,219	171,722
Total Sales of Water	441,919	451,005
Other Operating Revenues		
Forfeited discounts	4,133	4,203
Rents from water property	14,231	13,816
Other	7,814	8,135
Total Operating Revenues	468,097	477,159
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Plant Operation and Maintenance		
Salaries and wages	59,900	60,367
Fuel or power purchased for pumping	18,385	17,769
Chemicals	11,243	10,395
Supplies	3,498	4,789
Maintenance	14,850	18,150
Transportation	2,108	2,581
Total Plant Operation and Maintenance	109,984	114,051
Administrative and General		
Salaries	15,619	15,177
Office supplies	7,776	8,606
Outside services employed	20,064	6,963
Insurance	7,040	7,667
Employee pensions and benefits	17,180	13,583
Regulatory commission	7,066	-
Miscellaneous	9,906	8,056
Total General and Administrative	84,651	60,052
Taxes	4,471	4,237
Total Operation and Maintenance	199,106	178,340
Depreciation	109,816	108,660
Total Operating Expenses	308,922	287,000
<b>OPERATING INCOME</b>	<b>\$ 159,175</b>	<b>\$ 190,159</b>

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

### SEWER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2011 and 2010

	2011	2010
<b>OPERATING REVENUES</b>		
Sewer Revenues		
Residential	\$ 423,181	\$ 423,784
Commercial	217,617	244,799
Industrial	2,023	1,933
Public authorities	18,134	18,982
Total Sewer Revenues	660,955	689,498
Other Operating Revenues		
Forfeited discounts	5,957	5,827
Holding Tank Revenue	10	187
Miscellaneous	3,538	1,285
Total Operating Revenues	670,460	696,797
 <b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Operation		
Supervision and labor	104,245	114,473
Power and fuel for pumping	59,652	53,421
Other chemicals	3,887	3,068
Other operating supplies	8,606	11,407
Joint metering costs	7,632	7,646
Transportation	2,108	2,592
Sludge hauling	9,171	11,077
Total Operation	195,301	203,684
Maintenance		
Collection system	15,060	12,068
Pumping equipment	4,448	12,070
Treatment and disposal plant equipment	10,807	3,153
General plant structures and equipment	3,596	7,223
Total Maintenance	33,911	34,514
Customer Accounts		
Accounting and collecting	11,527	11,240
Administrative and General		
Salaries	4,092	3,936
Office supplies	8,611	8,962
Outside services employed	22,527	5,240
Insurance	9,157	10,443
Employees pensions and benefits	23,652	21,942
Regulatory commission	4,329	4,361
Miscellaneous	8,273	5,899
Total Administrative and General	80,641	60,783
Taxes	11,424	11,788
Total Operation and Maintenance	332,804	322,009
Depreciation	329,707	329,170
Total Operating Expenses	662,511	651,179
 <b>OPERATING INCOME</b>	 <b>\$ 7,949</b>	 <b>\$ 45,618</b>

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

### RATE OF RETURN - REGULATORY BASIS December 31, 2011 and 2010

	Water	
	2011	2010
Utility Plant in Service		
Beginning of year	\$ 3,253,935	\$ 3,236,121
End of year	<u>3,371,802</u>	<u>3,253,935</u>
Average	<u>3,312,869</u>	<u>3,245,028</u>
Accumulated Depreciation		
Beginning of year	(635,254)	(563,108)
End of year	<u>(703,065)</u>	<u>(635,254)</u>
Average	<u>(669,160)</u>	<u>(599,181)</u>
Regulatory Liability		
Beginning of year	(125,059)	(134,679)
End of year	<u>(115,439)</u>	<u>(125,059)</u>
Average	<u>(120,249)</u>	<u>(129,869)</u>
 AVERAGE NET RATE BASE	 <u>\$ 2,523,460</u>	 <u>\$ 2,515,978</u>
 OPERATING INCOME - REGULATORY BASIS	 <u>\$ 97,178</u>	 <u>\$ 133,141</u>
 RATE OF RETURN (PERCENT)	 <u>3.85</u>	 <u>5.29</u>
 AUTHORIZED RATE OF RETURN (PERCENT)	 <u>6.50</u>	 <u>6.50</u>

This schedule is computed based on Public Service Commission of Wisconsin regulatory accounting which differs from accounting principles generally accepted in the United States of America due to GASB No. 34 as well as PSC order 05-US-105.