



3015 (02-09-04)

ANNUAL REPORT

OF

Name: DRUMMOND SANITART DISTRICT NO. 1

Principal Office: P.O. BOX 43
DRUMMOND, WI 54832

For the Year Ended: DECEMBER 31, 1998

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.

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IDENTIFICATION AND OWNERSHIP

Exact Utility Name: DRUMMOND SANITART DISTRICT NO. 1

Utility Address: P.O. BOX 43
DRUMMOND, WI 54832

When was utility organized? 1/1/1978

Report any change in name:

Effective Date:

Utility Web Site:

Utility employee in charge of correspondence concerning this report:

Name: JAMES A CRANDALL

Title: TREASURER

Office Address:

P.O. BOX 43
DRUMMOND, WI 54832

Telephone: (715) 739 - 6654

Fax Number: (715) 739 - 6654

E-mail Address: JCRAN@BUCKY.WIN.BRIGHT.NET

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

Name: MARK A. VAN VLACK

Title: CPA

Office Address: MAITLAND, SINGLER & VAN VLACK, S.C.

306 W. 3RD ST.
ASHLAND, WI 54806

Telephone: (715) 682 - 5544

Fax Number: (715) 682 - 5545

E-mail Address: MVANVLACK@NCIS.NET

Are records of utility audited by individuals or firms, other than utility employee? YES

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

Name: MARK A. VAN VLACK

Title: CPA

Office Address: MAITLAND, SINGLER & VAN VLACK, S.C.

306 W. 3RD ST.
ASHLAND, WI 54806

Telephone: (715) 682 - 5544

Fax Number: (715) 682 - 5545

E-mail Address: MVANVLACK@NCIS.NET

Date of most recent audit report: 3/19/1999

Period covered by most recent audit: DECEMBER 31,1998

IDENTIFICATION AND OWNERSHIP

Names and titles of utility management including manager or superintendent:

Name: NONE

Title:

Office Address:

Telephone:

Fax Number:

E-mail Address:

Name of utility commission/committee: BOARD OF COMMISSIONERS

Names of members of utility commission/committee:

SUSAN MILLER

DALE SCHAFFER

JIM UNSETH

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. § 66.077 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:

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)	43,632	42,488	1
Operating Expenses:			
Operation and Maintenance Expense (401)	36,823	22,068	2
Depreciation Expense (403)	12,584	12,495	3
Amortization Expense (404)	0	0	4
Taxes (408)	884	841	5
Total Operating Expenses	50,291	35,404	
Net Operating Income	(6,659)	7,084	
Income from Utility Plant Leased to Others (412-413)	0	0	6
Utility Operating Income	(6,659)	7,084	
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)	2,593	2,574	9
Miscellaneous Nonoperating Income (421)	1,402	1,332	10
Total Other Income	3,995	3,906	
Total Income	(2,664)	10,990	
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	(2,664)	10,990	
INTEREST CHARGES			
Interest on Long-Term Debt (427)	15,592	16,461	13
Amortization of Debt Discount and Expense (428)	205	205	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	15,797	16,666	
Net Income	(18,461)	(5,676)	
EARNED SURPLUS			
Unappropriated Earned Surplus (Beginning of Year) (216)	(211,718)	(206,042)	19
Balance Transferred from Income (433)	(18,461)	(5,676)	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)	(230,179)	(211,718)	

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):		
INTEREST INCOME	2,593	4
Total (Acct. 419):	2,593	
Miscellaneous Nonoperating Income (421):		
INSURANCE REFUND	81	5
NON REGULATED SEWER	1,321	6
Total (Acct. 421):	1,402	
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):						
NONE					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	43,632	0	0	0	43,632	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:						
NONE					0	6
Revenues subject to Wisconsin Remainder Assessment	43,632	0	0	0	43,632	

BALANCE SHEET

Assets and Other Debits (a)	Balance End of Year (b)	Balance First of Year (c)	
UTILITY PLANT			
Utility Plant (100)	778,574	776,789	1
Less: Accumulated Provision for Depreciation and Amortization of Utility Plant (110)	228,318	215,982	2
Net Utility Plant	550,256	560,807	
OTHER PROPERTY AND INVESTMENTS			
Nonutility Property (121)	742,914	740,928	3
Less: Accumulated Provision for Depreciation and Amortization of Nonutility Property (122)	336,273	319,100	4
Net Nonutility Property	406,641	421,828	
Investment in Municipality (123)	0	0	5
Other Investments (124)	3,600	5,400	6
Special Funds (125)	25,509	27,822	7
Total Other Property and Investments	435,750	455,050	
CURRENT AND ACCRUED ASSETS			
Cash and Working Funds (131)	27,341	28,348	8
Temporary Cash Investments (132)			9
Notes Receivable (141)	0	0	10
Customer Accounts Receivable (142)	6,752	6,411	11
Other Accounts Receivable (143)	12,638	11,738	12
Accumulated Provision for Uncollectible Accounts- -Cr. (144)	0	0	13
Receivables from Municipality (145)	7,290	6,055	14
Materials and Supplies (150)	0	0	15
Prepayments (165)	3,785	4,751	16
Other Current and Accrued Assets (170)			17
Total Current and Accrued Assets	57,806	57,303	
DEFERRED DEBITS			
Unamortized Debt Discount and Expense (181)	2,574	2,778	18
Extraordinary Property Losses (182)	0	0	19
Other Deferred Debits (183)	0	0	20
Total Deferred Debits	2,574	2,778	
Total Assets and Other Debits	1,046,386	1,075,938	

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)	78,974	78,974	21
Appropriated Earned Surplus (215)			22
Unappropriated Earned Surplus (216)	(230,179)	(211,718)	23
Total Proprietary Capital	(151,205)	(132,744)	
LONG-TERM DEBT			
Bonds (221)	175,000	180,000	24
Advances from Municipality (223)	0	0	25
Other long-Term Debt (224)	27,017	36,017	26
Total Long-Term Debt	202,017	216,017	
CURRENT AND ACCRUED LIABILITIES			
Notes Payable (231)	0	0	27
Accounts Payable (232)	2,437	2,306	28
Payables to Municipality (233)	0	0	29
Customer Deposits (235)			30
Taxes Accrued (236)	0	0	31
Interest Accrued (237)	5,918	6,140	32
Other Current and Accrued Liabilities (238)			33
Total Current and Accrued Liabilities	8,355	8,446	
DEFERRED CREDITS			
Unamortized Premium on Debt (251)	0	0	34
Customer Advances for Construction (252)	3,000		35
Other Deferred Credits (253)	0	0	36
Total Deferred Credits	3,000	0	
OPERATING RESERVES			
Miscellaneous Operating Reserves (265)			37
Total Operating Reserves	0	0	
CONTRIBUTIONS IN AID OF CONSTRUCTION			
Contributions in Aid of Construction (271)	984,219	984,219	38
Total Liabilities and Other Credits	1,046,386	1,075,938	

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)	778,574	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	778,574	0	0	0	
Accumulated Provision for Depreciation and Amortization:					
Accumulated Provision for Depreciation of Utility Plant in Service (110)	228,318	0	0	0	9
Total Accumulated Provision	228,318	0	0	0	
Net Utility Plant	550,256	0	0	0	

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF UTILITY PLANT

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	215,982				215,982	1
Credits During Year						2
Accruals:						3
Charged depreciation expense (403)	12,584				12,584	4
Depreciation expense on meters						5
charged to sewer (see Note 3)					0	6
Accruals charged other						7
accounts (specify):						8
					0	9
Salvage					0	10
Other credits (specify):						11
					0	12
Total credits	12,584	0	0	0	12,584	13
Debits during year						14
Book cost of plant retired	248				248	15
Cost of removal					0	16
Other debits (specify):						17
					0	18
Total debits	248	0	0	0	248	19
Balance End of Year	228,318	0	0	0	228,318	20
Composite Depreciation Rate?	No					21
If yes, what is the rate?						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	740,928	1,986		742,914	1
Other (specify):					
NONE	0			0	2
Total Nonutility Property (121)	740,928	1,986	0	742,914	
Less accum. prov. depr. & amort. (122)	319,100	17,173		336,273	3
Net Nonutility Property	421,828	(15,187)	0	406,641	

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)				
SEWER	116	428	1,452	1
WATER	89	428	1,122	2
Total			2,574	
Unamortized premium on debt (251)				
NONE	0	0	0	3
Total			0	

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	78,974	1
Changes during year (explain):		
NONE		2
Balance end of year	78,974	

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)	
WATER AND SEWER BONDS 2	07/02/1996	08/01/1999	7.40%	10,000	1
WATER AND SEWER BONDS 3	07/03/1996	08/01/2000	7.50%	10,000	2
WATER AND SEWER BONDS 4	07/04/1996	08/01/2001	7.60%	10,000	3
WATER AND SEWER BONDS 5	07/05/1996	08/01/2002	7.70%	10,000	4
WATER AND SEWER BONDS 6	07/06/1996	08/01/2003	7.80%	10,000	5
WATER AND SEWER BONDS 7	07/07/1996	08/01/2004	7.90%	10,000	6
WATER AND SEWER BONDS 8	07/08/1996	08/01/2005	8.00%	10,000	7
WATER AND SEWER BONDS 9	07/09/1996	08/01/2006	8.00%	15,000	8
WATER AND SEWER BONDS 10	07/10/1996	08/01/2007	8.00%	15,000	9
WATER AND SEWER BONDS 11	07/11/1996	08/01/2008	8.00%	15,000	10
WATER AND SEWER BONDS 12	07/12/1996	08/01/2009	8.00%	20,000	11
WATER AND SEWER BONDS 13	07/13/1996	08/01/2010	8.00%	20,000	12
WATER AND SEWER BONDS 14	07/14/1996	08/01/2011	8.00%	20,000	13
Total Bonds (Account 221):				175,000	

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)	
Other Long-Term Debt (224)					
STATE BANK OF DRUMMOND	08/12/1998	08/12/1999	4.75%	27,017	1
Total for Account 224				27,017	

TAXES ACCRUED (ACCT. 236)

Particulars (a)	Amount (b)	
Balance first of year	0	1
Accruals:		
Charged water department expense	884	2
Charged electric department expense		3
Charged sewer department expense	843	4
Other (explain):		
NONE		5
Total Accruals and other credits	<u>1,727</u>	
Taxes paid during year:		
County, state and local taxes		6
Social Security taxes	1,686	7
PSC Remainder Assessment	41	8
Other (explain):		
NONE		9
Total payments and other debits	<u>1,727</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)					
WATER	2,359	5,601	5,662	2,298	1
SEWER	3,539	8,402	8,493	3,448	2
Subtotal	5,898	14,003	14,155	5,746	
Advances from Municipality (223)					
NONE	0			0	3
Subtotal	0	0	0	0	
Other long-Term Debt (224)					
WATER	242	1,589	1,659	172	4
SEWER	0			0	5
Subtotal	242	1,589	1,659	172	
Notes Payable (231)					
NONE	0			0	6
Subtotal	0	0	0	0	
Total	6,140	15,592	15,814	5,918	

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	503,567	0	0	480,652	0	984,219	1
Add credits during year:							
For Services						0	2
For Mains						0	3
Other (specify):							
NONE						0	4
Deduct charges (specify):							
NONE						0	5
Balance End of Year	503,567	0	0	480,652	0	984,219	
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):		
CONTRIBUTIONS IN AID OF CONSTRUCTION RECEIVABLE	3,600	2
Total (Acct. 124):	3,600	
Special Funds (125):		
BOND REDEMPTION	25,509	3
Total (Acct. 125):	25,509	
Notes Receivable (141):		
NONE		4
Total (Acct. 141):	0	
Customer Accounts Receivable (142):		
Water	6,752	5
Electric		6
Sewer (Regulated)		7
Other (specify):		
NONE		8
Total (Acct. 142):	6,752	
Other Accounts Receivable (143):		
Sewer (Non-regulated)	12,638	9
Merchandising, jobbing and contract work		10
Other (specify):		
NONE		11
Total (Acct. 143):	12,638	
Receivables from Municipality (145):		
BAYFIELD COUNTY TAX ROLL - DELINQUENT ACCOUNTS	7,290	12
Total (Acct. 145):	7,290	
Prepayments (165):		
PREPAID INSURANCE	835	13
ENGINEERING FEES FOR POSSIBLE WATER EXTENSION	2,950	14
Total (Acct. 165):	3,785	
Extraordinary Property Losses (182):		
NONE		15
Total (Acct. 182):	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)
<hr/>	
Other Deferred Debits (183):	
NONE	16
Total (Acct. 183):	0
<hr/>	
Payables to Municipality (233):	
NONE	17
Total (Acct. 233):	0
<hr/>	
Other Deferred Credits (253):	
NONE	18
Total (Acct. 253):	0
<hr/>	

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	777,681	0	0	0	777,681	1
Materials and Supplies	0	0	0	0	0	2
Other (specify):						
NONE					0	3
Less Average:						
Reserve for Depreciation	222,150	0	0	0	222,150	4
Customer Advances for Construction					0	5
Contributions in Aid of Construction	503,567	0	0	0	503,567	6
Other (specify):						
NONE					0	7
Average Net Rate Base	51,964	0	0	0	51,964	
Net Operating Income	(6,659)	0	0	0	(6,659)	8
Net Operating Income as a percent of Average Net Rate Base						
	-12.81%	N/A	N/A	N/A	-12.81%	

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	78,974	1
Appropriated Earned Surplus	0	2
Unappropriated Earned Surplus	(220,948)	3
Other (Specify):		
NONE		4
Total Average Proprietary Capital	(141,974)	
Net Income		
Net Income	(18,461)	5
Percent Return on Proprietary Capital	N/A	

IMPORTANT CHANGES DURING THE YEAR

Report changes of any of the following types:

1. Acquisitions.

NONE.

2. Leaseholder changes.

NONE.

3. Extensions of service.

NONE.

4. Estimated changes in revenues due to rate changes.

NONE.

5. Obligations incurred or assumed, excluding commercial paper.

NONE.

6. Formal proceedings with the Public Service Commission.

NONE.

7. Any additional matters.

NONE.

FINANCIAL SECTION FOOTNOTES

Identification and Ownership (Page iv)

June 30, 1999

Mr. James A. Crandall, Treasurer
Drummond Sanitary District 1
P.O. Box 43
Drummond, WI 54832-0043

1998 Analytical Review DWCCA-1685-PJL

Dear Mr. Crandall:

The Public Service Commission (PSC) is in the process of completing an analytical review of your utility's 1998 annual report. The purposes of an analytical review are to detect possible reporting or accounting related errors and to identify significant fluctuations from established trends in reported data not sufficiently explained in the annual report. It is our hope that our review will supply information that will enable us to better provide guidance to your utility regarding proper utility accounting and the preparation of future annual reports. In order to complete this review, we request the following information:

The Commission adopted benchmark depreciation ranges during 1996, with the effective date of January 1, 1997. By letter dated August 6, 1996, with regard to analytical review of the 1995 annual report, your utility was provided with a schedule of depreciation rates for computing depreciator expense on each of the water utility plant accounts. A copy of these depreciation rates is enclosed. It appears that your utility did not use the authorized depreciation rates during 1997 and 1998, as indicated below.

For 1997, the authorized depreciation rates times the average of first of year and end of year plant investment result in total accruals of \$14,060, whereas only \$12,495 is reported on page F-7, line 4. The apparent under accrual is \$1,565.

For 1998, the authorized depreciation rates times the average of first of year and end of year plant investment result in total accruals of \$14,226, whereas only \$12,584 is reported on page F-7, line 4. The apparent under accrual is \$1,642.

We highly recommend that these under accruals be recorded as adjusting journal entries during 1999 by debiting Account 435, Miscellaneous Debits to Surplus, and crediting Account 110, Accumulated Depreciation. This will more properly reflect exhaustion of service life of plant assets so that retirement losses will not occur in the future. If your utility does not adopt the authorized benchmark depreciation rates, the utility's file at the PSC will be updated to indicate this fact, and this would be a consideration in future rate cases if amortization of retirement losses was requested by your utility. Please state your intentions with regard to this matter. We appreciate your cooperation in providing the above information. These recommendations are intended to provide accounting assistance and should not be construed as criticisms of utility personnel. If you have any questions, please feel free to contact me at (608) 267-9198. Please respond within 30

FINANCIAL SECTION FOOTNOTES

days of this letter. 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:tlk:w:\compl\analytical review letters\june 30 1999 rev letters L 1.doc

Enclosure

cc: Ms. Susan Miller

Reply received 7/28/99.

Utility will make recommended adjustments and use proper rates in the future
Review closed.

PJL

WATER OPERATING REVENUES & EXPENSES

Particulars (a)	Amounts (b)	
Operating Revenues		
Sales of Water		
Sales of Water (460-467)	43,484	1
Total Sales of Water	43,484	
Other Operating Revenues		
Forfeited Discounts (470)	77	2
Other Water Revenues (474)	71	3
Amortization of Construction Grants (475)	0	4
Total Other Operating Revenues	148	
Total Operating Revenues	43,632	
Operation and Maintenance Expenses		
Plant Operation and Maintenance Expenses (600-660)	16,638	5
General Operating Expenses (680-690)	20,185	6
Total Operation and Maintenance Expenses	36,823	
Other Operating Expenses		
Depreciation Expense (403)	12,584	7
Amortization Expense (404)		8
Taxes (408)	884	9
Total Other Operating Expenses	13,468	
Total Operating Expenses	50,291	
NET OPERATING INCOME	(6,659)	

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. Bulk sales should be account 460.

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	1	100	105	2
Industrial				3
Total Unmetered Sales to General Customers (460)	1	100	105	
Metered Sales to General Customers (461)				
Residential	72	2,947	13,646	4
Commercial	16	1,510	4,855	5
Industrial	2	2,036	4,734	6
Total Metered Sales to General Customers (461)	90	6,493	23,235	
Private Fire Protection Service (462)				7
Public Fire Protection Service (463)	1		17,952	8
Other Sales to Public Authorities (464)	7	722	2,192	9
Sales to Irrigation Customers (465)				10
Sales for Resale (466)		0	0	11
Interdepartmental Sales (467)				12
Total Sales of Water	99	7,315	43,484	

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)	17,952	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)	17,952	
Forfeited Discounts (470):		
Customer late payment charges	77	5
Other (specify):		
NONE		6
Total Forfeited Discounts (470)	77	
Other Water Revenues (474):		
Return on net investment in meters charged to sewer department		7
Other (specify):		
MISCELLANEOUS	71	8
Total Other Water Revenues (474)	71	
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)	11,016	1
Purchased Water (610)		2
Fuel or Power Purchased for Pumping (620)	1,512	3
Chemicals (630)		4
Supplies and Expenses (640)	3,058	5
Repairs of Water Plant (650)	404	6
Transportation Expenses (660)	648	7
Total Plant Operation and Maintenance Expenses	16,638	
GENERAL OPERATING EXPENSES		
Administrative and General Salaries (680)	4,640	8
Office Supplies and Expenses (681)	1,271	9
Outside Services Employed (682)	8,515	10
Insurance Expense (684)	1,682	11
Employees Pensions and Benefits (686)	3,751	12
Regulatory Commission Expenses (688)		13
Miscellaneous General Expenses (689)	326	14
Uncollectible Accounts (690)		15
Total General Operating Expenses	20,185	
Total Operation and Maintenance Expenses	36,823	

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		843	3
PSC Remainder Assessment		41	4
Other (specify): NONE			5
Total tax expense		884	

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)	0		1
Franchises and Consents (302)	0		2
Miscellaneous Intangible Plant (303)	763		3
Total Intangible Plant	763	0	
SOURCE OF SUPPLY PLANT			
Land and Land Rights (310)	0		4
Structures and Improvements (311)	0		5
Collecting and Impounding Reservoirs (312)	3,374		6
Lake, River and Other Intakes (313)	0		7
Wells and Springs (314)	12,917		8
Infiltration Galleries and Tunnels (315)	0		9
Supply Mains (316)	0		10
Other Water Source Plant (317)	0		11
Total Source of Supply Plant	16,291	0	
PUMPING PLANT			
Land and Land Rights (320)	0		12
Structures and Improvements (321)	20,733		13
Boiler Plant Equipment (322)	0		14
Other Power Production Equipment (323)	0		15
Steam Pumping Equipment (324)	0		16
Electric Pumping Equipment (325)	26,545		17
Diesel Pumping Equipment (326)	0		18
Hydraulic Pumping Equipment (327)	0		19
Other Pumping Equipment (328)	7,275		20
Total Pumping Plant	54,553	0	
WATER TREATMENT PLANT			
Land and Land Rights (330)	0		21
Structures and Improvements (331)	0		22
Water Treatment Equipment (332)	2,888		23
Total Water Treatment Plant	2,888	0	
TRANSMISSION AND DISTRIBUTION PLANT			
Land and Land Rights (340)	2,935		24
Structures and Improvements (341)	9,683		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)			0 1
Franchises and Consents (302)			0 2
Miscellaneous Intangible Plant (303)			763 3
Total Intangible Plant	0	0	763
SOURCE OF SUPPLY PLANT			
Land and Land Rights (310)			0 4
Structures and Improvements (311)			0 5
Collecting and Impounding Reservoirs (312)			3,374 6
Lake, River and Other Intakes (313)			0 7
Wells and Springs (314)			12,917 8
Infiltration Galleries and Tunnels (315)			0 9
Supply Mains (316)			0 10
Other Water Source Plant (317)			0 11
Total Source of Supply Plant	0	0	16,291
PUMPING PLANT			
Land and Land Rights (320)			0 12
Structures and Improvements (321)			20,733 13
Boiler Plant Equipment (322)			0 14
Other Power Production Equipment (323)			0 15
Steam Pumping Equipment (324)			0 16
Electric Pumping Equipment (325)			26,545 17
Diesel Pumping Equipment (326)			0 18
Hydraulic Pumping Equipment (327)			0 19
Other Pumping Equipment (328)			7,275 20
Total Pumping Plant	0	0	54,553
WATER TREATMENT PLANT			
Land and Land Rights (330)			0 21
Structures and Improvements (331)			0 22
Water Treatment Equipment (332)			2,888 23
Total Water Treatment Plant	0	0	2,888
TRANSMISSION AND DISTRIBUTION PLANT			
Land and Land Rights (340)			2,935 24
Structures and Improvements (341)			9,683 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)	274,683		26
Transmission and Distribution Mains (343)	318,312		27
Fire Mains (344)	0		28
Services (345)	42,208		29
Meters (346)	10,682	313	30
Hydrants (348)	38,005		31
Other Transmission and Distribution Plant (349)	0		32
Total Transmission and Distribution Plant	696,508	313	
GENERAL PLANT			
Land and Land Rights (370)	0		33
Structures and Improvements (371)	0		34
Office Furniture and Equipment (372)	757		35
Computer Equipment (372.1)	0		36
Transportation Equipment (373)	0		37
Other General Equipment (379)	5,028	1,721	38
Other Tangible Property (390)	0		39
Total General Plant	5,785	1,721	
Total utility plant in service directly assignable	776,788	2,034	
Common Utility Plant Allocated to Water Department	0		40
Total utility plant in service	776,788	2,034	

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)			274,683 26
Transmission and Distribution Mains (343)			318,312 27
Fire Mains (344)			0 28
Services (345)			42,208 29
Meters (346)	248		10,747 30
Hydrants (348)			38,005 31
Other Transmission and Distribution Plant (349)			0 32
Total Transmission and Distribution Plant	248	0	696,573
GENERAL PLANT			
Land and Land Rights (370)			0 33
Structures and Improvements (371)			0 34
Office Furniture and Equipment (372)			757 35
Computer Equipment (372.1)			0 36
Transportation Equipment (373)			0 37
Other General Equipment (379)			6,749 38
Other Tangible Property (390)			0 39
Total General Plant	0	0	7,506
Total utility plant in service directly assignable	248	0	778,574
Common Utility Plant Allocated to Water Department			0 40
Total utility plant in service	248	0	778,574

SOURCE OF SUPPLY, PUMPING AND PURCHASED WATER STATISTICS

Month (a)	Sources of Water Supply			Total Gallons All Methods (000's) (e)	
	Purchased Water Gallons (000's) (b)	Surface Water Gallons (000's) (c)	Ground Water Gallons (000's) (d)		
January			610	610	1
February			240	240	2
March			676	676	3
April			660	660	4
May			727	727	5
June			580	580	6
July			709	709	7
August			676	676	8
September			689	689	9
October			829	829	10
November			681	681	11
December			716	716	12
Total for year	0	0	7,793	7,793	
Less: Measured or estimated water used in main flushing and water treatment during year				97	13
Less: Other utility use				30	14
Other utility use explanation: OTHER					15
Water pumped into distribution system				7,666	16
Less: Water sold				7,315	17
Losses and unaccounted for				351	18
Percent unaccounted for to the nearest whole percent (%)				5%	19
If more than 25%, indicate causes and state what action has been taken to reduce water loss:					20
Maximum gallons pumped by all methods in any one day during reporting year				53	21
Date of maximum: 10/7/1998					22
Cause of maximum: HYDRANT FLUSH					23
Minimum gallons pumped by all methods in any one day during reporting year				1	24
Date of minimum: 3/2/1998					25
Total KWH used for pumping for the year				14,028	26
If water is purchased: Vendor Name:					27
Point of Delivery:					28

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)	
WELLHOUSE	1	97	10	280,000	Yes	1

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)
Identification number or name	1		1
RESERVOIRS, STANDPIPES OR ELEVATED TANKS			2
Type: R (reservoir), S (standpipe) or ET (elevated tank)	ET		3
Year constructed	1978		4
Primary material (earthen, steel, concrete, other)	STEEL		5
Elevation difference in feet (See Headnote 3.)	130		6
Total capacity in gallons	200,000		7
WATER TREATMENT PLANT			8
Disinfection, type of equipment (gas, liquid, powder, other)	OTHER		9
Points of application (wellhouse, central facilities, booster station, other)	OTHER		10
Filters, type (gravity, pressure, other, none)	NONE		11
Rated capacity of filter plant (m.g.d.) (note: 1,200,000 gal/day = 1.2 m.g.d.)	1.0000		12
Is a corrosion control chemical used (yes, no)?	Y		13
Is water fluoridated (yes, no)?	N		14

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)	
P	D	6.000	9,714	0	0	0	9,714	1
P	D	8.000	9,400	0	0	0	9,400	2
P	S	8.000	26	0	0	0	26	3
M	D	12.000	871	0	0	0	871	4
Total Within Municipality			20,011	0	0	0	20,011	
Total Utility			20,011	0	0	0	20,011	

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	0.750	113	0	0	0	113	20	1
M	1.000	4	0	0	0	4		2
M	1.250	2	0	0	0	2		3
M	1.500	11	0	0	0	11	4	4
M	2.000	1	0	0	0	1		5
M	3.000	1	0	0	0	1		6
Total Utility		132	0	0	0	132	24	

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).

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)	
0.750	107	5	3	4	113	12	1
1.000	6	0	0	(2)	4	0	2
1.250	2	0	0	0	2	0	3
1.500	11	0	1	1	11	0	4
2.000	2	0	0	(1)	1	0	5
3.000	1	0	0	0	1	0	6
Total:	129	5	4	2	132	12	

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)	
0.750	78	6	0	3	0	26	113	1
1.000	0	4	0	0	0	0	4	2
1.250	0	2	0	0	0	0	2	3
1.500	0	3	3	3	0	2	11	4
2.000	0	1	0	0	0	0	1	5
3.000	0	0	0	1	0	0	1	6
Total:	78	16	3	7	0	28	132	

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	42				42	2
Total Fire Hydrants	42	0	0	0	42	
Flushing Hydrants						
	0				0	3
Total Flushing Hydrants	0	0	0	0	0	

Wis. Admin. Code § 185.87 requires that a schedule shall be adopted and followed for operating each system valve and hydrant at least once each two years. Report the number operated during the year

Number of hydrants operated during year:	42
Number of distribution system valves end of year:	87
Number of distribution valves operated during year:	44

WATER OPERATING SECTION FOOTNOTES

Water Operation & Maintenance Expenses (Page W-05)

Account 600 - Salaries increased over the prior year because the utility hired additional personnel.

Account 682 - Outside services increased because of engineering fees related to grant application which was not funded.

Meters (Page W-17)

Meters were adjusted to reconcile to actual amounts.
