



3015 (02-09-04)

ANNUAL REPORT

OF

Name: WAUNONA SANITARY DISTRICT 2

Principal Office: 3325 THURBER AVENUE
MADISON, WI 53714

For the Year Ended: DECEMBER 31, 2001

**WATER, ELECTRIC, OR JOINT UTILITY
TO
PUBLIC SERVICE COMMISSION OF WISCONSIN**P.O. Box 7854
Madison, WI 53707-7854
(608) 266-3766

This form is required under Wis. Stat. § 196.07. Failure to file the form by the statutory filing date can result in the imposition of a penalty under Wis. Stat. § 196.66. The penalty which can be imposed by this section of the statutes is a forfeiture of not less than \$25 nor more than \$5,000 for each violation. Each day subsequent to the filing date constitutes a separate and distinct violation. The filed form is available to the public and personally identifiable information may be used for purposes other than those related to public utility regulation.

TABLE OF CONTENTS

Schedule Name	Page
General Rules for Reporting	i
Signature Page	ii
Table of Contents	iii
Identification and Ownership	iv
FINANCIAL SECTION	
Income Statement	F-01
Income Statement Account Details	F-02
Income from Merchandising, Jobbing & Contract Work (Accts. 415-416)	F-03
Revenues Subject to Wisconsin Remainder Assessment	F-04
Balance Sheet	F-05
Net Utility Plant	F-06
Accumulated Provision for Depreciation and Amortization of Utility Plant (Acct. 110)	F-07
Net Nonutility Property (Accts. 121 & 122)	F-08
Accumulated Provision for Uncollectible Accounts-Cr. (Acct. 144)	F-09
Materials and Supplies	F-10
Unamortized Debt Discount & Expense & Premium on Debt (Accts. 181 and 251)	F-11
Capital Paid in by Municipality (Acct. 200)	F-12
Bonds (Acct. 221)	F-13
Notes Payable & Miscellaneous Long-Term Debt	F-14
Taxes Accrued (Acct. 236)	F-15
Interest Accrued (Acct. 237)	F-16
Contributions in Aid of Construction (Account 271)	F-17
Balance Sheet End-of-Year Account Balances	F-18
Return on Rate Base Computation	F-19
Return on Proprietary Capital Computation	F-20
Important Changes During the Year	F-21
Financial Section Footnotes	F-22
WATER OPERATING SECTION	
Water Operating Revenues & Expenses	W-01
Water Operating Revenues - Sales of Water	W-02
Sales for Resale (Acct. 466)	W-03
Other Operating Revenues (Water)	W-04
Water Operation & Maintenance Expenses	W-05
Taxes (Acct. 408 - Water)	W-06
Water Utility Plant in Service	W-08
Source of Supply, Pumping and Purchased Water Statistics	W-10
Sources of Water Supply - Ground Waters	W-11
Sources of Water Supply - Surface Waters	W-12
Pumping & Power Equipment	W-13
Reservoirs, Standpipes & Water Treatment	W-14
Water Mains	W-15
Water Services	W-16
Meters	W-17
Hydrants and Distribution System Valves	W-18
Water Operating Section Footnotes	W-19

IDENTIFICATION AND OWNERSHIP

Exact Utility Name: WAUNONA SANITARY DISTRICT 2

Utility Address: 3325 THURBER AVENUE
MADISON, WI 53714

When was utility organized? 4/30/1950

Report any change in name:

Effective Date:

Utility Web Site:

Utility employee in charge of correspondence concerning this report:

Name: TERRI WINANS

Title: CLERK

Office Address:

3325 THURBER AVENUE
MADISON, WI 53714

Telephone: (608) 249 - 0705

Fax Number:

E-mail Address:

Individual or firm, if other than utility employee, preparing this report:

Name:

Title:

Office Address: VIRCHOW, KRAUSE & CO., LLP

TEN TERRACE COURT
P.O. BOX 7398
MADISON, WI 53707

Telephone: (608) 249 - 6622

Fax Number: (608) 249 - 8532

E-mail Address: cpa@virchowkrause.com

President, chairman, or head of utility commission/board or committee:

Name: HAROLD BOHNE

Title: PRESIDENT

Office Address:

3325 THURBER AVENUE
MADISON, WI 53714

Telephone: (608) 249 - 0705

Fax Number: (608) 249 - 7182

E-mail Address:

Are records of utility audited by individuals or firms, other than utility employee? NO

IDENTIFICATION AND OWNERSHIP

Individual or firm, if other than utility employee, auditing utility records:

Name:

Title:

Office Address:

Telephone:

Fax Number:

E-mail Address:

Date of most recent audit report:

Period covered by most recent audit:

Names and titles of utility management including manager or superintendent:

Name: HAROLD BOHNE

Title: PRESIDENT

Office Address:

3325 THURBER AVENUE
MADISON, WI 53714

Telephone: (608) 249 - 0705

Fax Number: (608) 249 - 7182

E-mail Address:

Name of utility commission/committee: UTLITY COMMISSION

Names of members of utility commission/committee:

HAROLD BOHNE

JAMIE GUNDLACH

Is sewer service rendered by the utility? YES

If "yes," has the municipality, by ordinance, combined the water and sewer service into a single public utility, as provided by Wis. Stat. § 66.0819 of the Wisconsin Statutes?NO

Date of Ordinance:

Are any of the utility administrative or operational functions under contract or agreement with an outside provider for the year covered by this annual report and/or current year (i.e., operation of water or sewer treatment plant)? NO

Provide the following information regarding the provider(s) of contract services:

IDENTIFICATION AND OWNERSHIP

Firm Name:

Contact Person:

Title:

Telephone:

Fax Number:

E-mail Address:

Contract/Agreement beginning-ending dates:

Provide a brief description of the nature of Contract Operations being provided:

INCOME STATEMENT

Particulars (a)	This Year (b)	Last Year (c)	
UTILITY OPERATING INCOME			
Operating Revenues (400)	54,116	60,912	1
Operating Expenses:			
Operation and Maintenance Expense (401)	96,352	98,708	2
Depreciation Expense (403)	2,550	2,515	3
Amortization Expense (404)	0	0	4
Taxes (408)	583	661	5
Total Operating Expenses	99,485	101,884	
Net Operating Income	(45,369)	(40,972)	
Income from Utility Plant Leased to Others (412-413)	0	0	6
Utility Operating Income	(45,369)	(40,972)	
OTHER INCOME			
Income from Merchandising, Jobbing and Contract Work (415-416)	0	0	7
Nonoperating Rental Income (418)	0	0	8
Interest and Dividend Income (419)	4,486	4,767	9
Miscellaneous Nonoperating Income (421)	(21,726)	(14,852)	10
Total Other Income	(17,240)	(10,085)	
Total Income	(62,609)	(51,057)	
MISCELLANEOUS INCOME DEDUCTIONS			
Miscellaneous Amortization (425)	0	0	11
Other Income Deductions (426)	0	0	12
Total Miscellaneous Income Deductions	0	0	
Income Before Interest Charges	(62,609)	(51,057)	
INTEREST CHARGES			
Interest on Long-Term Debt (427)	0	0	13
Amortization of Debt Discount and Expense (428)			14
Amortization of Premium on Debt--Cr. (429)			15
Interest on Debt to Municipality (430)	0	0	16
Other Interest Expense (431)	0	0	17
Interest Charged to Construction--Cr. (432)			18
Total Interest Charges	0	0	
Net Income	(62,609)	(51,057)	
EARNED SURPLUS			
Unappropriated Earned Surplus (Beginning of Year) (216)	217,428	268,485	19
Balance Transferred from Income (433)	(62,609)	(51,057)	20
Miscellaneous Credits to Surplus (434)	0	0	21
Miscellaneous Debits to Surplus--Debit (435)	0	0	22
Appropriations of Surplus--Debit (436)	0	0	23
Appropriations of Income to Municipal Funds--Debit (439)	0	0	24
Total Unappropriated Earned Surplus End of Year (216)	154,819	217,428	

INCOME STATEMENT ACCOUNT DETAILS

1. Report each item (when individually or when like items are combined) greater than \$10,000 (class AB), \$5,000 (class C) and \$2,000 (class D) and all other lesser amounts grouped as Miscellaneous. Describe fully using other than account titles.
 2. Nonregulated sewer income should be reported as Miscellaneous Nonoperating Income, Account 421.

Description of Item (a)	Amount (b)	
Revenues from Utility Plant Leased to Others (412):		
NONE		1
Total (Acct. 412):	0	
Expenses of Utility Plant Leased to Others (413):		
NONE		2
Total (Acct. 413):	0	
Nonoperating Rental Income (418):		
NONE		3
Total (Acct. 418):	0	
Interest and Dividend Income (419):		
INVESTMENT INCOME	4,486	4
Total (Acct. 419):	4,486	
Miscellaneous Nonoperating Income (421):		
LEVY TO CITY OF MADISON AND TOWN OF BLOOMING GROVE	11,098	5
NONREGULATED SEWER LOSS	(32,824)	6
Total (Acct. 421):	(21,726)	
Miscellaneous Amortization (425):		
NONE		7
Total (Acct. 425):	0	
Other Income Deductions (426):		
NONE		8
Total (Acct. 426):	0	
Miscellaneous Credits to Surplus (434):		
NONE		9
Total (Acct. 434):	0	
Miscellaneous Debits to Surplus (435):		
NONE		10
Total (Acct. 435)--Debit:	0	
Appropriations of Surplus (436):		
Detail appropriations to (from) account 215		11
Total (Acct. 436)--Debit:	0	
Appropriations of Income to Municipal Funds (439):		
NONE		12
Total (Acct. 439)--Debit:	0	

INCOME FROM MERCHANDISING, JOBBING & CONTRACT WORK (ACCTS. 415-416)

Particulars (a)	Water (b)	Electric (c)	Sewer (d)	Gas (e)	Total (f)	
Revenues (account 415)					0	1
Costs and Expenses of Merchandising, Jobbing and Contract Work (416):						
Cost of merchandise sold					0	2
Payroll					0	3
Materials					0	4
Taxes					0	5
Other (list by major classes):					0	6
Total costs and expenses	0	0	0	0	0	
Net income (or loss)	0	0	0	0	0	

REVENUES SUBJECT TO WISCONSIN REMAINDER ASSESSMENT

1. Report data necessary to calculate revenue subject to Wisconsin remainder assessment pursuant to Wis. Stat. § 196.85(2) and Wis. Admin. Code Ch. PSC 5.
2. If the sewer department is not regulated by the PSC, do not report sewer department data in column (d).

Description (a)	Water Utility (b)	Electric Utility (c)	Sewer Utility (Regulated Only) (d)	Gas Utility (e)	Total (f)	
Total operating revenues	54,116	0	0	0	54,116	1
Less: interdepartmental sales	0		0	0	0	2
Less: interdepartmental rents					0	3
Less: return on net investment in meters charged to regulated sewer department. (Do not report if nonregulated sewer.)	0				0	4
Less: uncollectibles directly expensed as reported in water acct. 904 (690 class D), sewer acct. 843, and electric acct. 904 (590 class D) -or- Net write-offs when Accumulated Provision for Uncollectible Accounts (acct. 144) is maintained					0	5
Other Increases or (Decreases) to Operating Revenues - Specify:						
.					0	6
Revenues subject to Wisconsin Remainder Assessment	54,116	0	0	0	54,116	

BALANCE SHEET

Assets and Other Debits (a)	Balance End of Year (b)	Balance First of Year (c)	
UTILITY PLANT			
Utility Plant (100)	164,355	159,748	1
Less: Accumulated Provision for Depreciation and Amortization of Utility Plant (110)	77,495	74,602	2
Net Utility Plant	86,860	85,146	
OTHER PROPERTY AND INVESTMENTS			
Nonutility Property (121)	159,085	155,805	3
Less: Accumulated Provision for Depreciation and Amortization of Nonutility Property (122)	116,431	113,282	4
Net Nonutility Property	42,654	42,523	
Investment in Municipality (123)	0	0	5
Other Investments (124)	0	0	6
Special Funds (125)	0	0	7
Total Other Property and Investments	42,654	42,523	
CURRENT AND ACCRUED ASSETS			
Cash and Working Funds (131)	6,608	66,660	8
Temporary Cash Investments (132)	86,882	82,887	9
Notes Receivable (141)	0	0	10
Customer Accounts Receivable (142)	25,831	22,646	11
Other Accounts Receivable (143)	0	0	12
Accumulated Provision for Uncollectible Accounts- -Cr. (144)	0	0	13
Receivables from Municipality (145)	42,852	58,778	14
Materials and Supplies (150)	0	0	15
Prepayments (165)	0	0	16
Other Current and Accrued Assets (170)			17
Total Current and Accrued Assets	162,173	230,971	
DEFERRED DEBITS			
Unamortized Debt Discount and Expense (181)	0	0	18
Extraordinary Property Losses (182)	0	0	19
Other Deferred Debits (183)	0	0	20
Total Deferred Debits	0	0	
Total Assets and Other Debits	291,687	358,640	

BALANCE SHEET

Liabilities and Other Credits (a)	Balance End of Year (b)	Balance First of Year (c)	
PROPRIETARY CAPITAL			
Capital Paid in by Municipality (200)	0	0	21
Appropriated Earned Surplus (215)			22
Unappropriated Earned Surplus (216)	154,819	217,428	23
Total Proprietary Capital	154,819	217,428	
LONG-TERM DEBT			
Bonds (221)	0	0	24
Advances from Municipality (223)	0	0	25
Other long-Term Debt (224)	0	0	26
Total Long-Term Debt	0	0	
CURRENT AND ACCRUED LIABILITIES			
Notes Payable (231)	0	0	27
Accounts Payable (232)	35,915	40,055	28
Payables to Municipality (233)	0	0	29
Customer Deposits (235)			30
Taxes Accrued (236)	0	0	31
Interest Accrued (237)	0	0	32
Other Current and Accrued Liabilities (238)		204	33
Total Current and Accrued Liabilities	35,915	40,259	
DEFERRED CREDITS			
Unamortized Premium on Debt (251)	0	0	34
Customer Advances for Construction (252)			35
Other Deferred Credits (253)	0	0	36
Total Deferred Credits	0	0	
OPERATING RESERVES			
Miscellaneous Operating Reserves (265)			37
Total Operating Reserves	0	0	
CONTRIBUTIONS IN AID OF CONSTRUCTION			
Contributions in Aid of Construction (271)	100,953	100,953	38
Total Liabilities and Other Credits	291,687	358,640	

NET UTILITY PLANT

Report utility plant accounts and related accumulated provisions for depreciation and amortization after allocation of common plant accounts and related provisions for depreciation and amortization to utility departments as of December 31.

Particulars (a)	Water (b)	Sewer (c)	Gas (d)	Electric (e)	
Plant Accounts:					
Utility Plant in Service (100)	164,355	0	0	0	1
Utility Plant Purchased or Sold (391)					2
Utility Plant in Process of Reclassification (392)					3
Utility Plant Leased to Others (393)					4
Property Held for Future Use (394)					5
Construction Work in Progress (395)					6
Utility Plant Acquisition Adjustments (396)					7
Other Utility Plant Adjustments (397)					8
Total Utility Plant	164,355	0	0	0	
Accumulated Provision for Depreciation and Amortization:					
Accumulated Provision for Depreciation of Utility Plant in Service (110)	77,495	0	0	0	9
Total Accumulated Provision	77,495	0	0	0	
Net Utility Plant	86,860	0	0	0	

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF UTILITY PLANT (ACCT. 110)

Depreciation Accruals (Credits) during the year:

1. Report the amounts charged in the operating sections to Depreciation Expense (403).
2. If sewer operations are nonregulated, do not report sewer depreciation on this schedule.
3. Report the Depreciation Expense on Meters charged to sewer operations as an addition in the Water column.
If the sewer is also a regulated utility by the PSC, report an equal amount as a reduction in the Sewer column.
4. Report all other accruals charged to other accounts, such as to clearing accounts.

Particulars (a)	Water (b)	(c)	(d)	(e)	Total (f)	
Balance first of year	74,602				74,602	1
Credits During Year						2
Accruals:						3
Charged depreciation expense (403)	2,550				2,550	4
Depreciation expense on meters						5
charged to sewer (see Note 3)	692				692	6
Accruals charged other						7
accounts (specify):						8
					0	9
Salvage					0	10
Other credits (specify):						11
					0	12
Total credits	3,242	0	0	0	3,242	13
Debits during year						14
Book cost of plant retired	349				349	15
Cost of removal					0	16
Other debits (specify):						17
					0	18
Total debits	349	0	0	0	349	19
Balance End of Year	77,495	0	0	0	77,495	20
Composite Depreciation Rate?	Yes					21
If yes, what is the rate?	2.00%					22

NET NONUTILITY PROPERTY (ACCTS. 121 & 122)

1. Report separately each item of property with a book cost of \$5,000 or more included in account 121.
2. Other items may be grouped by classes of property.
3. Describe in detail any investment in sewer department carried in this account.

Description (a)	Balance First of Year (b)	Additions During Year (c)	Deductions During Year (d)	Balance End of Year (e)	
Nonregulated sewer plant	155,805	3,280		159,085	1
Other (specify):					
NONE	0			0	2
Total Nonutility Property (121)	155,805	3,280	0	159,085	
Less accum. prov. depr. & amort. (122)	113,282	3,149		116,431	3
Net Nonutility Property	42,523	131	0	42,654	

ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS-CR. (ACCT. 144)

Particulars (a)	Amount (b)
Balance first of year	0 1
Additions:	
Provision for uncollectibles during year	2
Collection of accounts previously written off: Utility Customers	3
Collection of accounts previously written off: Others	4
Total Additions	<u>0</u>
Deductions:	
Accounts written off during the year: Utility Customers	5
Accounts written off during the year: Others	6
Total accounts written off	<u>0</u>
Balance end of year	<u><u>0</u></u>

MATERIALS AND SUPPLIES

Account (a)	Generation (b)	Transmission (c)	Distribution (d)	Other (e)	Total End of Year (f)	Amount Prior Year (g)
Electric Utility						
Fuel for generation					0	0 1
Other					0	0 2
Total Electric Utility					0	0

Account	Total End of Year	Amount Prior Year
Electric utility total	0	0 1
Water utility		0 2
Sewer utility		0 3
Gas utility		0 4
Merchandise		0 5
Other materials & supplies		0 6
Total Materials and Supplies	0	0

**UNAMORTIZED DEBT DISCOUNT & EXPENSE & PREMIUM ON DEBT
(ACCTS. 181 AND 251)**

Report net discount and expense or premium separately for each security issue.

Debt Issue to Which Related (a)	Written Off During Year		Balance End of Year (d)	
	Amount (b)	Account Charged or Credited (c)		
Unamortized debt discount & expense (181)				
NONE				1
Total			<u>0</u>	
Unamortized premium on debt (251)				
NONE				2
Total			<u>0</u>	

CAPITAL PAID IN BY MUNICIPALITY (ACCT. 200)

Report each item (when individually or when like items are combined) greater than \$10,000 (class AB), \$5,000 (class C) and \$2,000 (class D, sewer and privates) and all other lesser amounts grouped as Miscellaneous. Describe fully using other than account titles.

Particulars (a)	Amount (b)
Balance first of year	0 1
Changes during year (explain):	2
Balance end of year	0

BONDS (ACCT. 221)

- 1. Report hereunder information required for each separate issue of bonds.
- 2. If there is more than one interest rate for an aggregate obligation issue, average the interest rates and report one rate.
- 3. Proceeds advanced by the municipality from sale of general obligation bonds, if repayable by utility, should be included in account 223.

Description of Issue (a)	Date of Issue (b)	Final Maturity Date (c)	Interest Rate (d)	Principal Amount End of Year (e)
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NONE

NOTES PAYABLE & MISCELLANEOUS LONG-TERM DEBT

- 1. Report each class of debt included in Accounts 223, 224 and 231.
- 2. Proceeds of general obligation issues, if subject to repayment by the utility, should be included in Account 223.
- 3. If there is more than one interest rate for an aggregate obligation issue, average the interest rates and report one rate.

Account and Description of Obligation (a and b)	Date of Issue (c)	Final Maturity Date (d)	Interest Rate (e)	Principal Amount End of Year (f)
--	------------------------------	------------------------------------	------------------------------	---

NONE

TAXES ACCRUED (ACCT. 236)

Particulars (a)	Amount (b)	
Balance first of year	0	1
Accruals:		
Charged water department expense	583	2
Charged electric department expense		3
Charged sewer department expense	559	4
Other (explain):		
NONE		5
Total Accruals and other credits	<u>1,142</u>	
Taxes paid during year:		
County, state and local taxes		6
Social Security taxes	1,118	7
PSC Remainder Assessment	24	8
Other (explain):		
NONE		9
Total payments and other debits	<u>1,142</u>	
Balance end of year	<u><u>0</u></u>	

INTEREST ACCRUED (ACCT. 237)

1. Report below interest accrued on each utility obligation.
 2. Report Customer Deposits under Account 231.

Description of Issue (a)	Interest Accrued Balance First of Year (b)	Interest Accrued During Year (c)	Interest Paid During Year (d)	Interest Accrued Balance End of Year (e)	
Bonds (221)					
NONE	0			0	1
Subtotal	0	0	0	0	
Advances from Municipality (223)					
NONE	0			0	2
Subtotal	0	0	0	0	
Other long-Term Debt (224)					
NONE	0			0	3
Subtotal	0	0	0	0	
Notes Payable (231)					
NONE	0			0	4
Subtotal	0	0	0	0	
Total	0	0	0	0	

CONTRIBUTIONS IN AID OF CONSTRUCTION (ACCOUNT 271)

Particulars (a)	Water (b)	Electric		Sewer (e)	Gas (f)	Total (g)	
		Distribution (c)	Other (d)				
Balance First of Year	45,500	0	0	55,453	0	100,953	1
Add credits during year:							
For Services						0	2
For Mains						0	3
Other (specify):						0	4
Deduct charges (specify):						0	5
Balance End of Year	45,500	0	0	55,453	0	100,953	
Amount of federal and state grants in aid received for utility construction included in End of Year totals						0	6

BALANCE SHEET END-OF-YEAR ACCOUNT BALANCES

Report each item (when individually or when like items are combined) greater than \$10,000 (class AB), \$5,000 (class C) and \$2,000 (class D) and all other lesser amounts grouped as Miscellaneous. Describe fully using other than account titles.

Particulars (a)	Balance End of Year (b)	
Investment in Municipality (123):		
NONE		1
Total (Acct. 123):	0	
Other Investments (124):		
NONE		2
Total (Acct. 124):	0	
Special Funds (125):		
NONE		3
Total (Acct. 125):	0	
Notes Receivable (141):		
NONE		4
Total (Acct. 141):	0	
Customer Accounts Receivable (142):		
Water	25,468	5
Electric		6
Sewer (Regulated)		7
Other (specify):		
REPAIRS	100	8
IRS OVERPAYMENT	263	9
Total (Acct. 142):	25,831	
Other Accounts Receivable (143):		
Sewer (Non-regulated)		10
Merchandising, jobbing and contract work		11
Other (specify):		
NONE		12
Total (Acct. 143):	0	
Receivables from Municipality (145):		
PUBLIC FIRE PROTECTION	8,902	13
DELINQUENTS ON TAX ROLL	4,490	14
CURRENT YEAR TAX LEVY - BLOOMING GROVE AND MADISON	21,098	15
PRIOR YEAR TAX LEVY BALANCE - BLOOMING GROVE	8,362	16
Total (Acct. 145):	42,852	
Prepayments (165):		
NONE		17
Total (Acct. 165):	0	

BALANCE SHEET END-OF-YEAR ACCOUNT BALANCES

Report each item (when individually or when like items are combined) greater than \$10,000 (class AB), \$5,000 (class C) and \$2,000 (class D) and all other lesser amounts grouped as Miscellaneous. Describe fully using other than account titles.

Particulars (a)	Balance End of Year (b)
Extraordinary Property Losses (182):	
NONE	18
Total (Acct. 182):	0
Other Deferred Debits (183):	
NONE	19
Total (Acct. 183):	0
Payables to Municipality (233):	
NONE	20
Total (Acct. 233):	0
Other Deferred Credits (253):	
NONE	21
Total (Acct. 253):	0

RETURN ON RATE BASE COMPUTATION

1. The data used in calculating rate base are averages.
2. Calculate those averages by summing the first-of-year and the end-of-year figures for each account and then dividing the sum by two.
3. Note: Do not include property held for future use or construction work in progress with utility plant in service. These are not rate base components.

Average Rate Base (a)	Water (b)	Electric (c)	Sewer (d)	Gas (e)	Total (f)		
Add Average:							
Utility Plant in Service	162,051	0	0	0	162,051	1	
Materials and Supplies	0	0	0	0	0	2	
Other (specify):						0	3
Less Average:							
Reserve for Depreciation	76,048	0	0	0	76,048	4	
Customer Advances for Construction					0	5	
Contributions in Aid of Construction	45,500	0	0	0	45,500	6	
Other (specify):						0	7
Average Net Rate Base	40,503	0	0	0	40,503		
Net Operating Income	(45,369)	0	0	0	(45,369)	8	
Net Operating Income as a percent of Average Net Rate Base	-112.01%	N/A	N/A	N/A	-112.01%		

RETURN ON PROPRIETARY CAPITAL COMPUTATION

1. The data used in calculating proprietary capital are averages.
2. Calculate those averages by summing the first-of-year and end-of-year figures for each account and then dividing by two.

Description (a)	Amount (b)	
Average Proprietary Capital		
Capital Paid in by Municipality	0	1
Appropriated Earned Surplus	0	2
Unappropriated Earned Surplus	186,123	3
Other (Specify):		4
Total Average Proprietary Capital	186,123	
Net Income		
Net Income	(62,609)	5
Percent Return on Proprietary Capital	-33.64%	

IMPORTANT CHANGES DURING THE YEAR

Report changes of any of the following types:

1. Acquisitions.

2. Leaseholder changes.

3. Extensions of service.

4. Estimated changes in revenues due to rate changes.

5. Obligations incurred or assumed, excluding commercial paper.

6. Formal proceedings with the Public Service Commission.

7. Any additional matters.

FINANCIAL SECTION FOOTNOTES

Signature Page (Page ii)

ACCOUNTANTS' COMPILATION REPORT

Waunona Sanitary District #2
Madison, Wisconsin

We have compiled the accompanying Annual Report to the Public Service Commission of Waunona Sanitary District #2, an enterprise fund of the Village of Waunona as of December 31, 2001 and for the 12 months then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting, in the form prescribed by the Wisconsin Public Service Commission, information that is the representation of management. We have not audited or reviewed the Annual Report and, accordingly, do not express an opinion or any other form of assurance on the Report.

The Annual Report is presented in accordance with the requirements of the Wisconsin Public Service Commission which differ from generally accepted accounting principles. This report is intended solely for the information and use of the Utility and the Public Service Commission of Wisconsin, and is not intended to be, and should not be, used by anyone other than the specified parties.

VIRCHOW, KRAUSE & COMPANY, LLP

Madison, Wisconsin
March 19, 2002

FINANCIAL SECTION FOOTNOTES

Identification and Ownership - Contacts (Page iv)

TO: Peter Leege, Financial Specialist,
 Division of Water, Compliance and Consumer Affairs
 FROM: Aimee Jaeger, Senior Accountant
 DATE: January 8, 2003
 RE: Waunona Sanitary District 2001 Analytical Review DWCCA-6270-PJL

Our client, Waunona Sanitary District, has requested we respond to your letter dated January 6, 2003.

1. The amount due to the district as prior year costs were considered current as of December 31, 2001. These were amounts remaining from prior years' tax levy and delinquents placed on the tax roll due to the district from the Town of Blooming Grove. All amounts were remitted during 2002.
2. The district does not pay any benefits to or for its employees.
3. The tax levy is used to pay for operations and maintenance expenses throughout the year. During the past several years the district has experienced various main breaks in areas that are either in the Town of Blooming Grove or the City of Madison. The tax levy helped pay the repair costs of these breaks.
4. Noted
5. Noted - the tax levy will be recorded in accounts 474 and 635 for the water and sewer, respectively, as the tax levy is used for operations and maintenance expenses.

If you have any questions please feel free to call me at 608.240.2404.

 January 6, 2003

Ms. Terri Winans, Clerk
 Waunona Sanitary District
 3325 Thurber Avenue
 Madison, WI 53714-1631

2001 Analytical Review DWCCA-6270-PJL

Dear Ms. Winans:

The Public Service Commission (Commission) staff has completed its analytical review of your utility's 2001 annual report. The primary purpose of the analytical review is to detect possible reporting or accounting related errors and also to identify significant fluctuations from prior years' data that are not sufficiently explained in the annual report. The analytical review did identify the following issues:

1. During our review, we noted that in Account 145, Receivables from Municipality on page F-18, you reported \$8,362 described as prior year costs. Please note that in the future, Account 145 should only contain amounts that are subject to current settlement. Amounts that will be repaid, but over a longer period of time, should be reclassified to Account 123, Investment in Municipality.
2. Please explain why there are no dollars reported in Account 686, Employees Pensions and Benefits on page W-5.

FINANCIAL SECTION FOOTNOTES

3. In Account 421 on page F-2 there is \$11,098 described as "LEVY TO CITY OF MADISON AND TOWN OF BLOOMING GROVE". Please explain what this levy is for.

4. In item number 4 of our letter Dated September 11, 2001, concerning our review of the utility's 2000 annual report we asked about the discrepancy in the Public Fire Protection charge in Account 463. The utility's response was that the additional \$1,957 in public fire protection is a carryover of the remaining 1999 receivable from the municipality. Please note in the future that any such amounts or item should be reported separately to avoid confusion. In this case you would use line 4 on page W-4 which is designated "Other".

5. In your response to item number 3 of the letter referenced above you state that a tax was levied in the amount of \$22,000 for the year 2000, upon all taxable property in the District. \$10,859 was for public fire protection and the remaining amount of \$11,141 was included in Account 421, Miscellaneous Non-operating Income. Please state what the \$11,141 was used for. Amounts received for operations and maintenance expenses should be included in Account 474, Other Water Revenues for the water department's share and Account 635, Miscellaneous Operating Revenues for the sewer department's share. Amounts received for bond interest should be included in Account 421, Miscellaneous Non-operating Income and amounts received for bond principal should be included in Account 200, Capital paid in by Municipality. Please note this for future reports.

Responding to the questions posed from the analytical review does not preclude you from possibly receiving other inquiries from our office regarding your annual report in the future: for instance, during a rate case, construction authorization, or other Commission reviews.

We appreciate your cooperation in providing the above information. If you have any questions, please feel free to contact me at (608) 267-9198. Please respond within 30 days of this letter. We prefer that you respond by e-mail if it is convenient for you to do so. My e-mail address is peter.leege@psc.state.wi.us. If we have no questions regarding your response, you can consider the review closed.

Sincerely,

Peter J. Leege
Financial Specialist
Division of Water, Compliance, and Consumer Affairs

PJL:dwh:w:\compl\Analytical Reviews\2001 analytical review letters\6270
Waunona.doc

WATER OPERATING REVENUES & EXPENSES

Particulars (a)	Amounts (b)	
Operating Revenues		
Sales of Water		
Sales of Water (460-467)	52,471	1
Total Sales of Water	52,471	
Other Operating Revenues		
Forfeited Discounts (470)	413	2
Other Water Revenues (474)	1,232	3
Amortization of Construction Grants (475)	0	4
Total Other Operating Revenues	1,645	
Total Operating Revenues	54,116	
Operation and Maintenance Expenses		
Plant Operation and Maintenance Expenses (600-660)	85,315	5
General Operating Expenses (680-690)	11,037	6
Total Operation and Maintenance Expenses	96,352	
Other Operating Expenses		
Depreciation Expense (403)	2,550	7
Amortization Expense (404)		8
Taxes (408)	583	9
Total Other Operating Expenses	3,133	
Total Operating Expenses	99,485	
NET OPERATING INCOME	(45,369)	

WATER OPERATING REVENUES - SALES OF WATER

1. Where customer meters record cubic feet, multiply by 7.48 to obtain number of gallons.
2. Report estimated gallons for unmetered sales.
3. Sales to multiple dwelling buildings through a single meter serving 3 or more family units should be classified commercial.
4. Account 460, Unmetered Sales to General Customers - Gallons of Water Sold should not include in any way quantity of water, i.e. metered, or measured by tank or pool volume. The quantity should be estimated based on size of pipe, flow, foot of frontage, etc. Bulk water sales should be Account 460 if the quantity is estimated and should be Account 461 if metered or measured by volume. Water related to construction should be a measured sale of water (either Account 461 or Account 464).
5. Other accounts: see application Help files for details.

Particulars (a)	Average No. Customers (b)	Thousands of Gallons of Water Sold (c)	Amounts (d)	
Operating Revenues				
Sales of Water				
Unmetered Sales to General Customers (460)				
Residential				1
Commercial				2
Industrial				3
Total Unmetered Sales to General Customers (460)	0	0	0	
Metered Sales to General Customers (461)				
Residential	375	20,106	28,873	4
Commercial	42	8,262	9,968	5
Industrial				6
Total Metered Sales to General Customers (461)	417	28,368	38,841	
Private Fire Protection Service (462)				7
Public Fire Protection Service (463)	1		8,902	8
Other Sales to Public Authorities (464)	11	4,458	4,728	9
Sales to Irrigation Customers (465)				10
Sales for Resale (466)		0	0	11
Interdepartmental Sales (467)				12
Total Sales of Water	429	32,826	52,471	

SALES FOR RESALE (ACCT. 466)

Use a separate line for each delivery point.

Customer Name (a)	Point of Delivery (b)	Thousands of Gallons Sold (c)	Revenues (d)
------------------------------	----------------------------------	--	-------------------------

NONE

OTHER OPERATING REVENUES (WATER)

1. Report revenues relating to each account and fully describe each item using other than the account title.
2. Report each item (when individually or when like items are combined) greater than \$10,000 (class AB), \$5,000 (class C) and \$2,000 (class D and privates) and all other lesser amounts grouped as Miscellaneous.
3. For a combined utility which also provides sewer service that is based upon water readings, report the return on net investment in meters charged to sewer department in Other Water Revenues (474).

Particulars (a)	Amount (b)	
Public Fire Protection Service (463):		
Amount billed (usually per rate schedule F-1 or Fd-1)	8,902	1
Wholesale fire protection billed		2
Amount billed for fighting fires outside utility's service areas (usually per rate schedule F-2 or BW-1)		3
Other (specify):		
NONE		4
Total Public Fire Protection Service (463)	8,902	
Forfeited Discounts (470):		
Customer late payment charges	413	5
Other (specify):		
NONE		6
Total Forfeited Discounts (470)	413	
Other Water Revenues (474):		
Return on net investment in meters charged to sewer department	625	7
Other (specify):		
MISCELLANEOUS	607	8
Total Other Water Revenues (474)	1,232	
Amortization of Construction Grants (475):		
NONE		9
Total Amortization of Construction Grants (475)	0	

WATER OPERATION & MAINTENANCE EXPENSES

Each expense account that has an increase or a decrease when compared to the previous year of greater than 30 percent, but not less than \$2,000, shall be fully explained in the schedule footnotes.

Particulars (a)	Amount (b)	
PLANT OPERATION AND MAINTENANCE EXPENSES		
Salaries and Wages (600)	5,516	1
Purchased Water (610)	45,201	2
Fuel or Power Purchased for Pumping (620)		3
Chemicals (630)		4
Supplies and Expenses (640)	1,769	5
Repairs of Water Plant (650)	32,829	6
Transportation Expenses (660)		7
Total Plant Operation and Maintenance Expenses	85,315	
 GENERAL OPERATING EXPENSES		
Administrative and General Salaries (680)	3,543	8
Office Supplies and Expenses (681)	2,498	9
Outside Services Employed (682)	2,366	10
Insurance Expense (684)	1,074	11
Employees Pensions and Benefits (686)		12
Regulatory Commission Expenses (688)		13
Miscellaneous General Expenses (689)	1,556	14
Uncollectible Accounts (690)		15
Total General Operating Expenses	11,037	
 Total Operation and Maintenance Expenses	 96,352	

TAXES (ACCT. 408 - WATER)

When allocation of taxes is made between departments, explain method used.

Description of Tax (a)	Method Used to Allocate Between Departments (b)	Amount (c)	
Property Tax Equivalent			1
Less: Local and School Tax Equivalent on Meters Charged to Sewer Department			2
Net property tax equivalent		0	
Social Security		559	3
PSC Remainder Assessment		24	4
Other (specify): NONE			5
Total tax expense		583	

WATER UTILITY PLANT IN SERVICE

1. All adjustments, corrections and reclassifications should be reported in Column (f), Adjustments.
2. Explain fully as a schedule footnote the nature of all entries reported in Column (f), Adjustments.
3. Explain as a schedule footnote the dollar additions and retirements reported in Columns (c) and (e) for each account over \$10,000 not supported by statistical schedules.
4. Use only the account titles listed. If the utility has subaccounts other than account 372.1, combine them into one total and detail by subaccount as a schedule footnote.

Accounts (a)	Balance First of Year (b)	Additions During Year (c)	
INTANGIBLE PLANT			
Organization (301)	374		1
Franchises and Consents (302)	0		2
Miscellaneous Intangible Plant (303)	0		3
Total Intangible Plant	374	0	
SOURCE OF SUPPLY PLANT			
Land and Land Rights (310)	1		4
Structures and Improvements (311)	3,556		5
Collecting and Impounding Reservoirs (312)	0		6
Lake, River and Other Intakes (313)	0		7
Wells and Springs (314)	0		8
Infiltration Galleries and Tunnels (315)	0		9
Supply Mains (316)	0		10
Other Water Source Plant (317)	1,044		11
Total Source of Supply Plant	4,601	0	
PUMPING PLANT			
Land and Land Rights (320)	0		12
Structures and Improvements (321)	0		13
Boiler Plant Equipment (322)	0		14
Other Power Production Equipment (323)	0		15
Steam Pumping Equipment (324)	0		16
Electric Pumping Equipment (325)	0		17
Diesel Pumping Equipment (326)	0		18
Hydraulic Pumping Equipment (327)	0		19
Other Pumping Equipment (328)	0		20
Total Pumping Plant	0	0	
WATER TREATMENT PLANT			
Land and Land Rights (330)	0		21
Structures and Improvements (331)	0		22
Water Treatment Equipment (332)	0		23
Total Water Treatment Plant	0	0	
TRANSMISSION AND DISTRIBUTION PLANT			
Land and Land Rights (340)	0		24
Structures and Improvements (341)	0		25

WATER UTILITY PLANT IN SERVICE (cont.)

Accounts (d)	Retirements During Year (e)	Adjustments Increase or (Decrease) (f)	Balance End of Year (g)
INTANGIBLE PLANT			
Organization (301)			374 1
Franchises and Consents (302)			0 2
Miscellaneous Intangible Plant (303)			0 3
Total Intangible Plant	0	0	374
SOURCE OF SUPPLY PLANT			
Land and Land Rights (310)			1 4
Structures and Improvements (311)			3,556 5
Collecting and Impounding Reservoirs (312)			0 6
Lake, River and Other Intakes (313)			0 7
Wells and Springs (314)			0 8
Infiltration Galleries and Tunnels (315)			0 9
Supply Mains (316)			0 10
Other Water Source Plant (317)			1,044 11
Total Source of Supply Plant	0	0	4,601
PUMPING PLANT			
Land and Land Rights (320)			0 12
Structures and Improvements (321)			0 13
Boiler Plant Equipment (322)			0 14
Other Power Production Equipment (323)			0 15
Steam Pumping Equipment (324)			0 16
Electric Pumping Equipment (325)			0 17
Diesel Pumping Equipment (326)			0 18
Hydraulic Pumping Equipment (327)			0 19
Other Pumping Equipment (328)			0 20
Total Pumping Plant	0	0	0
WATER TREATMENT PLANT			
Land and Land Rights (330)			0 21
Structures and Improvements (331)			0 22
Water Treatment Equipment (332)			0 23
Total Water Treatment Plant	0	0	0
TRANSMISSION AND DISTRIBUTION PLANT			
Land and Land Rights (340)			0 24
Structures and Improvements (341)			0 25

WATER UTILITY PLANT IN SERVICE

1. All adjustments, corrections and reclassifications should be reported in Column (f), Adjustments.
2. Explain fully as a schedule footnote the nature of all entries reported in Column (f), Adjustments.
3. Explain as a schedule footnote the dollar additions and retirements reported in Columns (c) and (e) for each account over \$10,000 not supported by statistical schedules.
4. Use only the account titles listed. If the utility has subaccounts other than account 372.1, combine them into one total and detail by subaccount as a schedule footnote.

Accounts (a)	Balance First of Year (b)	Additions During Year (c)	
TRANSMISSION AND DISTRIBUTION PLANT			
Distribution Reservoirs and Standpipes (342)	0		26
Transmission and Distribution Mains (343)	82,023		27
Fire Mains (344)	0		28
Services (345)	19,980		29
Meters (346)	33,931	1,676	30
Hydrants (348)	12,151		31
Other Transmission and Distribution Plant (349)	265		32
Total Transmission and Distribution Plant	148,350	1,676	
GENERAL PLANT			
Land and Land Rights (370)	0		33
Structures and Improvements (371)	2,845		34
Office Furniture and Equipment (372)	2,959		35
Computer Equipment (372.1)	0	3,280	36
Transportation Equipment (373)	0		37
Other General Equipment (379)	619		38
Other Tangible Property (390)	0		39
Total General Plant	6,423	3,280	
Total utility plant in service directly assignable	159,748	4,956	
Common Utility Plant Allocated to Water Department	0		40
Total utility plant in service	159,748	4,956	

WATER UTILITY PLANT IN SERVICE (cont.)

Accounts (d)	Retirements During Year (e)	Adjustments Increase or (Decrease) (f)	Balance End of Year (g)
TRANSMISSION AND DISTRIBUTION PLANT			
Distribution Reservoirs and Standpipes (342)			0 26
Transmission and Distribution Mains (343)			82,023 27
Fire Mains (344)			0 28
Services (345)			19,980 29
Meters (346)	349		35,258 30
Hydrants (348)			12,151 31
Other Transmission and Distribution Plant (349)			265 32
Total Transmission and Distribution Plant	349	0	149,677
GENERAL PLANT			
Land and Land Rights (370)			0 33
Structures and Improvements (371)			2,845 34
Office Furniture and Equipment (372)			2,959 35
Computer Equipment (372.1)			3,280 36
Transportation Equipment (373)			0 37
Other General Equipment (379)			619 38
Other Tangible Property (390)			0 39
Total General Plant	0	0	9,703
Total utility plant in service directly assignable	349	0	164,355
Common Utility Plant Allocated to Water Department			0 40
Total utility plant in service	349	0	164,355

SOURCE OF SUPPLY, PUMPING AND PURCHASED WATER STATISTICS

Expanded definitions of the three types of accounted-for water reported on this schedule are included in the schedule Help and in the Reference Manual Schedule Reference Sheet.

Sources of Water Supply					
Month	Purchased Water Gallons (000's)	Surface Water Gallons (000's)	Ground Water Gallons (000's)	Total Gallons All Methods (000's)	
(a)	(b)	(c)	(d)	(e)	
January				0	1
February				0	2
March				0	3
April				0	4
May				0	5
June				0	6
July				0	7
August				0	8
September				0	9
October				0	10
November				0	11
December	42,544			42,544	12
Total annual pumpage	42,544	0	0	42,544	
Less: Water sold				32,826	13
Volume pumped but not sold				9,718	14
Volume sold as a percent of volume pumped				77%	15
Volume used for water production, water quality and system maintenance					16
Volume related to equipment/system malfunction					17
Non-utility volume NOT included in water sales					18
Total volume not sold but accounted for				0	19
Volume pumped but unaccounted for				9,718	20
Percent of water lost				23%	21
If more than 25%, indicate causes and state what action has been taken to reduce water loss:					22
Maximum gallons pumped by all methods in any one day during reporting year (000 gal.)				250	23
Date of maximum:					24
Cause of maximum:					25
Minimum gallons pumped by all methods in any one day during reporting year (000 gal.)				150	26
Date of minimum:					27
Total KWH used for pumping for the year				0	28
If water is purchased: Vendor Name: CITY OF MADISON WATER UTILITY					29
Point of Delivery: FAIR OAKS & MILWAUKEE EAST WASHINGTON & COMMERCIAL					30

SOURCES OF WATER SUPPLY - GROUND WATERS

Location (a)	Identification Number (b)	Depth in feet (c)	Well Diameter in inches (d)	Yield Per Day in gallons (e)	Currently In Service? (f)
-------------------------	--	----------------------------------	--	---	--

NONE

SOURCES OF WATER SUPPLY - SURFACE WATERS

Location (a)	Intakes			
	Identification Number (b)	Distance From Shore in feet (c)	Depth Below Surface in feet (d)	Diameter in inches (e)
NONE				

PUMPING & POWER EQUIPMENT

1. Use a separate column for each pump.
2. Indicate purpose of pump by: P for primary (from source to reservoir, treatment or distribution system), B for booster (from reservoir or treatment to distribution system, or within distribution system), or S for standby pumping equipment.
3. Indicate destination (of water pumped) by: R for reservoir, T for treatment or D for distribution system.

Particulars (a)	Unit A (b)	Unit B (c)	Unit C (d)
--------------------	---------------	---------------	---------------

NONE

RESERVOIRS, STANDPIPES & WATER TREATMENT

1. Identify as R (reservoir), S (standpipe) & ET (elevated tank).
2. Use a separate column for each using additional copies if necessary.
3. Enter elevation difference between highest water level in S or ET, (or R only on an elevated site) and the water main where the connection to the storage begins branching into the distribution system.

Particulars (a)	Unit A (b)	Unit B (c)	Unit C (d)
--------------------	---------------	---------------	---------------

NONE

WATER MAINS

1. Report mains separately by pipe material, function, diameter and either within or outside the municipal boundaries.
2. Identify pipe material as: L (Lead), M (Metal for all other metal excluding lead), A (Asbestos-cement), or P (Plastic for plastic and all other non-metal excluding asbestos-cement).
3. Identify function as: T (Transmission), D (Distribution) or S (Supply).
4. Explain all reported adjustments as a schedule footnote.
5. For main additions reported in column (e), as a schedule footnote:
 - a. Explain how the additions were financed.
 - b. If assessed against property owners, explain the basis of the assessments.
 - c. If the assessments are deferred, explain.

Number of Feet								
Pipe Material (a)	Main Function (b)	Diameter in Inches (c)	First of Year (d)	Added During Year (e)	Retired During Year (f)	Adjustments Increase or (Decrease) (g)	End of Year (h)	
M	D	2.000	1,195	0	0	0	1,195	1
M	D	6.000	20,053	0	0	0	20,053	2
M	D	10.000	2,487	0	0	0	2,487	3
Total Within Municipality			23,735	0	0	0	23,735	
Total Utility			23,735	0	0	0	23,735	

WATER SERVICES

1. Explain all reported adjustments as a schedule footnote.
2. Report in column (h) the number of utility-owned services included in columns (c) through (g) which are temporarily shut off at the curb box or otherwise not in use at end of year.
3. For services added during the year in column (d), as a schedule footnote:
 - a. Explain how the additions were financed.
 - b. If assessed against property owners, explain the basis of the assessments.
 - c. If installed by a property owner or developer, explain the basis of recording the cost of the additions, the total amount and the number of services recorded under this method.
 - d. If any were financed by application of Cz-1, provide the total amount recorded and the number of services recorded under this method.
4. Report services separately by pipe material and diameter.
5. Identify pipe material as: L (Lead), M (Metal for all other metal excluding lead), A (Asbestos-cement) or P (Plastic for plastic and all other non-metal excluding asbestos-cement).

Pipe Material (a)	Diameter in Inches (b)	First of Year (c)	Added During Year (d)	Removed or Permanently Disconnected During Year (e)	Adjustments Increase or (Decrease) (f)	End of Year (g)	Utility Owned Services Not In Use at End of Year (h)	
M	0.625	379	0	0	0	379		1
M	0.750	1	0	0	0	1		2
M	1.000	2	0	0	0	2		3
M	1.500	8	0	0	0	8		4
M	2.000	2	0	0	0	2		5
Total Utility		392	0	0	0	392	0	

METERS

1. Include in Columns (b), (c), (d), (e) and (f) meters in stock as well as those in service.
2. Report in Column (c) all meters purchased during the year and in Column (d) all meters junked, sold or otherwise permanently retired during the year.
3. Use Column (e) to show correction to previously reported meter count because of inventory or property record corrections.
4. Totals by size in Column (f) should equal same size totals in Column (o).
5. Explain all reported adjustments as a schedule footnote.

Number of Utility-Owned Meters

Size of Meter (a)	First of Year (b)	Added During Year (c)	Retired During Year (d)	Adjustments Increase or (Decrease) (e)	End of Year (f)	Tested During Year (g)	
0.625	443	30	25	0	448	25	1
0.750	8	0	0	0	8	0	2
1.000	18	0	0	0	18	0	3
1.500	9	0	0	0	9	0	4
2.000	4	0	0	0	4	0	5
3.000	2	0	0	0	2	0	6
Total:	484	30	25	0	489	25	

Classification of All Meters at End of Year by Customers

Size of Meter (h)	Residential (i)	Commercial (j)	Industrial (k)	Public Authority (l)	Wholesale, Inter-Department or Utility Use (m)	In Stock and Deduct Meters (n)	Total (o)	
0.625	375	20	0	3	0	50	448	1
0.750	0	5	0	2	0	1	8	2
1.000	0	5	0	6	0	7	18	3
1.500	0	9	0	0	0	0	9	4
2.000	0	2	0	0	0	2	4	5
3.000	0	1	0	0	0	1	2	6
Total:	375	42	0	11	0	61	489	

HYDRANTS AND DISTRIBUTION SYSTEM VALVES

1. Distinguish between fire and flushing hydrants by lead size.
 - a. Fire hydrants normally have a lead size of 6 inches or greater.
 - b. Record as a flushing hydrant where the lead size is less than 6 inches or if pressure is inadequate to provide fire flow.
2. Explain all reported adjustments in the schedule footnotes.
3. Report fire hydrants as within or outside the municipal boundaries.

Hydrant Type (a)	Number In Service First of Year (b)	Added During Year (c)	Removed During Year (d)	Adjustments Increase or (Decrease) (e)	Number In Service End of Year (f)	
Fire Hydrants						
Outside of Municipality	0				0	1
Within Municipality	27				27	2
Total Fire Hydrants	27	0	0	0	27	
Flushing Hydrants						
	0				0	3
Total Flushing Hydrants	0	0	0	0	0	

NR811.08(5) recommends that a schedule shall be adopted and followed for operating each system valve and hydrant at least once each two years. Please provide the number operated during the year

Number of hydrants operated during year:

Number of distribution system valves end of year:

Number of distribution valves operated during year:

WATER OPERATING SECTION FOOTNOTES

Water Operating Revenues - Sales of Water (Page W-02)

Decrease of commercial revenues in 2001 due to American Family leaving the district in early 2000. See note in prior year annual report.

Meters (Page W-17)

The utility has started a large meter replacement program. The tested meters represent those tested and replaced as part of the program.
