

**CITY OF RIVER FALLS**

River Falls, Wisconsin

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2011

# CITY OF RIVER FALLS

## TABLE OF CONTENTS As of and for the Year Ended December 31, 2011

---

<b>Independent Auditors' Report</b>	i – ii
<b>Management's Discussion and Analysis</b>	iii – xii
<b>Basic Financial Statements:</b>	
Government-Wide Statements	
Statement of Net Assets	1
Statement of Activities	2 – 3
Fund Financial Statements	
Governmental Funds	
Balance Sheet – Governmental Funds	4
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	7 – 8
Proprietary Funds	
Statement of Net Assets	9 – 10
Statement of Revenues, Expenses and Changes in Net Assets	11
Statement of Cash Flows	12 – 13
Fiduciary Fund	
Statement of Fiduciary Net Assets – Agency Fund	14
Notes to Financial Statements	15 – 73
<b>Required Supplementary Information</b>	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	74
Schedule of Funding Progress for Retiree's Health Plan	75
Notes to Required Supplementary Information	76

# CITY OF RIVER FALLS

## TABLE OF CONTENTS As of and for the Year Ended December 31, 2011

---

### Supplementary Information

Detailed Budgetary Comparison Schedule of Revenues – General Fund	77 – 79
Detailed Budgetary Comparison Schedule of Expenditures – General Fund	80 – 81
Combining Balance Sheet – Nonmajor Governmental Funds	82 – 85
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	86 – 89
Combining Statement of Net Assets – City of River Falls Housing Authority	90
Combining Statement of Revenues, Expenses and Changes in Net Assets – City of River Falls Housing Authority	91
Balance Sheet – Governmental Component Unit	92
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Component Unit	93

## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of River Falls  
River Falls, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of River Falls, Wisconsin as of and for the year ended December 31, 2011, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the city's management. Our responsibility is to express opinions on these financial statements based upon our audit. We did not audit the limited liability corporation (LLC) presented as a component unit of the City of River Falls Housing Authority (HA). The LLC of the HA represents 51 percent, 61 percent and 19 percent, respectively of the assets, net assets, and operating revenues of combined HA component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to amounts included for the LLC, is based on the report of the other auditors. The prior year comparative information has been derived from the city's 2010 financial statements and, in our report dated July 12, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on the our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of River Falls, Wisconsin as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2011, the Housing Authority changed its financial reporting to present the component unit, Windmill Place, LLC, as a discretely presented component unit rather than a blended component unit. Accounting policies are further discussed in Note I.I to the financial statements.

To the City Council  
River Falls, Wisconsin

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the statement of revenues, expenditures, and changes in fund balances – budget and actual - general fund, and the schedule of funding progress for retirees' health plan as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of River Falls' basic financial statements. The detailed budgetary comparison schedules, combining financial statements, and component unit financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Baker Tilly Vinchow Krume, LLP*

July 9, 2012

**CITY OF RIVER FALLS, WISCONSIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

Our discussion and analysis of the City of River Falls' financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2011. This narrative is intended to offer readers an objective, easy to read reporting of the accompanying financial statements.

**FINANCIAL HIGHLIGHTS**

- The City of River Falls had total assets of \$135.7 million and liabilities of \$43.9 million, resulting in net assets of \$91.8 million at the end of 2011. Of the net assets, \$76.2 million represents capital assets, net of related debt, \$5.4 million is held for restricted purposes, and \$10.2 million is available to meet the government's ongoing obligations to citizens and creditors.
- At the end of 2011, the City of River Falls' governmental funds reported combined ending fund balances of \$9,293,915, an increase of \$1,824,618 as compared to the prior fiscal year. This increase is partially due to a multi-year financial agreement with the Wisconsin Department of Transportation to transfer connecting highway 35/29 from Cascade Avenue to Cemetery Road. The agreement provides a net total of \$3.7 million over a 4 year period from 2011 to 2014 as reimbursement for this transfer. The 2011 payment of \$1,030,000 was received, and along with an increase in tax increment and room tax revenues, have increased the governmental fund revenues by \$1.3 million over 2010 revenues. Expenditures correspondingly increased by \$1.1 million largely for capital projects.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$5.0 million, or 68.4% of general fund expenditures. This is an increase of \$389,947 over the prior year.
- Total debt increased by \$818,021 during the current fiscal year. The City issued \$6,505,000 of new general obligation and revenue debt and retired \$5,686,979 of existing general obligation and revenue debt.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements:** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

- The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include public safety (police and fire services), public works (roads, traffic controls, and transit), culture and recreation (parks, library and recreation), community development, general government, and interest on long-term debt. The business-type activities of the City include electric, water, sewer, storm water, and ambulance services.

The government-wide financial statements include not only the City of River Falls itself (known as the *primary government*), but also legally distinct entities for which the City has financial responsibility and accountability, known as component units. The component units of the City include the Housing Authority and the Business Improvement District. These entities are described in Note III.1. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. Separately issued financial statements of the Housing Authority may be obtained from the Executive Director at the River Falls Housing Authority, 625 North Main Street, River Falls, WI 54022. Separately issued financial statements are not issued by the Business Improvement District.

The government-wide financial statements can be found on pages 1-3 of this report.

**Fund Financial Statements:** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into two categories: governmental funds and proprietary funds.

- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements and is typically the basis that is used in developing the next annual budget.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

The City has two major governmental funds: general fund and the general capital projects fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for these major funds. Data from all other non-major governmental funds is combined into a single aggregated presentation and are referenced under a single column as "Other Governmental Funds". Individual fund data on each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all governmental funds as required by state statute. Budget comparisons have been provided for the general fund to demonstrate compliance with the adopted budget.

The basic governmental funds financial statements can be found on pages 4 and 6 of this report.

- Proprietary funds are used when the City charges customers for the services it provides; whether to outside customers or to other units of the City. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer, storm water and ambulance service.

The proprietary funds financial statements can be found on pages 9 - 13 of this report.

- Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting for fiduciary funds is similar to that used for proprietary funds. The City of River Falls uses fiduciary funds to account for taxes collected for the benefit of overlapping tax jurisdictions.

The fiduciary financial statement can be found on page 14.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 - 73 of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information containing general fund budgetary comparison information and supplementary information that includes additional information for non-major governmental funds. Required supplementary information can be found on pages 74 - 76 of this report; supplementary information can be found on pages 77 - 93 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$91,770,053, at the close of the fiscal year ending December 31, 2011. This is an increase in net assets of \$3,350,792 over the previous fiscal year. Approximately \$1.5 million of this increase is due to operating surpluses and capital contributions to the city's enterprise funds.

### Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	20,855,230	15,534,100	15,009,602	12,143,262	35,864,832	27,677,362
Capital assets	<u>47,338,094</u>	<u>45,606,547</u>	<u>52,470,937</u>	<u>53,086,888</u>	<u>99,809,031</u>	<u>98,693,435</u>
Total assets	68,193,324	61,140,647	67,480,539	65,230,150	135,673,863	126,370,797
Current liabilities	11,445,794	7,760,683	3,666,668	2,410,010	15,112,462	10,170,693
Noncurrent liabilities	<u>14,628,118</u>	<u>13,108,584</u>	<u>14,163,230</u>	<u>14,672,259</u>	<u>28,791,348</u>	<u>27,780,843</u>
Total liabilities	26,073,912	20,869,267	17,829,898	17,082,269	43,903,810	37,951,536
Net assets:						
Invested in capital, net of related debt	35,073,377	34,955,126	41,110,284	41,568,914	76,183,661	76,524,040
Restricted net assets	4,323,817	1,116,875	1,056,018	1,013,388	5,379,835	2,130,263
Unrestricted net assets	<u>2,722,218</u>	<u>4,199,379</u>	<u>7,484,339</u>	<u>5,565,579</u>	<u>10,206,557</u>	<u>9,764,958</u>
Total net assets	<u>42,119,412</u>	<u>40,271,380</u>	<u>49,650,641</u>	<u>48,147,881</u>	<u>91,770,053</u>	<u>88,419,261</u>
Total net assets as a % of total liabilities	162%	193%	278%	282%	209%	233%
Unrestricted net assets as a % of total liabilities	10%	20%	42%	33%	23%	26%

The largest portion of the City's net assets (83%) reflects its investment in capital assets (e.g. land and easements, structures and improvements, infrastructure and equipment, less any related debt used to acquire those assets that is still outstanding). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net assets comprise 11% of the City’s net assets, an increase of \$441,599 from the previous year. Unrestricted assets may be used to meet the City’s ongoing obligations to citizens and creditors. Approximately 73% of the total unrestricted assets are related to business-type activities, and as such, are generally not available to fund governmental operations.

The remaining balance of the City’s net assets (6%), represent resources that are subject to internal or external restrictions on how they may be used.

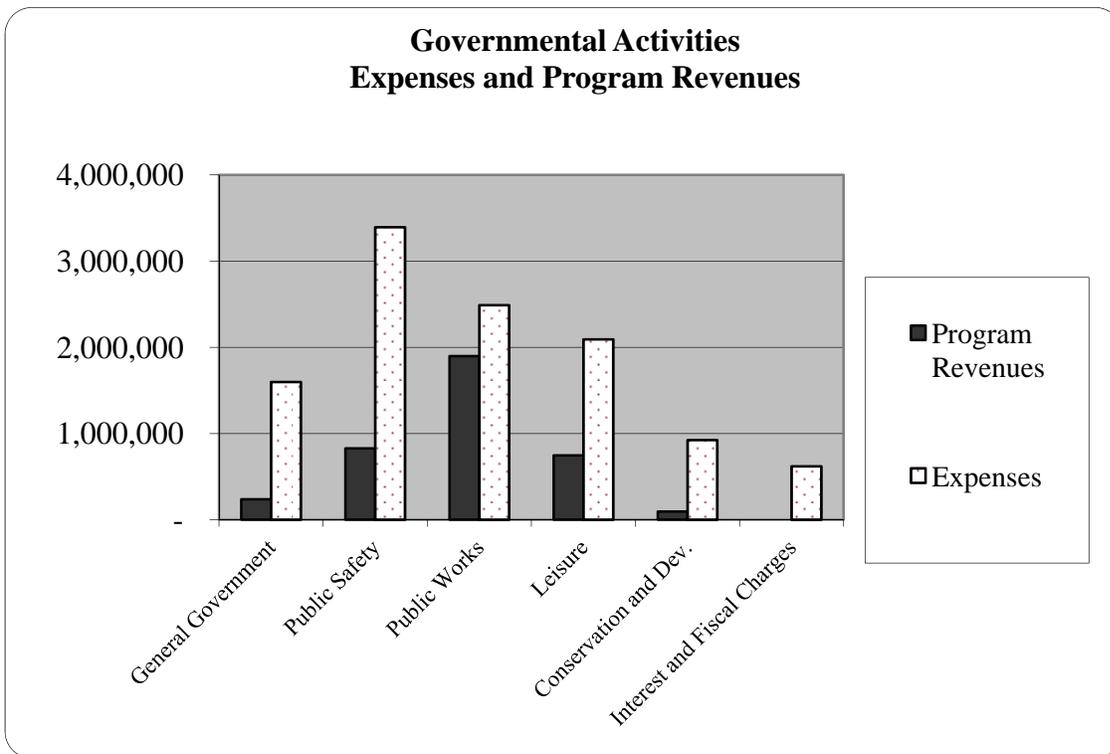
The table below and the narrative that follows consider the operations of governmental and business-type activities separately.

	<b>Statement of Activities</b>					
	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>						
Program revenues:						
Charges for Services	\$1,048,194	\$1,161,978	\$19,184,072	\$19,174,406	\$20,232,266	\$20,336,384
Operating grants and contributions	1,609,985	1,448,716	6,156	7,233	1,616,141	1,455,949
Capital grants and contributions	1,145,335	313,241	156,958	321,165	1,302,293	634,406
General revenues:						
Property taxes	5,390,098	5,086,684			5,390,098	5,086,684
Other taxes	153,624	123,646			153,624	123,646
Intergovernmental Revenues	2,208,836	2,182,763			2,208,836	2,182,763
Investment earnings	228,480	216,934	76,643	117,384	305,123	334,318
Miscellaneous	<u>379,381</u>	<u>256,897</u>	<u>105,191</u>	<u>86,966</u>	<u>484,572</u>	<u>343,863</u>
Total revenues	12,163,933	10,790,859	19,529,020	19,707,154	31,692,953	30,498,013
<b>Expenses:</b>						
General government	1,597,090	1,497,940			1,597,090	1,497,940
Public safety	3,394,173	3,229,989			3,394,173	3,229,989
Public works	2,489,897	3,023,988			2,489,897	3,023,988
Health services	12,298	12,697			12,298	12,697
Leisure	2,092,168	2,047,930			2,092,168	2,047,930
Conservation and development	922,887	635,071			922,887	635,071
Interest and fiscal charges	618,506	642,726			618,506	642,726
Electric utility			12,473,346	12,922,297	12,473,346	12,922,297
Water utility			1,092,298	1,075,819	1,092,298	1,075,819
Sewer utility			2,513,653	2,548,893	2,513,653	2,548,893
Storm water Utility			369,106	378,019	369,106	378,019
Ambulance Service	<u>-</u>	<u>-</u>	<u>766,739</u>	<u>758,804</u>	<u>766,739</u>	<u>758,804</u>
Total expenses	11,127,019	11,090,341	17,215,142	17,683,832	28,342,161	28,774,173
Change in net assets before transfers	1,036,914	(299,482)	2,313,878	2,023,322	3,350,792	1,723,840
Special items						
Transfers	<u>811,118</u>	<u>729,329</u>	<u>(811,118)</u>	<u>(729,329)</u>	<u>-</u>	<u>-</u>
Increase in net assets	1,848,032	429,847	1,502,760	1,293,993	3,350,792	1,723,840
Net assets 1/1/11	<u>40,271,380</u>	<u>39,841,533</u>	<u>48,147,881</u>	<u>46,853,888</u>	<u>88,419,261</u>	<u>86,695,421</u>
Net assets 12/31/11	<u>42,119,412</u>	<u>40,271,380</u>	<u>49,650,641</u>	<u>48,147,881</u>	<u>91,770,053</u>	<u>88,419,261</u>

**Governmental Activities:**

Revenues for the City’s governmental activities including transfers from other funds totaled \$13.0 million, with property taxes accounting for 42% of the total. Intergovernmental revenues include \$2.2 million in state shared revenue and grants, or 17% of annual revenues. Charges for services make up 8% of total revenues and include solid waste and environmental fees, as well as permits, licenses and miscellaneous fees.

Governmental activities expenses totaled \$11.1 million, with public safety (\$3,394,173), public works (\$2,489,897), and leisure services (\$2,092,168) accounting for 72% of the expenses. The following graph displays the governmental activities expenses in comparison to program revenues. When all sources of revenue are combined, such as property tax, investment earnings, including transfers, grants and contributions not restricted to specific programs are included, total revenues exceeded expenditures by \$1,848,032.



## **Business-Type Activities:**

Business-type activities increased the City's net assets by \$1,502,760. Due to the enterprise nature of these activities, over 98% of annual revenues are generated by charges for services.

Key elements of the business-type activities in 2011 are as follows:

### **Electric**

- In 2011, the City accepted a financial buyout package from its power supply contractor ending a long-term agreement that provided electric generation capacity revenue. An analysis was completed regarding the future of the City's power plant without these revenues, including the effect on long term rates and the need to generate locally if necessary. River Falls is served by three major transmission sources, minimizing the need to generate should any one source be unavailable, which is advantageous to the community and negates the need for maintaining the power plant for this purpose. Through the City's affiliation with WPPI, and their investment in generation assets, the long-term outlook for wholesale rates are expected to be competitive with other sources. With these factors, the decision was made to decommission the plant at the end of 2011.
- The electric utility's net assets increased \$703,874 or 4.7 percent from the prior year. This increase is \$342,251 higher than last year due to adjustments made as a result of a buyout of the generating capacity agreement with WPPI. Unrestricted net assets grew by \$1,600,411 with the future payments from WPPI included as a receivable.
- The electric utility's operating income decreased by \$ 48,421 or 5.5 percent in 2011 compared to 2010. Operating revenues excluding sales for resale, were three percent higher in 2011, due to increased power supply costs, which are passed on to the consumer. Revenue from sales for resale which accounted for seven percent of operating revenues in 2010, will no longer be available due to the power plant closure. A year over year reduction of 44 percent in operating expenses related to the power plant was realized in 2011.
- Electric utility net capital assets decreased \$2,149,649 as a result of retiring the power plant operations. Capital assets net of related debt were reduced by \$875,730 at the end of 2011.

### **Water**

- The water utility's net assets increased \$148,269 or 1.13 percent in 2011. In comparison, the water utility's net assets increased by \$226,776 in 2010, with the difference largely due to lower capital contribution revenue in 2011.
- Operating revenues for the utility increased \$20,245 or 1.40 percent in 2011 compared to 2010. Approximately 61 percent of this increase is related to additional metered water sales, with the remaining increase from public fire protection charges. The water utility's operating expenses increased \$27,478 or 2.6 percent in 2011 compared to 2010. This increase was largely due to costs related to the water rate study.

- Net capital assets increased by \$2,015,628 from the improvements made to Well Number 6 and the North booster station projects. Net capital assets net of related debt increased by \$490,779.

**Sewer**

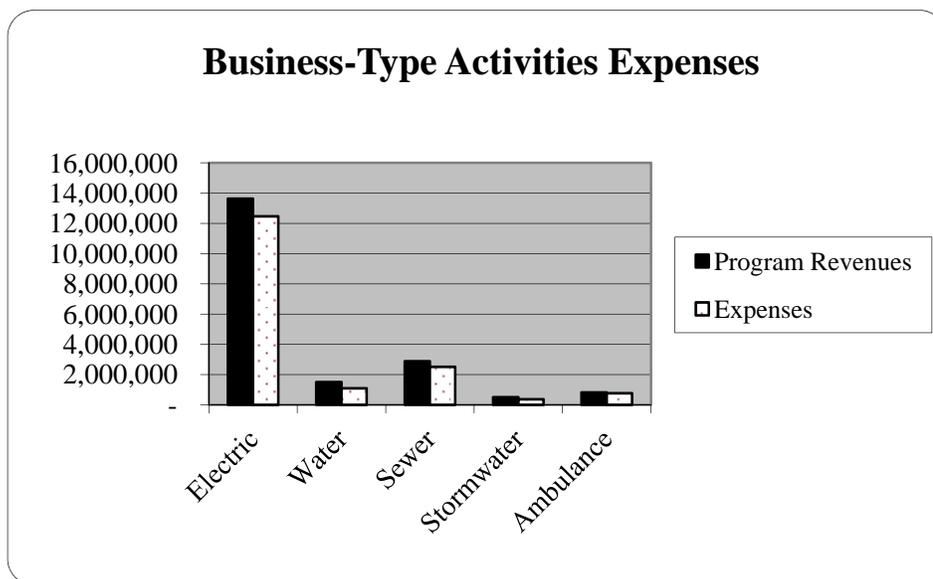
- The sewer utility’s net assets increased \$409,106 or 3.0 percent in 2011. This was a 14.7 percent reduction in the change in net assets from 2010 due to lower capital contribution revenue.
- Operating income for the sewer utility increased \$52,216 or 8.1 percent in 2011 as compared to 2010. Increased residential sewer usage and reduced costs for the collection system comprised the majority of this increase.
- The net capital assets of the sewer fund decreased by \$417,018 due to annual depreciation expense.

**Storm Water**

- The storm water utility fund net assets increased \$71,715 or 1.3% from the prior year. Net operating income increased by 5% from 2010, due to expenses less than anticipated. Additionally, costs related to the Cascade Avenue reconstruction project will not be realized until 2012.

**Ambulance**

- The ambulance services net assets increased by \$169,797 or 16.1% due a service rate increase implemented in May, 2010. This resulted in an increase of 8.7% in operating revenues, with expenses held to a 1% increase.



## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City of River Falls uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the City completed the year, its governmental funds reported a combined fund balance of \$9,293,915; an increase of \$1,824,618 from 2010. Approximately 30% or \$2,775,203 of the combined fund balance constitutes unassigned fund balance, which is available to meet the City's current and future needs. An additional \$742,057 is committed for special revenue and capital project funds.

The remaining fund balance is nonspendable and restricted and therefore not available for new spending. Funds are committed for the following: 1) prepaid expenses of \$105,958; 2) to reflect the amount due from other funds that are long term in nature and do not represent spendable resources of \$1,269,700; and 3) for special purpose funds such as impact fees, library and housing, or debt service notes of \$4,400,997.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The 2011 budget was adopted at the function level of expenditures. During the year, the budget was amended to account for cost savings and increased transfers to other funds for deficit reduction and debt repayment. General fund revenues exceeded expenditures by \$389,947 after these additional transfers were made.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities at December 31, 2011, amounted to \$99.8 million (net of accumulated depreciation), an increase of 1.2% over 2010. The investment in capital assets includes land and easements, infrastructure, structures and improvements, equipment, and construction in progress.

In accordance with the implementation of GASB No. 34, the City has recorded historical costs and depreciation expense associated with all of its capital assets, including infrastructure. The City has elected to use the straight-line depreciation method of reporting capital assets.

Further details of the City's capital assets can be found on page 36 in the notes to the financial statements.

### **Long-term Debt**

At December 31, 2011, the City had \$15,982,808 of general obligation bonds and promissory notes outstanding. Of this amount, \$2,686,582, or 16.8% will be paid from business-type activity revenues. The City maintains an Aa2 rating from Moody's Investor Service on general obligation issues. Under current state statutes, the City's general obligation indebtedness may not exceed five percent (5%) of the equalized value of taxable property in the City. As of

December 31, 2011, the City's total amount applicable to debt margin (outstanding notes less debt service fund balance) was \$15,982,808 or 38.7% of the legal limit of \$41,251,630. The net debt per capita equaled \$1,063 at year-end.

Further details of the City's long-term debt activity can be found in the notes to the financial statements within Note III section F.

#### Economic Factors and the 2012 Budget and Rates

The 2012 budget was approved in November 2011, with a levy increase of \$51,087, or 1.1%. Additional allocations to other funds and diversified revenues were proposed to reduce the reliance on property tax revenues. The 2012 general fund budget does not include the use of fund balance. It is anticipated that increased revenues and additional cost savings in operations will result in a secure year end financial condition.

Water and Sewer utility will implement new rates effective April 13, 2012. This change results in annual water revenues increasing 3% or approximately \$42,000 per year. The sewer rates will increase by an average 8.35% for approximately \$234,000 additional revenue per year.

Reductions in value due to economic conditions caused a decrease of 1.5% in the City's 2011 equalized values. Residential and commercial properties were the most affected by the change. Manufacturing added \$3,468,600 in increased equalized value in 2011, with a citywide increase in net new construction of \$13.3 million.

#### Request for Information

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of River Falls, Finance Director, 222 Lewis Street, River Falls, WI 54022.

**CITY OF RIVER FALLS**

**STATEMENT OF NET ASSETS**

As of December 31, 2011

(With Comparative Totals - Primary Government for December 31, 2010)

	Primary Government				Component Units	
	Governmental Activities	Business- Type Activities	Totals		Housing Authority	Business Improvement District
			2011	2010		
<b>ASSETS</b>						
Cash and investments	\$ 11,265,227	\$ 5,982,616	\$ 17,247,843	\$ 14,001,200	\$ 439,793	\$ 22,111
Taxes receivable	5,420,348	-	5,420,348	5,430,968	-	-
Accounts receivable (net)	3,420,169	1,621,290	5,041,459	2,215,626	19,400	-
Special assessments receivable	159,866	12,257	172,123	178,498	-	42,178
Interest receivable	17,296	-	17,296	26,150	-	-
Notes receivable	343,838	95,122	438,960	358,733	-	-
Prepaid items and inventories	113,910	363,160	477,070	475,178	22,628	-
Due from other governments	53,383	-	53,383	50,136	-	-
Other receivables	-	3,207,532	3,207,532	151,317	11,587	-
Restricted cash and investments	-	3,383,421	3,383,421	3,645,017	563,765	-
Restricted receivable	-	66,556	66,556	67,972	-	-
Other investments	-	31,180	31,180	793,968	44,942	-
Debt issuance costs	61,193	246,468	307,661	282,599	-	-
<b>Capital Assets</b>						
Land	12,909,634	359,167	13,268,801	11,044,824	751,516	-
Construction in progress	614,384	2,814,437	3,428,821	706,877	47,942	-
Other capital assets, net of depreciation	33,814,076	49,297,333	83,111,409	86,941,734	4,583,038	-
<b>Total Assets</b>	<b>68,193,324</b>	<b>67,480,539</b>	<b>135,673,863</b>	<b>126,370,797</b>	<b>6,484,611</b>	<b>64,289</b>
<b>LIABILITIES</b>						
Accounts payable	396,528	1,509,695	1,906,223	1,625,761	2,758	-
Accrued liabilities	245,596	272,471	518,067	621,210	33,672	-
Accrued interest	201,038	129,011	330,049	321,474	-	-
Deposits	39,100	79,547	118,647	91,589	-	-
Unearned revenues	10,323,532	93,415	10,416,947	7,034,597	22,895	-
Customer advances for construction	-	555,919	555,919	476,062	-	-
Due to other governments	-	-	-	-	39,645	-
Other liabilities	240,000	-	240,000	-	62,657	-
Unamortized gain on early retirement	-	1,026,610	1,026,610	-	-	-
<b>Noncurrent liabilities</b>						
Due within one year	1,211,944	2,571,622	3,783,566	3,042,278	31,019	-
Due in more than one year	13,416,174	11,591,608	25,007,782	24,738,565	3,810,566	-
<b>Total Liabilities</b>	<b>26,073,912</b>	<b>17,829,898</b>	<b>43,903,810</b>	<b>37,951,536</b>	<b>4,003,212</b>	<b>-</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	35,073,377	41,110,284	76,183,661	76,524,040	1,561,044	-
<b>Restricted for</b>						
Debt service	-	716,905	716,905	685,993	-	-
Capital asset repair and replacement	-	110,372	110,372	75,255	-	-
Impact fees	267,952	228,741	496,693	585,619	-	-
Library trust	114,684	-	114,684	112,870	-	-
Housing	670,144	-	670,144	670,526	332,298	-
Parking meters	174,883	-	174,883	-	-	-
Refuse/solid waste	292,952	-	292,952	-	-	-
Environmental fee	2,618,672	-	2,618,672	-	-	-
Library	184,530	-	184,530	-	-	-
Unrestricted	2,722,218	7,484,339	10,206,557	9,764,958	588,057	64,289
<b>TOTAL NET ASSETS</b>	<b>\$ 42,119,412</b>	<b>\$ 49,650,641</b>	<b>\$ 91,770,053</b>	<b>\$ 88,419,261</b>	<b>\$ 2,481,399</b>	<b>\$ 64,289</b>

See accompanying notes to the financial statements.

**CITY OF RIVER FALLS**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

(With Comparative Totals - Primary Government for the Year Ended December 31, 2010)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,597,090	\$ 237,195	\$ -	\$ -
Public safety	3,394,173	237,018	590,830	-
Public works	2,489,897	88,423	665,133	1,144,585
Health services	12,298	-	-	-
Leisure	2,092,168	391,105	354,022	750
Conservation and development	922,887	94,453	-	-
Interest and fiscal charges	618,506	-	-	-
Total Governmental Activities	<u>11,127,019</u>	<u>1,048,194</u>	<u>1,609,985</u>	<u>1,145,335</u>
Business-type Activities				
Electric Utility	12,473,346	13,580,863	-	56,287
Water Utility	1,092,298	1,471,449	-	31,069
Sewer Utility	2,513,653	2,809,684	-	69,602
Stormwater Utility	369,106	504,265	-	-
Ambulance	766,739	817,811	6,156	-
Total Business-type Activities	<u>17,215,142</u>	<u>19,184,072</u>	<u>6,156</u>	<u>156,958</u>
Total Primary Government	<u>\$ 28,342,161</u>	<u>\$ 20,232,266</u>	<u>\$ 1,616,141</u>	<u>\$ 1,302,293</u>
Component Units				
River Falls Housing Authority	\$ 2,013,344	\$ 895,475	\$ 775,694	\$ 398,413
Business Improvement District	57,830	42,594	-	-
Total Component Units	<u>\$ 2,071,174</u>	<u>\$ 938,069</u>	<u>\$ 775,694</u>	<u>\$ 398,413</u>
General Revenues				
Taxes				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Property taxes, levied for tax increment districts				
Other taxes				
Intergovernmental revenues not restricted to specific programs				
Investment income				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
<b>Change in Net Assets</b>				
NET ASSETS - Beginning of Year				
<b>NET ASSETS - END OF YEAR</b>				

Net (Expenses) Revenues and Changes in Net Assets					
Governmental Activities	Business-type Activities	Totals		Housing Authority	Business Improvement District
		Primary Government 2011	2010		
\$ (1,359,895)	\$ -	\$ (1,359,895)	\$ (1,215,343)	\$ -	\$ -
(2,566,325)	-	(2,566,325)	(2,582,261)	-	-
(591,756)	-	(591,756)	(1,864,821)	-	-
(12,298)	-	(12,298)	(12,697)	-	-
(1,346,291)	-	(1,346,291)	(1,310,435)	-	-
(828,434)	-	(828,434)	(538,123)	-	-
(618,506)	-	(618,506)	(642,726)	-	-
<u>(7,323,505)</u>	<u>-</u>	<u>(7,323,505)</u>	<u>(8,166,406)</u>	<u>-</u>	<u>-</u>
-	1,163,804	1,163,804	776,930	-	-
-	410,220	410,220	479,572	-	-
-	365,633	365,633	415,376	-	-
-	135,159	135,159	146,061	-	-
-	57,228	57,228	1,033	-	-
<u>-</u>	<u>2,132,044</u>	<u>2,132,044</u>	<u>1,818,972</u>	<u>-</u>	<u>-</u>
(7,323,505)	2,132,044	(5,191,461)	(6,347,434)	-	-
-	-	-	-	56,238	-
-	-	-	-	-	(15,236)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,238</u>	<u>(15,236)</u>
3,537,403	-	3,537,403	3,446,693	-	-
914,294	-	914,294	917,255	-	-
938,401	-	938,401	722,736	-	-
153,624	-	153,624	123,646	-	-
2,208,836	-	2,208,836	2,182,763	-	-
228,480	76,643	305,123	334,318	2,565	-
379,381	105,191	484,572	343,863	-	-
811,118	(811,118)	-	-	-	-
<u>9,171,537</u>	<u>(629,284)</u>	<u>8,542,253</u>	<u>8,071,274</u>	<u>2,565</u>	<u>-</u>
1,848,032	1,502,760	3,350,792	1,723,840	58,803	(15,236)
<u>40,271,380</u>	<u>48,147,881</u>	<u>88,419,261</u>	<u>86,695,421</u>	<u>2,422,596</u>	<u>79,525</u>
<u>\$ 42,119,412</u>	<u>\$ 49,650,641</u>	<u>\$ 91,770,053</u>	<u>\$ 88,419,261</u>	<u>\$ 2,481,399</u>	<u>\$ 64,289</u>

See accompanying notes to financial statements.

**CITY OF RIVER FALLS**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2011

	General Fund	General Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 5,333,475	\$ 2,118,201	\$ 3,813,542	\$ 11,265,218
Receivables				
Taxes	2,642,874	50,022	2,727,452	5,420,348
Accounts	146,813	3,109,426	125,434	3,381,673
Special assessments	128,348	31,518	-	159,866
Interest	12,877	-	4,419	17,296
Notes	-	-	343,838	343,838
Prepaid items	92,926	-	13,032	105,958
Due from other governments	29,290	-	24,093	53,383
Due from other funds	38,987	-	25,806	64,793
Advances to other funds	1,269,700	-	1,112,131	2,381,831
<b>TOTAL ASSETS</b>	<b>\$ 9,695,290</b>	<b>\$ 5,309,167</b>	<b>\$ 8,189,747</b>	<b>\$ 23,194,204</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 192,230	\$ 108,856	\$ 85,275	\$ 386,361
Accrued liabilities	228,148	-	16,340	244,488
Deposits	39,100	-	-	39,100
Deferred revenues	2,871,757	4,802,924	3,108,270	10,782,951
Due to other funds	-	-	64,082	64,082
Due to other governments	1,441	-	35	1,476
Advances from other funds	-	112,131	2,269,700	2,381,831
Total Liabilities	<u>3,332,676</u>	<u>5,023,911</u>	<u>5,543,702</u>	<u>13,900,289</u>
Fund Balances				
Nonspendable	1,362,626	-	13,032	1,375,658
Restricted	-	-	4,400,997	4,400,997
Committed	-	285,256	456,801	742,057
Unassigned (deficit)	4,999,988	-	(2,224,785)	2,775,203
Total Fund Balances	<u>6,362,614</u>	<u>285,256</u>	<u>2,646,045</u>	<u>9,293,915</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,695,290</b>	<b>\$ 5,309,167</b>	<b>\$ 8,189,747</b>	<b>\$ 23,194,204</b>

See accompanying notes to financial statements.

## CITY OF RIVER FALLS

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

As of December 31, 2011

Total fund balance - governmental funds	\$	9,293,915
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in government activities are not financial resources and, therefore, are not reported in the fund statements. Capital assets at year end consist of:</p>		
Capital assets	\$ 59,562,047	
Accumulated depreciation	<u>(12,223,953)</u>	47,338,094
<p>Special assessments, loans receivable, and various other receivables are reported as deferred revenue in the fund financial statements and are recognized as revenue when earned in the government-wide financial statements. These types of deferred revenues at year end consist of:</p>		
Grants receivable	23,154	
Loans receivable	343,838	
Special assessments	26,733	
Other receivables	<u>65,694</u>	459,419
<p>Internal service funds are used by management to charge the costs of the city hall to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.</p>		
		35,945
<p>Governmental funds report the effect of issuance costs, losses on refunding, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts include:</p>		
Loss on refunding	16,029	
Debt issuance costs	61,193	
Debt discount	<u>70,513</u>	147,735
<p>Some other liabilities are not due in the current period and, therefore, are not reported in the fund statements.</p>		
		(240,000)
<p>Long-term liabilities, including bonds and notes payable, are not due in the current period and, therefore, are not reported in the fund statements. Long-term liabilities at year end consist of:</p>		
General obligation debt	(13,296,226)	
Vested compensated absences	(856,152)	
Landfill post-closure care cost	(243,858)	
Other postemployment benefits	(318,424)	
Accrued interest on general obligation debt	<u>(201,036)</u>	<u>(14,915,696)</u>
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>42,119,412</u></b>

See accompanying notes to financial statements.

## CITY OF RIVER FALLS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2011

	General Fund	General Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,605,307	\$ 38,990	\$ 2,916,654	\$ 5,560,951
Special assessments	3,838	6,921	2,500	13,259
Intergovernmental	3,312,865	1,030,000	495,898	4,838,763
Licenses and permits	128,784	-	-	128,784
Fines, forfeitures and penalties	186,942	-	-	186,942
Public charges for services	228,895	-	475,875	704,770
Intergovernmental charges for services	14,641	-	-	14,641
Investment income	191,541	2,068	34,523	228,132
Miscellaneous	297,673	100,750	200,483	598,906
Total Revenues	<u>6,970,486</u>	<u>1,178,729</u>	<u>4,125,933</u>	<u>12,275,148</u>
<b>EXPENDITURES</b>				
Current				
General government	1,330,341	-	-	1,330,341
Public safety	3,086,658	-	64,679	3,151,337
Public works	1,664,438	-	214,710	1,879,148
Health services	10,172	-	-	10,172
Leisure	549,740	-	1,220,491	1,770,231
Conservation and development	506,110	-	278,118	784,228
Public service enterprises	2,127	-	-	2,127
Capital Outlay	-	572,757	2,361,366	2,934,123
Debt Service				
Principal retirement	130,685	-	928,772	1,059,457
Interest and fiscal charges	24,801	4,471	585,139	614,411
Total Expenditures	<u>7,305,072</u>	<u>577,228</u>	<u>5,653,275</u>	<u>13,535,575</u>
Excess (deficiency) of revenues over expenditures	<u>(334,586)</u>	<u>601,501</u>	<u>(1,527,342)</u>	<u>(1,260,427)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	875,000	1,599,000	2,474,000
Transfers from other funds	1,455,562	88,000	583,024	2,126,586
Transfers to other funds	(731,029)	(127,335)	(657,177)	(1,515,541)
Total Other Financing Sources	<u>724,533</u>	<u>835,665</u>	<u>1,524,847</u>	<u>3,085,045</u>
<b>Net change in fund balances</b>	389,947	1,437,166	(2,495)	1,824,618
FUND BALANCES (DEFICIT) - Beginning of Year	<u>5,972,667</u>	<u>(1,151,910)</u>	<u>2,648,540</u>	<u>7,469,297</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 6,362,614</u>	<u>\$ 285,256</u>	<u>\$ 2,646,045</u>	<u>\$ 9,293,915</u>

See accompanying notes to financial statements.

## CITY OF RIVER FALLS

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2011

---

Net change in fund balances - total governmental funds	\$ 1,824,618
--	--------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	2,934,123
Some items reported as capital outlay in the fund financial statements are not capitalized in the government-wide financial statements	(197,154)
Depreciation is reported in the government-wide financial statements	(981,575)

In the fund financial statements, proceeds from the sale of capital assets are reported because the proceeds increase financial resources. In the statement of activities, only the gain or loss on the disposal of capital assets is reported.	(23,847)
---	----------

Special assessments, special charges, and the related interest are reported as deferred revenue in the fund statements, but are recognized as revenue when earned in the government-wide financial statements. This is the net effect of those amounts recognized as revenue in prior years on the government-wide financial statements and deferred in the fund financial statements.	2,541
--	-------

Receivables that are not received within 60 days of year end are recorded as deferred revenue in the fund statements. This is the net effect of amounts deferred in the prior year and the current year.	(3,502)
--	---------

Repayment of debt principal is an expenditure in the fund financial statements, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of principal payments made.	1,059,457
--	-----------

Issuing debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. This is the amount of debt issued during the year.	(2,474,000)
--	-------------

Interest on long-term debt in the statement of activities differs from the amount reported in the fund financial statements because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities interest expense is recognized as the interest accrues regardless of when it is due.	11,761
---	--------

Governmental funds report the effect of issuance costs, losses on refunding, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of those differences.	(15,938)
--	----------

Delinquent charges placed on tax roll were deferred in the fund statements because they were not available, but were recognized in the government-wide statements.	(18,155)
--	----------

---

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount is the change in the following liabilities.

Compensated absences	\$ (59,828)
Landfill liability	14,474
Other postemployment benefits	(50,824)
Other liabilities	(240,000)

Governmental funds report repayments of housing loans and notes receivables as revenue and issuing new loans as expenditures. However, in the statement of activities, these amounts are not reported as revenue and expenses.

Repayment of principal on loans and notes recognized as revenue on fund statements	51,722
--	--------

Internal service funds are used by management to charge the costs of the city hall to individual funds.

The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>14,159</u>
---	---------------

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 1,848,032

**CITY OF RIVER FALLS**

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
As of December 31, 2011

	Business-type Activities - Enterprise Funds						Internal Service Fund City Hall
	Major Funds				Non-major Fund	Totals	
	Electric Utility	Water Utility	Sewer Utility	Stormwater Utility	Ambulance		
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and investments	\$ 2,114,358	\$ 1,935,801	\$ 1,199,729	\$ 142,431	\$ 590,297	\$ 5,982,616	\$ 10
Accounts receivable	1,106,636	118,089	243,683	90,062	62,820	1,621,290	38,497
Other accounts receivable	267,743	4,415	12,314	-	-	284,472	-
Current portion of advance	57,396	-	-	-	-	57,396	-
Current portion of loan receivable	24,710	-	-	-	-	24,710	-
Current portion of special assessments	-	2,564	9,693	-	-	12,257	-
Current portion of West Central Biosolids receivable	-	-	48,247	-	-	48,247	-
Current portion of WPPI receivable	757,034	-	-	-	-	757,034	-
Interest receivable	-	-	4,739	-	-	4,739	-
Inventories	276,812	14,199	666	-	-	291,677	-
Prepaid items	33,854	5,281	2,563	2,578	27,207	71,483	7,955
<b>Restricted Assets</b>							
Cash	167,007	35,012	601,717	-	-	803,736	-
Interest receivable	492	132	2,481	-	-	3,105	-
West Central Biosolids receivable	-	-	63,451	-	-	63,451	-
<b>Total Current Assets</b>	<b>4,806,042</b>	<b>2,115,493</b>	<b>2,189,283</b>	<b>235,071</b>	<b>680,324</b>	<b>10,026,213</b>	<b>46,462</b>
<b>Non-Current Assets</b>							
<b>Restricted Assets</b>							
Reserve account	668,463	159,446	610,395	-	-	1,438,304	-
Construction account	-	-	301,806	-	-	301,806	-
Impact fee account	-	477,732	251,471	-	-	729,203	-
Replacement account	-	-	110,372	-	-	110,372	-
<b>Other Assets</b>							
Loan receivable	55,289	-	-	-	-	55,289	-
Solar renewable note receivable	15,123	-	-	-	-	15,123	-
Advances to other funds	496,906	-	-	-	-	496,906	-
Preliminary survey and investigation	-	16,240	14,940	-	-	31,180	-
Special assessments receivable	-	-	-	-	-	-	-
West Central Biosolids Facility receivable	-	-	357,689	-	-	357,689	-
WPPI receivable	1,755,351	-	-	-	-	1,755,351	-
Unamortized debt issuance costs	54,714	59,076	132,678	-	-	246,468	-
<b>Capital Assets</b>							
Land	107,127	3,120	147,622	-	101,298	359,167	-
Construction in progress	107,408	2,638,282	68,747	-	-	2,814,437	-
Property and equipment	22,382,814	15,328,836	26,969,848	7,116,976	1,290,095	73,088,569	-
Accumulated depreciation	(10,675,133)	(3,940,917)	(7,139,027)	(1,230,276)	(805,883)	(23,791,236)	-
<b>Total Non-Current Assets</b>	<b>14,968,062</b>	<b>14,741,815</b>	<b>21,826,541</b>	<b>5,886,700</b>	<b>585,510</b>	<b>58,008,628</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 19,774,104</b>	<b>\$ 16,857,308</b>	<b>\$ 24,015,824</b>	<b>\$ 6,121,771</b>	<b>\$ 1,265,834</b>	<b>\$ 68,034,841</b>	<b>\$ 46,462</b>

	Business-type Activities - Enterprise Funds						Internal Service Fund City Hall
	Major Funds				Non-major Fund	Totals	
	Electric Utility	Water Utility	Sewer Utility	Stormwater Utility	Ambulance		
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Accounts payable	\$ 956,569	\$ 486,159	\$ 43,091	\$ 17,088	\$ 6,788	\$ 1,509,695	\$ 8,732
Customer deposits	79,547	-	-	-	-	79,547	-
Accrued liabilities	177,329	26,842	42,592	2,035	23,673	272,471	1,074
Accrued interest	575	11,963	22,747	3,757	-	39,042	-
Due to other funds	-	-	-	-	-	-	711
Current portion of general obligation debt	15,030	181,284	175,025	183,015	-	554,354	-
Current portion of advance	-	25,201	32,195	-	-	57,396	-
Current portion of shared services notes payable	24,710	-	-	-	-	24,710	-
Current portion of bank promissory note - West Central Wisconsin Biosolids Facility	-	-	48,247	-	-	48,247	-
<b>Current Liabilities Payable from Restricted Assets</b>							
Current portion of revenue bonds	1,350,000	-	530,860	-	-	1,880,860	-
Current portion of clean water fund loan	-	-	63,451	-	-	63,451	-
Accrued interest	11,971	35,177	42,821	-	-	89,969	-
<b>Total Current Liabilities</b>	<b>2,615,731</b>	<b>766,626</b>	<b>1,001,029</b>	<b>205,895</b>	<b>30,461</b>	<b>4,619,742</b>	<b>10,517</b>
<b>Non-Current Liabilities</b>							
General obligation debt	16,032	284,536	1,646,598	185,062	-	2,132,228	-
Revenue bonds	310,000	2,125,000	6,347,867	-	-	8,782,867	-
Unamortized debt premium	-	3,447	41,651	-	-	45,098	-
Clean water fund loan	-	-	202,691	-	-	202,691	-
Bank promissory note - West Central Wisconsin Biosolids Facility	-	-	154,998	-	-	154,998	-
Compensated absences	52,841	24,781	25,777	-	-	103,399	-
Other post-employment benefits	52,804	33,993	21,828	-	8,583	117,208	-
Advance from other funds	-	133,439	363,467	-	-	496,906	-
Shared services notes payable	53,119	-	-	-	-	53,119	-
Unearned revenue	93,415	-	-	-	-	93,415	-
Unamortized gain on early retirement	1,026,610	-	-	-	-	1,026,610	-
Customer advances for construction	-	248,958	306,961	-	-	555,919	-
<b>Total Non-Current Liabilities</b>	<b>1,604,821</b>	<b>2,854,154</b>	<b>9,111,838</b>	<b>185,062</b>	<b>8,583</b>	<b>13,764,458</b>	<b>-</b>
<b>Total Liabilities</b>	<b>4,220,552</b>	<b>3,620,780</b>	<b>10,112,867</b>	<b>390,957</b>	<b>39,044</b>	<b>18,384,200</b>	<b>10,517</b>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	10,985,393	11,661,595	12,359,163	5,518,623	585,510	41,110,284	-
Restricted for:							
Debt service	155,528	-	561,377	-	-	716,905	-
Replacement	-	-	110,372	-	-	110,372	-
Impact fees	-	228,741	-	-	-	228,741	-
Unrestricted	4,412,631	1,346,192	872,045	212,191	641,280	7,484,339	35,945
<b>TOTAL NET ASSETS</b>	<b>\$ 15,553,552</b>	<b>\$ 13,236,528</b>	<b>\$ 13,902,957</b>	<b>\$ 5,730,814</b>	<b>\$ 1,226,790</b>	<b>\$ 49,650,641</b>	<b>\$ 35,945</b>

See accompanying notes to financial statements.

**CITY OF RIVER FALLS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds					Totals	Internal Service Fund City Hall
	Major Funds				Non-major Fund		
	Electric Utility	Water Utility	Sewer Utility	Stormwater Utility	Ambulance		
<b>OPERATING REVENUES</b>	\$ 13,580,863	\$ 1,471,449	\$ 2,809,684	\$ 504,265	\$ 817,811	\$ 19,184,072	\$ 38,497
<b>OPERATING EXPENSES</b>							
Operation and maintenance	11,776,249	792,314	1,580,603	214,922	695,710	15,059,798	224,438
Depreciation and amortization	970,401	271,978	533,679	140,974	71,029	1,988,061	-
<b>Total Operating Expenses</b>	<u>12,746,650</u>	<u>1,064,292</u>	<u>2,114,282</u>	<u>355,896</u>	<u>766,739</u>	<u>17,047,859</u>	<u>224,438</u>
Operating Income (Loss)	<u>834,213</u>	<u>407,157</u>	<u>695,402</u>	<u>148,369</u>	<u>51,072</u>	<u>2,136,213</u>	<u>(185,941)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>							
Operating grants	-	-	-	-	6,156	6,156	-
Investment income	26,423	5,920	26,088	179	648	59,258	27
Interest income on West Central Wisconsin Biosolids Facility receivable	-	-	17,385	-	-	17,385	-
Interest expense	(83,088)	(61,543)	(355,000)	(13,210)	-	(512,841)	-
Interest charged to construction	-	34,736	6,812	-	-	41,548	-
Amortization of debt issuance costs	(18,135)	(1,273)	(53,447)	-	-	(72,855)	-
Amortization of debt premium	-	74	2,264	-	-	2,338	-
Amortization of gain on early retirement	374,527	-	-	-	-	374,527	-
Miscellaneous revenues	-	-	-	1,550	103,641	105,191	-
<b>Total Non-Operating Revenue (Expenses)</b>	<u>299,727</u>	<u>(22,086)</u>	<u>(355,898)</u>	<u>(11,481)</u>	<u>110,445</u>	<u>20,707</u>	<u>27</u>
Income (Loss) Before Contributions and Transfers	1,133,940	385,071	339,504	136,888	161,517	2,156,920	(185,914)
<b>CAPITAL CONTRIBUTIONS</b>	56,287	31,069	69,602	-	-	156,958	-
<b>TRANSFERS IN</b>	-	-	-	-	129,087	129,087	215,552
<b>TRANSFERS OUT</b>	<u>(486,354)</u>	<u>(267,871)</u>	<u>-</u>	<u>(65,173)</u>	<u>(120,807)</u>	<u>(940,205)</u>	<u>(15,479)</u>
<b>Change in Net Assets</b>	703,873	148,269	409,106	71,715	169,797	1,502,760	14,159
NET ASSETS – Beginning of Year	<u>14,849,679</u>	<u>13,088,259</u>	<u>13,493,851</u>	<u>5,659,099</u>	<u>1,056,993</u>	<u>48,147,881</u>	<u>21,786</u>
<b>NET ASSETS – END OF YEAR</b>	<u>\$ 15,553,552</u>	<u>\$ 13,236,528</u>	<u>\$ 13,902,957</u>	<u>\$ 5,730,814</u>	<u>\$ 1,226,790</u>	<u>\$ 49,650,641</u>	<u>\$ 35,945</u>

See accompanying notes to financial statements.

**CITY OF RIVER FALLS**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2011**

	Business-type Activities - Enterprise Funds						Internal Service Fund City Hall
	Major Funds				Non-major Fund	Totals	
	Electric Utility	Water Utility	Sewer Utility	Stormwater Utility	Ambulance		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Received from customers	\$ 13,847,065	\$ 1,525,058	\$ 2,841,446	\$ 504,501	\$ 809,958	\$ 19,528,028	\$ 32,972
Received from city for services	246,822	-	-	-	-	246,822	-
Paid to suppliers for goods and services	(10,523,708)	(454,745)	(1,199,069)	(90,380)	(321,591)	(12,589,493)	(168,101)
Paid to employees for services	(1,324,379)	(259,299)	(369,940)	(108,112)	(369,285)	(2,431,015)	(65,696)
Net Cash Flows From Operating Activities	<u>2,245,800</u>	<u>811,014</u>	<u>1,272,437</u>	<u>306,009</u>	<u>119,082</u>	<u>4,754,342</u>	<u>(200,825)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Paid to city for tax equivalent	(486,354)	(267,871)	-	-	-	(754,225)	-
Repayment of advance from other funds	(127,831)	-	(30,809)	-	-	(158,640)	-
Operating grant	-	-	-	-	6,156	6,156	-
Miscellaneous revenue	-	-	-	1,550	103,641	105,191	-
Debt retired	(14,028)	-	(4,244)	-	-	(18,272)	-
Repayment of solar renewable note	911	-	-	-	-	911	-
Transfers to/from other funds	-	158,640	-	(65,173)	8,280	101,747	200,073
Net Cash Flows From Noncapital Financing Activities	<u>(627,302)</u>	<u>(109,231)</u>	<u>(35,053)</u>	<u>(63,623)</u>	<u>118,077</u>	<u>(717,132)</u>	<u>200,073</u>
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>							
Acquisition and construction of capital assets	(729,553)	(1,610,926)	(55,850)	(166,120)	(34,967)	(2,597,416)	-
Capital contributions received	56,287	-	127,148	-	-	183,435	-
Impact fees received	-	53,380	-	-	-	53,380	-
Debt retired	(1,330,000)	(373,067)	(2,669,380)	(175,303)	-	(4,547,750)	-
Interest paid	(94,343)	(33,200)	(337,435)	(9,453)	-	(474,431)	-
Proceeds from debt issue	-	2,125,000	1,740,000	166,000	-	4,031,000	-
Debt issuance costs	-	(56,828)	(778)	-	-	(57,606)	-
Net Cash Flows From Capital and Related Financing Activities	<u>(2,097,609)</u>	<u>104,359</u>	<u>(1,196,295)</u>	<u>(184,876)</u>	<u>(34,967)</u>	<u>(3,409,388)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of investments	(835,645)	-	(1,028,830)	-	-	(1,864,475)	-
Proceeds from sales and maturities of investments	795,790	-	1,786,704	-	-	2,582,494	-
Investment income	28,258	5,788	27,428	179	648	62,301	27
Net Cash Flows From Investing Activities	<u>(11,597)</u>	<u>5,788</u>	<u>785,302</u>	<u>179</u>	<u>648</u>	<u>780,320</u>	<u>27</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(490,708)</b>	<b>811,930</b>	<b>826,391</b>	<b>57,689</b>	<b>202,840</b>	<b>1,408,142</b>	<b>(725)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>2,604,891</b>	<b>1,796,061</b>	<b>1,220,269</b>	<b>84,742</b>	<b>387,457</b>	<b>6,093,420</b>	<b>735</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 2,114,183</b>	<b>\$ 2,607,991</b>	<b>\$ 2,046,660</b>	<b>\$ 142,431</b>	<b>\$ 590,297</b>	<b>\$ 7,501,562</b>	<b>\$ 10</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS ACCOUNTS</b>							
Cash and investments	\$ 2,114,358	\$ 1,935,801	\$ 1,199,729	\$ 142,431	\$ 590,297	\$ 5,982,616	\$ 10
Bond redemption account	167,007	35,012	601,717	-	-	803,736	-
Bond reserve account	668,463	159,446	610,395	-	-	1,438,304	-
Construction account	-	-	301,806	-	-	301,806	-
Impact fee account	-	477,732	251,471	-	-	729,203	-
Replacement account	-	-	110,372	-	-	110,372	-
Total Cash and Investments	<u>2,949,828</u>	<u>2,607,991</u>	<u>3,075,490</u>	<u>142,431</u>	<u>590,297</u>	<u>9,366,037</u>	<u>10</u>
Less: Noncash equivalents	<u>(835,645)</u>	<u>-</u>	<u>(1,028,830)</u>	<u>-</u>	<u>-</u>	<u>(1,864,475)</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ 2,114,183</b>	<b>\$ 2,607,991</b>	<b>\$ 2,046,660</b>	<b>\$ 142,431</b>	<b>\$ 590,297</b>	<b>\$ 7,501,562</b>	<b>\$ 10</b>

	Business-type Activities - Enterprise Funds						Internal Service Fund City Hall
	Major Funds				Non-major Fund	Totals	
	Electric Utility	Water Utility	Sewer Utility	Stormwater Utility	Ambulance		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ 834,213	\$ 407,157	\$ 695,402	\$ 148,369	\$ 51,072	\$ 2,136,213	\$ (185,941)
Nonoperating revenue (expense)	399,710	-	-	-	-	399,710	
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities							
Noncash items included in income							
Depreciation and amortization	970,401	271,978	533,679	140,974	71,029	1,988,061	-
Depreciation charged to clearing account	-	43,223	-	-	-	43,223	-
Unfunded postemployment benefits obligation	52,804	33,993	21,828	-	-	108,625	-
Change in assets and liabilities							
Customer accounts receivable	142,456	5,911	21,847	236	(7,853)	162,597	(5,525)
Other accounts receivable	(7,258)	4,475	9,915	-	-	7,132	-
Inventories	30,706	226	(54)	-	-	30,878	(1,423)
Prepaid items	(20,341)	(2,505)	3,348	293	2,217	(16,988)	-
Accounts payable	(15,111)	47,232	(5,997)	16,162	(4,826)	37,460	1,517
Customer deposits	2,308	-	-	-	-	2,308	-
Due to other funds	-	-	-	-	-	-	(9,390)
Other current liabilities	(144,088)	(676)	(7,531)	(25)	7,443	(144,877)	(63)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 2,245,800</b>	<b>\$ 811,014</b>	<b>\$ 1,272,437</b>	<b>\$ 306,009</b>	<b>\$ 119,082</b>	<b>\$ 4,754,342</b>	<b>\$ (200,825)</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>							
Clean water fund debt paid by West Central Wisconsin Biosolids Facility	\$ -	\$ -	\$ 108,255	\$ -	\$ -	\$ 108,255	\$ -
Interest paid by West Central Wisconsin Biosolids Facility	-	-	17,385	-	-	17,385	-
Shared savings debt	45,165	-	-	-	-	45,165	-
Adjustment to accumulated depreciation for early retirement of power plant	1,510,958	-	-	-	-	1,510,958	-
Salvage for sale of generator in accounts receivable	200,000	-	-	-	-	200,000	-
Amortization of loss on early retirement of book value of power plant	25,123	-	-	-	-	25,123	-

**CITY OF RIVER FALLS**

**STATEMENT OF FIDUCIARY NET ASSETS**

**AGENCY FUND**

As of December 31, 2011

---

	<u>Agency Tax Collection</u>
<b>ASSETS</b>	
Cash and investments	\$ 1,135,280
Taxes receivable	<u>12,904,019</u>
 TOTAL ASSETS	 <u>\$ 14,039,299</u>
 <b>LIABILITIES</b>	
Due to other taxing units	<u>\$ 14,039,299</u>

# CITY OF RIVER FALLS

## INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

NOTE	<u>Page</u>
I. Summary of Significant Accounting Policies	16
A. Reporting Entity	16
B. Government-Wide and Fund Financial Statements	17
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	20
D. Assets, Liabilities, and Net Assets or Equity	22
1. Deposits and Investments	22
2. Receivables	24
3. Inventories and Prepaid Items	25
4. Restricted Assets	26
5. Capital Assets	26
6. Other Assets	27
7. Compensated Absences	27
8. Long-Term Obligations/Conduit Debt	27
9. Claims and Judgments	28
10. Equity Classifications	28
11. Basis for Existing Rates	29
12. Prior Year Information	29
II. Stewardship, Compliance, and Accountability	30
A. Budgetary Information	30
B. Excess Expenditures Over Appropriations	30
C. Deficit Balances	30
D. Limitations on the City's Tax Levy	31
III. Detailed Notes on All Funds	31
A. Deposits and Investments	31
B. Receivables	34
C. Restricted Assets	35
D. Capital Assets	36
E. Interfund Receivables/Payables, Advances, and Transfers	41
F. Long-Term Obligations	44
G. Post-Closure Care Cost	48
H. Net Assets/Fund Balances	49
I. Component Units	52
J. Tax Incremental Financing Districts	67
IV. Other Information	68
A. Employees' Retirement System	68
B. Risk Management	69
C. Commitments and Contingencies	69
D. Joint Venture	70
E. Other Post Employment Benefits	71
F. Developer Agreements	72
G. Effect of New Accounting Standards on Current Period Financial Statements	73
H. Subsequent Events	73

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

The accounting policies of the City of River Falls, Wisconsin conform to generally accepted accounting principles as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

#### **A. REPORTING ENTITY**

This report includes all of the funds of the City of River Falls. The reporting entity for the city consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

#### ***Discretely Presented Component Units***

##### *River Falls Housing Authority*

The government-wide financial statements include the River Falls Housing Authority as a component unit. The Housing Authority is a legally separate organization. The board of the Housing Authority is appointed by the mayor of the City of River Falls. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the Housing Authority, and also create a potential financial benefit to or burden on the city. See Note III.I. As a component unit, the Housing Authority's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2011. Separately issued financial statements of the Housing Authority may be obtained from the Housing Authority's office at 625 North Main Street, River Falls, WI 54022.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### A. REPORTING ENTITY (cont.)

##### *Discretely Presented Component Units* (cont.)

###### *Business Improvement District*

The government-wide financial statements include the Business Improvement District (BID) as a component unit. The BID is a legally separate organization. The board of the BID is appointed by the mayor of the City of River Falls. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the BID, and also create a potential financial benefit to or burden on the city. See Note III.I. As a component unit, the BID's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2011. Separate financial statements are not issued by the BID.

#### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In February 2009, the GASB issued statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions. This statement establishes fund balance classifications based primarily on the extent to which the government is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

The city made the decision to implement this standard effective January 1, 2011.

##### *Government-Wide Financial Statements*

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The city does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### *B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)*

##### *Fund Financial Statements*

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds and proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the city or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the city believes is particularly important to financial statement users may be reported as a major fund.

The city reports the following major governmental funds:

General Fund – accounts for the city's primary operating activities. It is used to account for and report all financial resources except those required to be accounted for and reported in another fund.

General Capital Projects Fund – accounts for and reports proceeds from long-term borrowing and other resources to be used for capital improvement projects.

The city reports the following major enterprise funds:

Electric Utility – accounts for operations of the electric system

Water Utility – accounts for operations of the water system

Sewer Utility – accounts for operations of the sewer system

Stormwater Utility – accounts for operations of the stormwater system

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### *B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)*

##### *Fund Financial Statements (cont.)*

The city reports the following non-major governmental and enterprise funds:

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Parking Meters	Library
Refuse/Solid Waste	Revolving Loan
Shared Ride Taxi	Park Impact Fees
Media Services	Library Impact Fees
Environmental Fee	Fire Impact Fees
Tax Increment District #4	Housing Reserve
Tax Increment District #6	Library Trust Fund
Tax Increment District #7	Tourism and Economic Development
Tax Increment District #8	Whitetail Ridge Corporate Park
Tax Increment District #9	

Debt Service Funds – used to account for and report the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Bonds  
Notes

Capital Projects Funds – used to account for and report financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.

Capital Equipment

Enterprise Funds – may be used to report any activity for which a fee is charged to external uses for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

Ambulance

In addition, the city reports the following fund type:

Internal service funds are used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the city, or to other governmental units, on a cost-reimbursement basis:

City Hall Fund

Agency funds are used to account for and report assets held by the city in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Tax Collection Fund

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

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

##### *Government-Wide Financial Statements*

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board guidance issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's electric, water and sewer utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

##### *Fund Financial Statements*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

##### *Fund Financial Statements* (cont.)

Intergovernmental aids and grants are recognized as revenues in the period the city is entitled the resources and the amounts are available. Amounts owed to the city which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The city reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the city has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the city has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board guidance issued after November 30, 1989. The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Electric Utility, Water Utility, Sewer Utility, Stormwater Utility, and Ambulance fund are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)**

##### ***All Financial Statements***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

##### **1. Deposits and Investments**

For purposes of the statement of cash flows, the city considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of city funds is restricted by state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

Investment of most trust funds is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### *D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)*

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

The city has adopted an investment policy. That policy contains the following guidelines:

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

The city requires that funds on deposit in excess of FDIC or FSLIC limits be secured by some form of collateral. The amount of the collateral will not be less than 110% of the fair market value of the net amount of public funds secured.

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

The city will only invest in the type of investments allowable by state statutes as listed above. In addition, any investments in commercial paper and variable rate demand notes must have a rating of A-1 or A-2 by Standard & Poor's Corporation or P-1 or P-2 by Moody's Investors' Service at the time of purchase. Investments in fixed income securities must have a minimum long-term debt rating of AA by Standard & Poor's Corporation or Aa by Moody's Investors' Services.

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

The city will diversify investments according to the following limits:

1. No financial institutions shall hold more than 15% of the city's investment portfolio excluding short-term construction bond proceeds.
2. Monies deposited at an individual financial institution shall not exceed 10% of the capital stock and surplus of that institution.
3. Commercial paper shall not exceed 10% of the city's portfolio.
4. Deposits in the Wisconsin State Investment Pool shall not exceed 50% of the investment portfolio, with the exception of annual property tax collections, which are generally invested for 30 days or less.
5. Financing for city projects, for a term not more than five years, shall not exceed 15% of the portfolio.
6. Total holdings of any one issuer may not exceed 10% of the market value of the portfolio at the time of purchase, with the exception of U.S. government issues fully guaranteed as to both principal and interest by the U.S. government or agencies thereof.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### *D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)*

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

###### *Interest Rate Risk*

Maturities of individual securities must be in compliance with Section 66.0603(2) of Wisconsin State Statutes. Per this Section, time deposits may not exceed three years, and debt that is not guaranteed as to principal and interest by the Federal Government or its Agencies, or a Wisconsin municipality must have a maturity not more than seven years.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2011, the fair value of the city's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III.A. for further information.

##### *2. Receivables*

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the city, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund balance sheet.

Property tax calendar – 2011 tax roll:

Lien date and levy date	December 2011
Tax bills mailed	December 2011
Payment in full, or	January 31, 2012
First installment due	January 31, 2012
Second installment due	July 31, 2012
Personal property taxes in full	January 31, 2012
Tax sale – 2011 delinquent real estate taxes	October 2014

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### *D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)*

##### *2. Receivables (cont.)*

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the electric, water, or sewer utilities because they have the right by law to place delinquent bills on the tax roll.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

In 2001, the city began a commercial revolving loan program to help finance the purchase and/or renovation of buildings in the downtown business district. The balance of these loans at year end was \$82,308. The city records a loan receivable when the loan has been made and funds have been disbursed.

It is the city's policy to record deferred revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as designated fund balance in the fund financial statements.

##### *3. Inventories and Prepaid Items*

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at the lower of cost or market utilizing the average cost method, and charged to construction or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### *D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)*

##### **4. Restricted Assets**

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net assets.

##### **5. Capital Assets**

###### ***Government –Wide Statements***

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$100,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation and amortization of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation and amortization reflected in the statement of net assets. Depreciation and amortization is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25-75 Years
Land Improvements	25 Years
Machinery and Equipment	10-40 Years
Infrastructure	50-70 Years
Utility System	4-100 Years
Intangibles	3-20 Years

###### ***Fund Financial Statements***

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### *D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)*

##### *6. Other Assets*

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

The city is a member of the West Central Wisconsin Biosolids Facility for the treatment, disposal, recycling and/or sale of biosolids. As December 31, 2011, the investment balance in the facility was \$469,387.

##### *7. Compensated Absences*

Under terms of employment, employees are granted sick leave, vacations, and compensation time in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested sick leave, vacation, and compensation time pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2011 are determined on the basis of current salary rates and include salary related payments.

##### *8. Long-Term Obligations/Conduit Debt*

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the issue using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the statement of net assets.

The city has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the city. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$8,340,000, made up of four issues.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### *D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)*

##### **9. Claims and Judgments**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental fund types if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

##### **10. Equity Classifications**

###### ***Government-Wide Statements***

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

###### ***Fund Statements***

Governmental fund equity is classified as fund balance. In accordance with Governmental Accounting Standards Board Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions, the city classifies governmental fund balance as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### *D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)*

##### *Fund Statements (cont.)*

- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (ordinance, resolution, motion) of the city. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the city that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The Council may take official action to assign amounts. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The city considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the city would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

#### **11. Basis for Existing Rates**

Current electric rates were approved by the PSCW on April 10, 2008.

Current water rates were approved by the PSCW effective March 11, 1997. New rates were implemented in 2012. See Note IV.H.

Current sewer rates were approved by the City Council on February 12, 2010. New rates were implemented in 2012. See Note IV.H.

Stormwater rates were approved by the City Council on December 10, 2002.

Current ambulance rates were effective May, 2010.

#### **12. Prior Year Information**

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

### NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I.C. A budget has been adopted for all governmental fund types. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

The budgeted amounts presented include any amendments made. The city council may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action. Appropriations lapse at year end unless specifically carried over. Budgets are adopted at the department level of expenditure.

#### B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Fund	Budgeted Expenditures	Actual Expenditures	Excess Expenditures
Park Impact Fees	\$ 84,215	\$ 92,215	\$ 8,000
Fire Impact Fees	509	28,593	28,084
Library Trust	5,106	5,654	548
Housing Reserve	26,454	120,869	94,415
TIF #6	221,642	230,345	8,703
Tourism and Economic Development	1,520,300	1,526,073	5,773
Whitetail Ridge Corporate Park	1,123,403	1,156,383	32,980
Notes	704,523	705,183	660

The city controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the city's year-end budget to actual report.

#### C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances. As of December 31, 2011, the following individual funds held a deficit balance:

Fund	Amount	Reason
Shared Ride Taxi	\$ 2,375	Grant reimbursements not yet received
Tax Increment District #6	631,178	Insufficient tax increment generated
Tax Increment District #7	41,234	Insufficient tax increment generated
Tax Increment District #8	12,871	No tax increment generated in 2011
Park Impact Fees	13,839	Costs exceed revenues
Tourism & Economic Development	944,551	Costs exceed revenues
Whitetail Ridge Corporate Park	577,748	Costs exceed tax increments
Bonds	611	Costs exceed revenues

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

### NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

#### C. DEFICIT BALANCES (cont.)

The deficit in the Shared Ride Taxi fund will be funded with future federal and state grant reimbursements and transfers from the general fund. TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases. Deficits in the remaining funds are anticipated to be funded with future contributions, general tax revenues, or repayment of advanced funds.

#### D. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 32 (2011), legislation was passed that limits city's future tax levies. Generally, the city is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the city's equalized value due to new construction, or zero percent for the 2011 levy collected in 2012 and thereafter. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions.

### NOTE III – DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

The city's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	\$ 6,635,682	\$ 5,580,995	Custodial credit
U.S. agencies	1,059,646	1,059,646	Custodial credit, credit, interest rate, concentration of credit
LGIP	11,422,788	11,422,788	Credit, interest rate
U.S. treasuries	432,551	432,551	Custodial credit, interest rate
Corporate bonds	938,636	938,636	Custodial credit, credit, interest rate, concentration of credit
Asset-backed securities	926,495	926,495	Custodial credit, credit, interest rate, concentration of credit
Municipally-held securities	349,896	349,896	Custodial credit, credit, interest rate, concentration of credit
Petty cash	850	-	N/A
Total Cash and Investments	<u>\$ 21,766,544</u>	<u>\$ 20,711,007</u>	

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### A. DEPOSITS AND INVESTMENTS (cont.)

Reconciliation to financial statements	
Per statement of net assets	
Unrestricted cash and investments	\$ 17,247,843
Restricted cash and investments	3,383,421
Per statement of net assets –	
Fiduciary Funds	<u>1,135,280</u>
Total Cash and Investments	<u>\$ 21,766,544</u>

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

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in the determination of custodial credit risk.

As of December 31, 2011, the city had a pledge of \$4,701,304 in federal securities from the First National Bank of River Falls as collateral for the city's deposits. The city also had a bank deposit guaranty bond of \$500,000 from River Falls State Bank and pledged securities of \$508,980 from Security Financial Bank.

#### **Custodial Credit Risk**

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the city's deposits may not be returned to the city. The city does not have any deposits exposed to custodial credit risk.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The city does not have any investments exposed to custodial credit risk.

#### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2011, the city's investments were rated as follows:

<u>Investment Type</u>	<u>Standard &amp; Poor's</u>
U.S. agencies	AA+/AA-
Corporate bonds	AAA/AA/AA-/A/A+
Asset-backed securities	AAA/AA+/AA-
Municipally-held securities	AA/AA-/A+

The city also held investments in the Local Government Investment Pool, an external pool which is not rated.

**CITY OF RIVER FALLS**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2011

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**A. DEPOSITS AND INVESTMENTS (cont.)**

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At December 31, 2011, the city does not have any investments exposed to concentration of credit risk.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. As of December 31, 2011, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than One Year	One – Five	Six - Ten
U.S. treasuries	\$ 432,551	\$ 75,815	\$ 272,586	\$ 84,150
U.S. agencies	1,059,646	272,092	787,554	-
Asset-backed securities	926,495	488,385	438,110	-
Municipally-held securities	349,896	190,938	158,958	-
Corporate bonds	938,636	176,316	762,320	-
Totals	<u>\$ 3,707,224</u>	<u>\$ 1,203,546</u>	<u>\$ 2,419,528</u>	<u>\$ 84,150</u>

Investment Type	Fair Value	Weighted Average Maturity (Years)
Local Government Investment Pool	<u>\$ 11,422,788</u>	<u>.27</u>

See Note I.D.1. for further information on deposit and investment policies.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### B. RECEIVABLES

Receivables as of year end for the government's individual major funds, nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Receivable	Allowance For Uncollectibles	Net Receivable	Amount Not Expected to be Collected Within One Year
Major Funds:				
General Fund	\$ 2,953,932	\$ 23,020	\$ 2,930,912	\$ 127,821
General Capital Projects	3,190,966	-	3,190,966	1,929,760
Electric Utility	3,982,378	-	3,982,378	1,825,763
Water Utility	125,200	-	125,200	-
Sewer Utility	742,297	-	742,297	357,689
Stormwater Utility	90,062	-	90,062	-
Nonmajor, internal service, and fiduciary funds	16,489,151	282,672	16,206,479	300,966
Totals	\$ 27,573,986	\$ 305,692	\$ 27,268,294	\$ 4,541,999

Revenues of the city are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to ambulance charges	\$ 849,306
---	------------

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned	Totals
Property taxes receivable	\$ 2,663	\$ 5,410,385	\$ 5,413,048
Special assessments receivable	-	140,156	140,156
Special assessments and charges not yet due	26,733	-	26,733
Grants receivable	23,154	3,022,060	3,045,214
Loans receivable	343,838	-	343,838
Capital costs paid in advance of construction	63,031	1,750,931	1,813,962
Total Deferred/Unearned Revenue for Governmental Funds	\$ 459,419	\$ 10,323,532	\$ 10,782,951

**CITY OF RIVER FALLS**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2011

---

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

---

**C. RESTRICTED ASSETS**

The following represent the balances of restricted assets for the enterprise funds:

***Long Term Debt Accounts***

- Redemption – Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve – Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Construction – Used to report bond proceeds restricted for use in construction.

***Replacement Accounts***

As a condition of receiving state and federal funds for wastewater treatment facility construction, the sewer utility has established an account for replacement of mechanical equipment during the life of the facility.

***Impact Fee Accounts***

The city has received impact fees which must be spent in accordance with the local ordinance and state statutes. Those funds not spent within the ordinance guidelines and time frames must be refunded to the current property owner.

Following is a list of restricted assets in the enterprise funds at December 31, 2011:

Restricted Assets	
Bond redemption account	\$ 803,736
Bond reserve account	1,438,304
Impact fee account	729,203
Construction account	301,806
Replacement account	110,372
West Central Wisconsin Biosolids receivable and interest receivable	64,859
Interest receivable	1,697
Total Restricted Assets	<u>3,449,977</u>
Restricted Assets not Funded by Revenues	
Impact fee account – customer advances	(500,429)
Construction account	(301,806)
Reserve for borrowing	(1,438,304)
Liabilities payable from restricted assets	(88,561)
West Central Wisconsin Biosolids related restricted assets	<u>(64,859)</u>
Total Restricted Net Assets in Enterprise Funds	<u>\$ 1,056,018</u>

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 10,685,657	\$ 2,223,977	\$ -	\$ 12,909,634
Construction in Progress	275,779	338,605	-	614,384
Total Capital Assets Not Being Depreciated	<u>\$ 10,961,436</u>	<u>\$ 2,562,582</u>	<u>\$ -</u>	<u>\$ 13,524,018</u>
Other capital assets				
Land improvements	\$ 521,469	\$ -	\$ -	\$ 521,469
Buildings	13,903,521	24,653	-	13,928,174
Machinery and equipment	4,646,101	121,110	55,841	4,711,370
Infrastructure	26,848,392	28,624	-	26,877,016
Total Capital Assets Being Depreciated	<u>45,919,483</u>	<u>174,387</u>	<u>55,841</u>	<u>46,038,029</u>
Less: Accumulated depreciation for				
Land improvements	(245,377)	(23,702)	-	(269,079)
Buildings	(3,538,650)	(358,979)	-	(3,897,629)
Machinery and equipment	(1,854,839)	(270,966)	31,994	(2,093,811)
Infrastructure	(5,635,506)	(327,928)	-	(5,963,434)
Total Accumulated Depreciation	<u>(11,274,372)</u>	<u>(981,575)</u>	<u>31,994</u>	<u>(12,223,953)</u>
Total Capital Assets Being Depreciated, Net				
	<u>\$ 34,645,111</u>	<u>\$ (807,188)</u>	<u>\$ 23,847</u>	<u>\$ 33,814,076</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 161,487
Public safety	124,899
Public works	449,933
Leisure	245,256
Total Governmental Activities Depreciation Expense	
	<u>\$ 981,575</u>

**CITY OF RIVER FALLS**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2011

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**D. CAPITAL ASSETS (cont.)**

<b>Business-type Activities</b>	Beginning Balance	Additions	Deletions	Ending Balance
<b>Electric</b>				
Capital assets not being depreciated				
Land and land rights	\$ 107,127	\$ -	\$ -	\$ 107,127
Construction in progress	25,558	469,628	387,778	107,408
Total Capital Assets not Being Depreciated	<u>\$ 132,685</u>	<u>\$ 469,628</u>	<u>\$ 387,778</u>	<u>\$ 214,535</u>
Capital assets being depreciated				
Hydraulic production	\$ 932,179	\$ -	\$ -	\$ 932,179
Other production	7,502,989	-	6,242,160	1,260,829
Transmission	1,536,162	-	-	1,536,162
Distribution	16,329,037	359,827	123,567	16,565,297
General	2,082,022	57,864	51,539	2,088,347
Total Capital Assets Being Depreciated	<u>28,382,389</u>	<u>417,691</u>	<u>6,417,266</u>	<u>22,382,814</u>
Less: Accumulated depreciation for				
Hydraulic production	(508,808)	(21,468)	-	(530,276)
Other production	(4,856,347)	(1,971,898)	6,251,434	(576,811)
Transmission	(1,004,640)	(36,133)	-	(1,040,773)
Distribution	(6,633,255)	(577,245)	160,989	(7,049,511)
General	(1,440,159)	(88,168)	50,565	(1,477,762)
Total Accumulated Depreciation	<u>(14,443,209)</u>	<u>(2,694,912)</u>	<u>6,462,988</u>	<u>(10,675,133)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 13,939,180</u>			<u>\$ 11,707,681</u>

**CITY OF RIVER FALLS**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2011

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**D. CAPITAL ASSETS (cont.)**

**Business-type Activities (cont.)**

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
<b>Water</b>				
Capital assets not being depreciated				
Land and land rights	\$ 3,120	\$ -	\$ -	\$ 3,120
Construction in progress	343,638	2,317,786	23,142	2,638,282
Total Capital Assets Not Being Depreciated	<u>\$ 346,758</u>	<u>\$ 2,317,786</u>	<u>\$ 23,142</u>	<u>\$ 2,641,402</u>
Capital assets being depreciated				
Source of supply	\$ 87,720	\$ -	\$ -	\$ 87,720
Pumping	609,925	-	-	609,925
Water treatment	38,885	-	-	38,885
Transmission and distribution	14,005,040	32,307	3,782	14,033,565
General	557,360	4,616	3,235	558,741
Total Capital Assets Being Depreciated	<u>15,298,930</u>	<u>36,923</u>	<u>7,017</u>	<u>15,328,836</u>
Less: Accumulated depreciation for				
Source of supply	(87,720)	-	-	(87,720)
Pumping	(291,042)	(10,040)	-	(301,082)
Water treatment	(38,698)	(187)	-	(38,885)
Transmission and distribution	(2,845,578)	(280,124)	3,782	(3,121,920)
General	(368,957)	(25,177)	2,824	(391,310)
Total Accumulated Depreciation	<u>(3,631,995)</u>	<u>(315,528)</u>	<u>6,606</u>	<u>(3,940,917)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 11,666,935</u>			<u>\$ 11,387,919</u>

**CITY OF RIVER FALLS**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2011

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**D. CAPITAL ASSETS (cont.)**

**Business-type Activities (cont.)**

	Beginning Balance	Additions	Deletions	Ending Balance
<b><u>Sewer</u></b>				
Capital assets not being depreciated				
Land and land rights	\$ 147,622	\$ -	\$ -	\$ 147,622
Construction in progress	61,902	6,974	129	68,747
Total Capital Assets Not Being Depreciated	\$ 209,524	\$ 6,974	\$ 129	\$ 216,369
Capital assets being depreciated				
Collection system	\$ 16,063,873	\$ 54,759	\$ -	\$ 16,118,632
Collection system pumping	1,081,367	-	-	1,081,367
Treatment and disposal	8,114,608	-	-	8,114,608
General	1,656,863	1,613	3,235	1,655,241
Total Capital Assets Being Depreciated	26,916,711	56,372	3,235	26,969,848
Less: Accumulated depreciation for				
Collection system	(2,139,470)	(171,582)	-	(2,311,052)
Collection system pumping	(664,642)	(38,275)	-	(702,917)
Treatment and disposal	(3,094,661)	(247,351)	-	(3,342,012)
General	(709,254)	(77,027)	3,235	(783,046)
Total Accumulated Depreciation	(6,608,027)	(534,235)	3,235	(7,139,027)
Total Capital Assets Being Depreciated, Net	\$ 20,308,684			\$ 19,830,821
	Beginning Balance	Additions	Deletions	Ending Balance
<b><u>Stormwater Utility</u></b>				
Capital assets being depreciated				
Machinery and equipment	\$ 125,187	\$ -	\$ -	\$ 125,187
Infrastructure	6,825,669	166,120	-	6,991,789
Total Capital Assets Being Depreciated	6,950,856	166,120	-	7,116,976
Less: Accumulated depreciation for				
Machinery and equipment	(23,203)	(12,335)	-	(35,538)
Infrastructure	(1,066,099)	(128,639)	-	(1,194,738)
Total Accumulated Depreciation	(1,089,302)	(140,974)	-	(1,230,276)
Total Capital Assets Being Depreciated, Net	\$ 5,861,554			\$ 5,886,700

## CITY OF RIVER FALLS

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### D. CAPITAL ASSETS (cont.)

#### Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Ambulance</b>				
Capital assets not being depreciated				
Land	\$ 101,298	\$ -	\$ -	\$ 101,298
Capital assets being depreciated				
Building improvements	\$ 21,393	\$ -	\$ -	\$ 21,393
Buildings	601,408	-	-	601,408
Machinery and equipment	632,323	34,971	-	667,294
Total Capital Assets Being Depreciated	1,255,124	34,971	-	1,290,095
Less: Accumulated depreciation for				
Building improvements	(21,393)	-	-	(21,393)
Buildings	(261,700)	(22,831)	-	(284,531)
Machinery and equipment	(451,761)	(48,198)	-	(499,959)
Total Accumulated Depreciation	(734,854)	(71,029)	-	(805,883)
Total Capital Assets Being Depreciated, Net	\$ 520,270			\$ 484,212
	Beginning Balance	Additions	Deletions	Ending Balance
<b>Total Business-type Activities</b>				
Capital assets not being depreciated	\$ 790,265	\$ 2,794,388	\$ 411,049	\$ 3,173,604
Capital assets being depreciated	\$ 78,804,010	\$ 712,077	\$ 6,427,518	\$ 73,088,569
Less: Accumulated depreciation	(26,507,387)	(3,756,678)	6,472,829	(23,791,236)
Total Capital Assets Being Depreciated, Net	\$ 52,296,623	\$ (3,044,601)	\$ (45,311)	\$ 49,297,333

## CITY OF RIVER FALLS

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

#### **NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

#### **D. CAPITAL ASSETS (cont.)**

Depreciation expense was charged to functions as follows:

##### **Business-type Activities**

Electric	\$	970,401
Water		271,978
Sewer		533,679
Stormwater		140,974
Ambulance		<u>71,029</u>
Total Business-type Activities		
Depreciation Expense	\$	<u>1,988,061</u>

Depreciation expense does not agree to the increases in accumulated depreciation due to joint metering, salvage, and cost of removal.

#### **E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES, AND TRANSFERS**

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Internal Service	\$ 711
General fund	Shared Ride Taxi	11,331
General fund	TIF #9	12,495
General fund	Park Impact Fees	13,839
General fund	Revolving Loan	
General fund	Notes	
General fund	Bonds	611
General fund	Capital Equipment	
TIF #8	Whitetail Ridge Corp. Park	<u>25,806</u>
Subtotal – Fund financial statements		64,793
Less: Fund eliminations		<u>(64,793)</u>
Total – Government-Wide Statement of Net Assets		<u>\$ -</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are due within one year.

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

The General fund is advancing funds to TIF Districts No. 5 (Whitetail Ridge Corporate Park), No. 6, No. 7 and No. 8. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since each District's inception. In 2010, the Parking Meters fund advanced funds to the General Capital Projects fund for a restabilization project. This advance bears interest at 3.24% and requires annual payments of \$30,040 through 2015. In 2011, the Environmental Fee fund advanced \$1,000,000 to the Tourism and Economic Development fund. In 1980, the Electric utility advanced funds to the water and sewer utilities to separate the combined utilities. Interest of 4.5% is being charged on these advances. No repayment schedules have been established for the advances from the general fund and the advance from the Environmental Fee fund.

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amount Not Due Within One Year</u>
General fund	TIF District #8	\$ 12,871	\$ 12,871
General fund	TIF District #7	41,234	41,234
General fund	TIF District #5	574,564	574,564
General fund	TIF District #6	641,031	641,032
Parking Meters fund	General Capital Projects	112,131	85,425
Environmental Fee fund	Tourism and Economic Development Fund	1,000,000	1,000,000
Electric utility	Water utility	158,640	133,439
Electric utility	Sewer utility	<u>395,662</u>	<u>363,467</u>
Subtotal – Fund Financial Statements		2,936,133	
Less: Fund eliminations		<u>(2,936,133)</u>	
Total – Government-Wide Statement of Net Assets		<u>\$ -</u>	

Repayment requirements for the advances from the electric utility to the water and sewer utilities are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 57,396	\$ 11,943	\$ 69,339
2013	59,328	10,736	70,064
2014	61,334	9,487	70,821
2015	63,418	8,194	71,612
2016	65,583	6,855	72,438
2017-2021	<u>247,243</u>	<u>15,786</u>	<u>263,029</u>
Totals	<u>\$ 554,302</u>	<u>\$ 63,001</u>	<u>\$ 617,303</u>

## CITY OF RIVER FALLS

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

#### **NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

#### ***E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)***

The following is a schedule of interfund transfers:

<u>Transferred To</u>	<u>Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General	General capital projects	\$ 127,335	Administration fee
General	Capital equipment	18,033	Administration fee
General	Nonmajor special revenue funds	352,569	Administration fee
General	Electric utility	486,354	Property tax equivalent
General	Water utility	267,871	Property tax equivalent
General	Ambulance	110,516	Administration fee
General	Stormwater Utility	59,234	Administration fee
General	Internal service	15,479	Administration fee
General capital projects	Nonmajor governmental funds	88,000	Construction projects
Whitetail Ridge Corporate Park	TIF #4	90,000	Construction projects
Internal service	General	142,005	Share of city hall
Internal service	Nonmajor governmental funds	58,097	Share of city hall
Internal service	Stormwater Utility	5,939	Share of city hall
Internal service	Ambulance	9,511	Share of city hall
General	Nonmajor debt service funds	18,171	Debt service
Nonmajor governmental funds	General	235,937	Various
Nonmajor debt service funds	General	250,000	Fund deficit
Nonmajor debt service funds	Nonmajor governmental funds	6,307	Debt service
Nonmajor debt service funds	Ambulance	780	Debt service
Ambulance	General	<u>129,087</u>	Per capita payment
Subtotal – Fund Financial Statements		2,471,225	
Less: Fund eliminations		<u>(1,660,107)</u>	
Total – Government-Wide Statement Activities		<u>\$ 811,118</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable					
General obligation debt	\$ 11,881,683	\$ 2,474,000	\$ 1,059,457	\$ 13,296,226	\$ 1,042,681
Loss on refunding	(20,035)	-	(4,006)	(16,029)	-
Debt discount	(75,320)	-	(4,807)	(70,513)	-
Subtotals	11,786,328	2,474,000	1,050,644	13,209,684	1,042,681
Other Liabilities					
Vested compensated absences	796,324	97,502	37,674	856,152	147,039
Other post-employment benefits	267,600	50,824	-	318,424	-
Landfill post-closure care cost	258,332	7,750	22,224	243,858	22,224
Total Other Liabilities	1,322,256	156,076	59,898	1,418,434	169,263
Total Governmental Activities Long-Term Liabilities	\$ 13,108,584	\$ 2,630,076	\$ 1,110,542	\$ 14,628,118	\$ 1,211,944
	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable					
General obligation debt	\$ 1,404,776	\$ 1,906,000	\$ 624,194	\$ 2,686,582	\$ 554,354
Premium on debt	-	47,436	2,338	45,098	-
Other long-term debt	298,413	45,165	62,504	281,074	72,957
Revenue bonds	12,808,197	2,125,000	4,003,328	10,929,869	1,944,311
Subtotals	14,511,386	4,123,601	4,692,364	13,942,623	2,571,622
Other Liabilities					
Vested compensated absences	154,126	65,403	116,130	103,399	-
Other post-employment benefits	6,747	110,461	-	117,208	-
Total Other Liabilities	160,873	175,864	116,130	220,607	-
Total Business-type Activities Long-Term Liabilities	\$ 14,672,259	\$ 4,299,465	\$ 4,808,494	\$ 14,163,230	\$ 2,571,622

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### F. LONG-TERM OBLIGATIONS (cont.)

##### *General Obligation Debt*

All general obligation notes and bonds payable are backed by the full faith and credit of the city. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the special revenue, debt service, and capital projects funds. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2011, was \$41,251,630. Total general obligation debt outstanding subject to the debt limit at year end was \$15,982,808.

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12-31-11
Governmental Activities					
General Obligation Debt					
Promissory Note	11/2002	11/2012	1.60-3.35%	\$ 3,665,000	\$ 285,000
Promissory Note	01/2003	02/2013	2.50-5.60%	442,147	106,252
Refunding Bonds	04/2004	10/2015	2.45-3.70%	1,630,000	785,000
State Trust Fund Loan	07/2006	03/2016	4.00%	77,558	16,622
Promissory Note	10/2007	10/2017	3.385%	3,231,441	1,745,000
State Trust Fund Loan	07/2008	03/2028	4.75%	824,651	731,415
State Trust Fund Loan	09/2008	03/2018	4.25%	300,000	247,776
State Trust Fund Loan	10/2008	03/2028	4.25%	352,500	290,118
State Trust Fund Loan	11/2008	03/2028	4.75%	750,000	709,788
State Trust Fund Loan	12/2008	03/2028	4.75%	250,000	235,179
State Trust Fund Loan	02/2009	03/2028	4.75%	505,000	472,257
Refunding Bonds	03/2009	03/2029	3.0-4.6%	5,070,000	5,060,000
Refunding Bonds	12/2010	01/2015	3.24%	174,524	137,819
State Trust Fund Loan	12/2011	12/2021	3.75%	1,220,000	1,220,000
State Trust Fund Loan	12/2011	12/2021	3.75%	325,000	325,000
State Trust Fund Loan	12/2011	12/2021	3.75%	875,000	875,000
Promissory Note	12/2011	11/2016	2.77%	54,000	54,000
Total Governmental Activities – General Obligation Debt					<u>\$ 13,296,226</u>

**CITY OF RIVER FALLS**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2011

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**F. LONG-TERM OBLIGATIONS (cont.)**

**General Obligation Debt (cont.)**

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12-31-11</u>
Business-type Activities General Obligation Debt					
Promissory Note	01/2003	02/2013	2.50-5.60%	\$ 73,595	\$ 48,748
General Obligation Bond	02/2003	02/2013	4.60%	1,300,000	187,738
Promissory Note	11/2002	11/2012	1.60-3.35%	1,157,407	135,000
Trust Fund	03/2005	03/2015	4.00%	301,737	135,039
Trust Fund	07/2005	03/2015	4.00%	468,706	206,980
Promissory Note	12/2010	01/2015	3.24%	85,477	67,077
Promissory Note	12/2011	11/2016	2.77%	166,000	166,000
Refunding Bonds	07/2011	11/2019	2.0-2.5%	1,740,000	<u>1,740,000</u>
Total Business-type Activities General Obligation Debt					<u>\$ 2,686,582</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>		<u>Business-type Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,042,681	\$ 450,388	\$ 554,354	\$ 81,990
2013	1,076,165	522,924	318,213	52,126
2014	1,069,434	461,844	272,352	43,841
2015	1,070,897	423,246	287,163	36,086
2016	1,030,976	382,931	379,500	26,052
2017 – 2021	3,893,700	1,383,757	875,000	27,438
2022 – 2026	2,498,271	713,257	-	-
2027 – 2029	1,614,102	131,864	-	-
Totals	<u>\$ 13,296,226</u>	<u>\$ 4,470,211</u>	<u>\$ 2,686,582</u>	<u>\$ 267,533</u>

**Revenue Debt**

All electric and sewer utility revenues net of specified operating expenses are pledged as security of the revenue bonds until the bonds are defeased. Principal and interest paid for 2011 was \$4,427,499. Total customer net revenues for the year were \$3,879,887. Annual principal and interest payments are expected to require 44% of electric utility net revenues, 16% of water utility net revenues, and 40% of sewer utility net revenues.

## CITY OF RIVER FALLS

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### F. LONG-TERM OBLIGATIONS (cont.)

##### Revenue Debt (cont.)

Revenue debt payable at December 31, 2011 consists of the following:

##### Business-type Activities Revenue Debt

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-11</u>
<u>Electric Utility</u>					
Revenue Bonds	11/2002	10/2017	2.00-4.00%	\$ 3,320,000	\$ 885,000
Revenue Refunding Bonds	11/2009	10/2013	2.00-2.50%	1,595,000	775,000
				Total Electric Utility	<u>1,660,000</u>
<u>Water Utility</u>					
Revenue Bonds	07/2011	11/2031	2.0-4.4%	2,125,000	<u>2,125,000</u>
<u>Sewer Utility</u>					
Revenue Bonds	11/1995	05/2015	3.173%	1,009,322	266,143
Revenue Bonds	08/2004	05/2024	2.00-4.60%	4,750,000	3,595,000
Revenue Bonds	11/2005	05/2025	2.746%	3,317,130	2,533,726
Revenue Bonds	04/2008	05/2015	2.75-3.5%	1,250,000	750,000
				Total Sewer Utility	<u>7,144,869</u>
Total Business-type Activities Revenue Debt					<u>\$ 10,929,869</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,944,311	\$ 389,304
2013	1,010,467	305,107
2014	721,800	274,317
2015	748,317	250,379
2016	503,125	230,003
2017 – 2021	2,832,466	873,039
2022 – 2026	2,464,383	327,462
2027 – 2031	<u>705,000</u>	<u>78,825</u>
Totals	<u>\$ 10,929,869</u>	<u>\$ 2,728,436</u>

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

---

#### *F. LONG-TERM OBLIGATIONS (cont.)*

##### *Other Debt Information*

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

A statutory mortgage lien upon the utilities system and any additions, improvements and extensions thereto is created by Section 66.066 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The utilities system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The city believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

##### *Current Refunding*

On July 6, 2011, sewer general obligation bonds in the amount of \$1,740,000 were issued with an average interest rate of 2.33% to refund \$1,985,000 of outstanding 2002 revenue bonds with an average interest rate of 3.75 – 4.5% plus interest due in the amount of \$21,116. The net proceeds of \$1,739,222 (after payment of \$778 in underwriting fees, insurance and other issuance costs and credits) plus an additional \$266,894 of sinking fund monies were used to prepay the outstanding debt service requirements on the 2002 bonds.

##### *Deferred Amount on Refunding*

Deferred amounts on refunding arise from advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deduction from debt payable in the government-wide and proprietary fund statements. Amortization for 2011 was \$4,006, which is all reported in the governmental activities.

#### *G. POST-CLOSURE CARE COST*

State and federal laws and regulations required the city to place a final cover on its landfill site in 1993, although the landfill stopped accepting waste and was closed in 1978. The city is required to perform certain maintenance and monitoring functions at the site for an unlimited time period. The city reports postclosure care costs as an operating expense in each period. The \$243,858 reported as landfill postclosure care liability at December 31, 2011, represents the estimated amount of future postclosure costs. These amounts are based on what it would cost to perform all postclosure care in 2011; actual cost may be higher due to inflation, changes in technology, or changes in regulations.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

---

#### *H. NET ASSETS/FUND BALANCES*

Net assets reported on the government wide statement of net assets at December 31, 2011 includes the following:

#### **Governmental Activities**

Invested in capital assets, net of related debt	
Construction in progress	\$ 614,384
Land	12,909,634
Other capital assets, net of accumulated depreciation	33,814,076
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(12,264,717)</u>
Total Invested in Capital Assets	35,073,377
Restricted	4,323,817
Unrestricted (deficit)	<u>2,722,218</u>
Total Governmental Activities Net Assets	<u>\$ 42,119,412</u>

Governmental fund balances reported on the fund financial statements at December 31, 2011 include the following:

#### **Nonspendable**

Major Funds	
General Fund	
Prepaid items	\$ 92,926
Advances to other funds	<u>1,269,700</u>
Total	<u>\$ 1,362,626</u>
Non-Major Funds	
Prepaid items	<u>\$ 13,032</u>

**CITY OF RIVER FALLS**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2011

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**H. NET ASSETS/FUND BALANCES (cont.)**

**Governmental Activities (cont.)**

**Restricted**

Non-Major Funds

Special Revenue Funds

Parking Meters	\$ 174,237
Refuse/Solid Waste	292,944
Environmental Fee	2,618,672
TIF District #4	33,502
TIF District #9	308,081
Library	173,229
Library Impact Fees	33,599
Fire Impact Fees	234,353
Housing Reserve	408,614
Library Trust	114,684
Sub-Total	<u>4,391,915</u>

Debt Service Funds

Notes	<u>9,082</u>
-------	--------------

Total Non-Major Funds	<u>\$ 4,400,997</u>
-----------------------	---------------------

**Committed**

Major Funds

General Capital Projects Fund

Capital projects	<u>\$ 285,256</u>
------------------	-------------------

Non-Major Funds

Special Revenue Funds

Media Service	\$ 355,231
Revolving Loan	<u>3,777</u>
Sub-Total	359,008

Capital Equipment Capital Projects Fund	<u>97,793</u>
---	---------------

Total Non-Major Funds	<u>\$ 456,801</u>
-----------------------	-------------------

**Unassigned (deficit)**

Major Funds

General fund	<u>\$ 4,999,988</u>
--------------	---------------------

Non-Major Funds	<u>\$ (2,224,785)</u>
-----------------	-----------------------

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

---

#### *H. NET ASSETS/FUND BALANCES (cont.)*

##### *Business-type Activities*

Invested in capital assets, net of related debt	
Construction in progress	\$ 2,814,437
Land	359,167
Other capital assets, net of accumulated depreciation	49,297,333
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(11,360,653)</u>
Total Invested in Capital Assets	<u>41,110,284</u>
 Restricted	
Debt service	716,905
Impact fees	228,741
Replacement	110,372
Total Restricted	<u>1,056,018</u>
 Unrestricted	<u>7,484,339</u>
 Total Business-type Activities Net Assets	<u>\$ 49,650,641</u>

**CITY OF RIVER FALLS**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2011

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

***I. COMPONENT UNITS***

This report contains the River Falls Housing Authority (Housing Authority) and the Business Improvement District (BID), which are included as component units. Financial information for both component units are presented as discrete columns in the statement of net assets and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

***Housing Authority***

a. Basis of Accounting/Measurement Focus

The Housing Authority follows the full accrual basis of accounting and the flow of economic resources measurement focus.

b. Deposits and Investments

The Housing Authority's investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Demand and time deposits	\$ 795,693	\$ 842,377	Custodial credit risk

*Custodial Credit Risk*

For a deposit, custodial credit risk is the risk that in the event of a financial institution failure, the Housing Authority's deposits may not be returned to the Housing Authority. The Housing Authority does not have any deposits exposed to custodial credit risk.

c. Receivables

The Housing Authority's accounts receivable consist of \$1,363 due from tenants, \$16,624 grants receivable, and \$618 other receivables. All of the Housing Authority's receivables are expected to be collected within one year.

d. Restricted Assets

*Tenant Deposits*

The Housing Authority holds security deposits from tenants. Security deposits were \$54,857 at year-end.

*Housing Assistance Payments*

The Housing Authority maintains restricted cash in the amount of housing assistance payments equity as required by the grantor. As of June 30, 2011, the restricted cash was \$50,085.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### I. COMPONENT UNITS (cont.)

##### Housing Authority (cont.)

##### d. Restricted Assets (cont.)

###### Reserve Accounts

Reserve accounts are required to be maintained by the USDA Rural Development Loan agreements for the 4-plex, Oak Park and Edgewater/Briarwood properties. As of June 30, 2011, reserve accounts were \$282,213.

##### e. Capital Assets

The Housing Authority depreciates its capital assets over the following useful lives:

Buildings	40	Years
Equipment	3-10	Years

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 332,954	\$ 27,044	\$ -	\$ 359,998
Construction work in progress	6,987	47,942	6,987	47,942
Total Capital Assets Not Being Depreciated	\$ 339,941	\$ 74,986	\$ 6,987	\$ 407,940
Other Capital Assets				
Land improvements	\$ 250,405	\$ 77,067	\$ 2,813	\$ 324,659
Buildings	5,197,496	127,185	-	5,324,681
Machinery and equipment	202,890	4,222	3,674	203,438
Total Capital Assets Being Depreciated	5,650,791	208,474	6,487	5,852,778
Less: Accumulated depreciation for				
Land improvements	(116,323)	(29,555)	1,402	(144,476)
Buildings	(3,428,954)	(205,351)	-	(3,634,305)
Machinery and equipment	(127,608)	(14,326)	3,204	(138,730)
Total Accumulated Depreciation	(3,672,885)	(249,232)	4,606	(3,917,511)
Net Other Capital Assets	\$ 1,977,906			\$ 1,935,267

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### I. COMPONENT UNITS (cont.)

##### Housing Authority (cont.)

##### f. Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable:					
Mortgage notes	\$ 2,220,048	\$ 100,000	\$ 10,283	\$ 2,309,765	\$ 12,205
Other Liabilities:					
Vested compensated absences	14,443	15,093	9,403	20,133	7,547
Total Long-Term Liabilities	<u>\$ 2,234,491</u>	<u>\$ 115,093</u>	<u>\$ 19,686</u>	<u>\$ 2,329,898</u>	<u>\$ 19,752</u>

All mortgage note payments are expected to be paid with future revenues from the related properties. Notes payable consist of the following at June 30, 2011:

#### Briarwood/Edgewood

Mortgage notes payable consists of mortgage notes payable to USDA-RD that requires monthly payments of \$2,582 and bears interest at 6%, which is partially subsidized by USDA-RD, resulting in an effective interest rate of approximately 1%. In connection with this loan, the Housing Authority entered into an agreement with USDA-RD which contains, among other things, restrictions on the transferring of any of the project's rental property, assigning the rights to manage or receive the rents and profits of the rental property or assuming additional indebtedness. The mortgage note is collateralized by the project's rental property. Prepayment of scheduled installments is prohibited.

\$ 1,066,223

#### Oak Park

Mortgage notes payable consists of mortgage notes payable to USDA-RD that requires monthly payments of \$1,915 and bears interest ranging from 5.375% - 11.375%, which is partially subsidized by USDA-RD, resulting in an effective interest rate of approximately 1%. In connection with this loan, the Housing Authority entered into an agreement with USDA-RD which contains, among other things, restrictions on the transferring of any of the project's rental property, assigning the rights to manage or receive the rents and profits of the rental property or assuming additional indebtedness. The mortgage note is collateralized by the project's rental property. Prepayment of scheduled installments is prohibited.

963,912

## CITY OF RIVER FALLS

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

##### I. COMPONENT UNITS (cont.)

##### *Housing Authority* (cont.)

##### f. Long-Term Obligations (cont.)

###### 4-Plex

Mortgage note payable consists of a mortgage note payable to USDA-RD that requires monthly payments of \$1,529 and bears interest at 9.5%, which is partially subsidized by USDA-RD, resulting in an effective interest rate of approximately 1%. In connection with this loan, the Housing Authority entered into an agreement with USDA-RD which contains, among other things, restrictions on the transferring of any of the project's rental property, assigning the rights to manage or receive the rents and profits of the rental property or assuming additional indebtedness. The mortgage note is collateralized by the project's rental property. Prepayment of scheduled installments is prohibited.

\$ 180,238

###### Management Account

Mortgage note payable consists of mortgage notes payable to the First National Bank of River Falls that require 35 monthly payments of \$630, and one final payment consisting of the unpaid principal and all accrued interest due on February 15, 2014. The note bears interest at 5.75%. The mortgage note is collateralized by the rental property.

99,392

Total

2,309,765

Less: Current portion

(12,205)

Total Long-Term Debt

\$ 2,297,560

Future principal payments are approximately as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 12,205	\$ 91,698	\$ 103,903
2013	12,960	90,943	103,903
2014	107,247	90,101	197,348
2015	12,496	83,847	96,343
2016	13,326	83,017	96,343
2017 – 2021	81,249	400,467	481,716
2022 – 2026	112,641	369,075	481,716
2027 – 2031	156,879	324,837	481,716
2032 – 2036	219,604	262,112	481,716
2037 – 2041	281,343	174,295	455,638
2042 – 2046	303,808	85,819	389,627
2047 – 2051	107,604	13,165	120,769
2052 – 2056	21,883	2,641	24,524
Unscheduled debt	<u>866,520</u>	<u>-</u>	<u>866,520</u>
Totals	<u>\$ 2,309,765</u>	<u>\$ 2,072,017</u>	<u>\$ 4,381,782</u>

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

---

#### I. COMPONENT UNITS (cont.)

##### *Housing Authority* (cont.)

##### f. Long-Term Obligations (cont.)

##### *Other Debt Information*

The Oak Park program has \$866,520 in deferred notes payable which have no determinable timetable for repayment. The principal balance of these notes is listed as unscheduled debt in the debt service requirement schedule. All interest associated with these notes is currently subsidized by Rural Development and is not capitalized. The potential future interest associated with this debt is not included in the debt service requirement schedule.

Estimated payments of compensated absences are not included in the debt service requirement schedules.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The Housing Authority believes it is in compliance with all significant limitations and restrictions.

##### g. Net Assets

Net assets reported on the statement of net assets at June 30, 2011 include the following:

Invested in capital assets, net of related debt	
Land	\$ 359,998
Construction in progress	47,942
Other capital assets, net of accumulated depreciation	1,935,267
Less: related long-term debt outstanding	<u>(2,309,765)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>33,442</u>
Restricted	
Grant requirements	<u>332,298</u>
Total Restricted	<u>332,298</u>
Unrestricted	<u>740,757</u>
Total Net Assets	<u>\$ 1,106,497</u>

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

---

#### I. COMPONENT UNITS (cont.)

##### *Housing Authority* (cont.)

##### h. Component Unit

##### *Windmill Place, LLC*

This report contains Windmill Place LLC, which is included as a component unit. Financial information for the component unit is presented in a column in the statement of net assets, statement of revenues, expenses and changes in net assets and statement of cash flows. Activity between the River Falls Housing Authority and Windmill Place, LLC, has been eliminated for presentation in the city's financial statements. The following additional disclosures are considered necessary for a fair presentation.

##### a. Nature of Business and Significant Accounting Policies

###### **Nature of Business**

Windmill Place, LLC (the company) was formed on August 1, 2006, as a limited liability company under the Wisconsin Uniform Limited Liability Company Act (the Act). It has constructed and is operating a 24-unit apartment building located in River Falls, Wisconsin, called Windmill Place Apartments (the project), which qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The project is regulated by the United States Department of Agriculture – Rural Development (USDA-RD). The project was placed in service in November 2007.

The company consists of one original member and one investor member, with rights, preferences, and privileges as described in the First Amended and Restated Operating Agreement (operating agreement). Each member's liability for the debts and obligations of the company shall be limited to the maximum extent permitted by the Act and other applicable law.

The company shall be operated in a manner consistent with its treatment as a partnership for federal and state income tax purposes. Therefore, the accompanying financial statements do not include the personal or corporate assets and liabilities of the members, their obligation for income taxes on their distributive shares of the net income of the company or their rights to refunds on its net loss, or any provision for income tax expense.

The company's income tax filings are subject to audit by various taxing authorities. Open periods subject to audit for federal and Wisconsin purposes are generally the previous three and four years of tax returns filed, respectively. In evaluating the company's tax provisions and accruals, future taxable income and the reversal of temporary differences, interpretations, and tax planning strategies are considered. The company believes its estimates are appropriate based on current facts and circumstances. Any interest or penalties assessed to the company are recorded as operating expenses; however, there were no interest or penalties recorded for the period ended December 31, 2010.

The operating agreement states that the company shall have a perpetual life unless the company is sooner dissolved in accordance with the provisions of the operating agreement.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

---

#### *I. COMPONENT UNITS* (cont.)

##### *Housing Authority* (cont.)

##### h. Component Unit (cont.)

##### *Windmill Place, LLC* (cont.)

##### a. Nature of Business and Significant Accounting Policies (cont.)

#### **Significant Accounting Policies**

A summary of significant accounting policies follows:

##### **Allocation of income/loss and tax credits**

Income or loss of the company is allocated .01% to Windmill Manager, LLC, the original member and 99.99% to Great Lakes Capital Fund for Housing Limited Partnership XV, the investor member. The company is generating low-income housing tax credits which will be allocated in the same manner. Allocation of gain or loss from a sale of the project, if applicable, is subject to different terms as described in the operating agreement.

##### **Use of estimates**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### **Cash and cash equivalents**

For purposes of reporting cash flows, the project considers all investments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash not available to the project due to restrictions placed on it.

##### **Accounts receivable and revenue recognition**

The company utilizes the direct write-off method of accounting for bad debts. The use of this method has no material effect on the financial statements.

Accounts receivable are not interest bearing. A receivable is considered past due if payments have not been received by the company for 10 days. Accounts receivable are written off when management determines an account is uncollectible, based on its history of past write-offs, collections, and current credit conditions. Accounts are generally written off as uncollectible if no payments are received after six months. Late payment fee at \$5 is charged for accounts after 10 days past due.

Rental revenue is recognized when earned. The company leases apartments to eligible applicants under operating leases which are substantially all on a yearly basis.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

---

#### I. COMPONENT UNITS (cont.)

##### *Housing Authority* (cont.)

##### h. Component Unit (cont.)

##### *Windmill Place, LLC* (cont.)

##### a. Nature of Business and Significant Accounting Policies (cont.)

##### **Significant Accounting Policies** (cont.)

##### **Rental property**

Rental property is stated at cost. Depreciation of rental property is computed on the straight-line method based upon the following estimated useful lives of the assets:

	<u>Years</u>
Land improvements	15
Buildings	40
Furnishings and equipment	5

Maintenance and repairs of rental property are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of rental property, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

##### **Impairment of long-lived assets**

The company reviews long-lived assets, including rental property and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

##### **Financing costs**

Financing costs incurred by the company totaled to \$29,377. The company is amortizing these costs into interest expense using the effective interest method over 25 years, the life of the loan.

Amortized fees included in interest expense amounted to \$1,019 for the period ended December 31, 2010.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### I. COMPONENT UNITS (cont.)

##### *Housing Authority* (cont.)

#### h. Component Unit (cont.)

##### *Windmill Place, LLC* (cont.)

#### a. Nature of Business and Significant Accounting Policies (cont.)

##### **Significant Accounting Policies** (cont.)

###### **Tax credit fees**

In connection with obtaining an allocation of low-income housing tax credits, the company paid fees totaling \$22,045 to the Wisconsin Housing and Economic Development Authority (WHEDA). The company is amortizing these fees on the straight-line basis over the related tax credit compliance period of 15 years.

###### **Subsequent events**

These financial statements have not been updated for subsequent events occurring after February 25, 2011, which is the date these financial statements were available to be issued. The company has no responsibility to update these financial statements for events and circumstances occurring after this date.

#### b. Restricted Cash

Restricted cash is comprised of the following:

	2010
Tenants' security deposits	\$ 7,200
Replacement reserve	18,363
Operating reserve	128,544
Interest credit reserve	22,503
Totals	\$ 176,610

###### **Replacement reserve**

The operating agreement requires the project to make initial deposits of \$250 per unit per year into the replacement reserve increasing 3% per year. Disbursements are restricted to replacement of equipment, structural elements, and other components of the project of a capital nature.

	2010
Balance, beginning	\$ 6,000
Monthly deposits	12,363
Balance, Ending	\$ 18,363

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

*i. COMPONENT UNITS* (cont.)

**Housing Authority** (cont.)

h. Component Unit (cont.)

**Windmill Place, LLC** (cont.)

b. Restricted Cash (cont.)

**Operating reserve**

The operating agreement required the company to establish an operating reserve in the initial amount of \$50,000. Funds held in the operating reserve may be used for operating deficits subsequent to achievement of three consecutive months of underwritten operations as defined in the operating agreement. The company shall maintain the operating reserve until the end of the compliance period. All interest earned on the operating reserve shall remain in the reserve. There is no obligation on the part of the members to replenish the operating reserve. Withdrawals from the operating reserve require written approval of the USDA – RD.

	2010
Balance, beginning	\$ 78,499
Other deposits	50,000
Interest earned	45
Balance, Ending	\$ 128,544

**Initial credit reserve**

The operating agreement required the company to establish an interest credit reserve in the initial amount of \$16,877. Withdrawals from the interest credit reserve require the approval of the manager and the investor member and may only be used for payment of outstanding interest on the loans. The balance as of December 31, 2010 was \$22,503.

c. Rental property, net

Rental property, net is comprised of the following:

	2010
Land	\$ 391,518
Land improvements	66,189
Building	3,150,269
Furnishings and equipment	80,457
	3,688,433
Less: Accumulated depreciation	(303,186)
Rental Property, Net	\$ 3,385,247

**CITY OF RIVER FALLS**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2011

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**I. COMPONENT UNITS (cont.)**

**Housing Authority (cont.)**

h. Component Unit (cont.)

**Windmill Place, LLC (cont.)**

d. Mortgage Notes Payable

Mortgage notes payable consist of the following:

	Balance <u>12/31/2010</u>
<p>First National Bank of River Falls; construction loan with interest-only monthly payments at 7% converted to permanent loan on January 30, 2009; thereafter, monthly payments of \$5,535, including interest at 5.07%; USDA-RD is providing an interest credit to reduce the interest rate by a maximum of 150 basis points, but in no event less than the Applicable Federal Rate (AFR), as defined in the IRC, or greater than 150 basis points in excess of the AFR; due February 1, 2034; collateralized by a mortgage on the company's rental property including the assignment of rents and leases and guaranteed by the USDA-RD under Section 538 of the Housing Act of 1949; prepayment is subject to a fee of between 1-2% of the outstanding balance.</p>	\$ 1,092,935
<p>Wisconsin Department of Commerce; nonrecourse; non-interest bearing through December 31, 2010 and then 3% thereafter; beginning on April 1, 2012 annual payments of the lesser of \$23,018 or surplus cash; due on April 1, 2038; collateralized by a subordinated mortgage on the project's rental property and an assignment of rents and leases; the mortgage may be prepaid at any time.</p>	418,752
<p>Housing Authority of the City of River Falls (the Housing Authority), an affiliate of the original member; non-recourse; accrues interest at 5.75% per annum on the unpaid principal and interest balance; due December 31, 2026; collateralized by a subordinated mortgage on the project's rental property and an assignment of rents and leases; the mortgage may be prepaid at any time. Interest expense incurred on the loan was \$10,984 and \$11,482 for the periods ended December 31, 2010 and 2009, respectively. Accrued interest on this note was \$26,009 as of December 31, 2010.</p>	<u>176,000</u>
<p>Total</p>	<u>\$ 1,687,687</u>

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

---

#### I. COMPONENT UNITS (cont.)

##### *Housing Authority* (cont.)

##### h. Component Unit (cont.)

##### *Windmill Place, LLC* (cont.)

##### d. Mortgage Notes Payable (cont.)

Repayment of principal on the mortgage notes payable as of December 31, 2010, is as follows:

Year ending December 31,

2011	\$	11,267
2012		11,852
2013		12,467
2014		13,114
2015		13,795
Thereafter		<u>1,625,192</u>
Total	\$	<u>1,687,687</u>

##### e. Related-Party Transactions

##### **Operating Deficit Guarantee**

The operating agreement provides for an operating deficit guaranty agreement which requires the original member to loan the partnership any funds, not to exceed \$46,000, required to fund operating deficits incurred during the operating deficit guaranty period as defined in the operating agreement. Any loans under this agreement will bear interest at the Prime Rate and shall be payable from cash flow as provided in the operating agreement. There were no operating deficit loans for the period ended December 31, 2010.

##### **Development Agreement**

The company has entered into a development agreement with Windmill Developer, LLC, an affiliate of the original member. The agreement provides for the company to pay a development fee of \$380,000. It is anticipated that the development fee will be paid from proceeds of capital contributions made by the investor member. In the event that the development fee has not been paid within 12 years of the date of completion of the project, the original member shall immediately make a capital contribution to the company sufficient to satisfy the remaining portion of the unpaid portion of the fee. The entire fee has been capitalized into the building cost. Development fee payable was \$129,904 as of December 31, 2010.

## CITY OF RIVER FALLS

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

---

##### I. COMPONENT UNITS (cont.)

###### *Housing Authority* (cont.)

###### h. Component Unit (cont.)

###### *Windmill Place, LLC* (cont.)

###### e. Related-Party Transactions (cont.)

###### **Management Fees**

The company has a management agreement with The Housing Authority of River Falls, an affiliate of the original member. Under the agreement, the company is obligated to pay \$43 per occupied unit per month as a management fee. Management fees incurred totaled \$11,868 for the period ended December 31, 2010.

###### **Company Management Fee**

The company management services agreement provides for the company to pay the original member an annual, cumulative company management fee equal to \$9,250. Accrued company management fees were \$28,764 as of December 31, 2010.

###### **Investor Services Fee**

The investor services agreement provides for the company to pay a cumulative annual investor services fee to an affiliate of the investor member for annual reviews of the operations of the company equal to \$4,000. Accrued investor services fees were \$12,000 as of December 31, 2010.

###### f. Commitments and Contingencies

###### **Land Use Restriction Agreement (LURA)**

The company has signed a LURA with WHEDA as a condition to receiving allocations of low-income housing tax credits. Under this agreement, the company must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units that shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If the company fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor member. The company must recertify tenant eligibility on an annual basis.

## CITY OF RIVER FALLS

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

---

##### *I. COMPONENT UNITS (cont.)*

###### *Housing Authority (cont.)*

###### h. Component Unit (cont.)

###### *Windmill Place, LLC (cont.)*

###### f. Commitments and Contingencies (cont.)

###### **HOME Program Agreement**

In connection with the mortgage note with the Wisconsin Department of Commerce described in Note III.H.e., the company is subject to a HOME program agreement which specifies that there shall be 11 HOME-assisted units in the project. Under this agreement, the company must continuously comply with the HOME program. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under the HOME program. The compliance period is 20 years from the date of initial occupancy of the HOME-assisted units. In addition, the company has signed a LURA with the Wisconsin Department of Commerce, which requires, among other things, that the project maintain compliance with the federal HOME Investment Partnerships Act and regulations set forth in Title 24 Code of Federal Regulations Part 92 and the HOME Program Contract. The LURA is in force until the latest to occur of 20 years after the date of project completion or repayment of the mortgage note described in Note III.H.e.

###### **Regulatory Agreement**

In connection with the mortgage note with the First National Bank of River Falls, the company entered into a regulatory agreement with the lender requiring, among other things, that the rental housing remain available for occupancy by low and moderate income households for the original term of the guaranteed loan.

###### **Affordable Housing Program (AHP)**

On February 28, 2007, in connection with the mortgage note payable to the Housing Authority described in Note III.H.e., the Housing Authority entered into an AHP Agreement with First National Bank of River Falls to receive a grant in the amount of \$176,000. As a condition of receiving these funds, the company and the Housing Authority have agreed to make 18 units and 4 units of the project affordable for and occupied by the households whose income does not exceed 50% and 60%, respectively, of the county median income (CMI) of Pierce County, Wisconsin.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

---

#### *I. COMPONENT UNITS* (cont.)

##### *Housing Authority* (cont.)

#### i. Employee Retirement System

All eligible Housing Authority employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (1,200 hours for employees hired on or after July 1, 2011) are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan through June 28, 2011. Beginning June 29, 2011, and thereafter, covered employees in the General category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% for Protective Occupations without Social Security). Employers generally make these contributions to the plan on behalf of employees through June 28, 2011. Thereafter, employees are required to fund their contribution, subject to terms of employment contracts and which employee group they are a member of. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for Housing Authority employees covered by the system for the year ended December 31, 2011 was \$246,278; the employer's total payroll was \$268,470. The total required contribution for the year ended December 31, 2011 was \$29,852 or 12.1% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2010 and 2009 were \$28,667 and \$29,753 respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, or beginning participation on or after July 1, 2011, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and between April 24, 1998 and June 30, 2011 are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

As of June 30, 2011, the Housing Authority has no pension related debt.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

---

#### *I. COMPONENT UNITS (cont.)*

##### *Housing Authority (cont.)*

##### j. Economic Dependency

The Housing Authority is economically dependent on annual contributions and grants from the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture Rural Development (RD). The Housing Authority operates at a loss prior to receiving contributions and grants from HUD and RD.

##### *Business Improvement District*

##### a. Basis of Accounting/Measurement Focus

The Business Improvement District (District) prepares its financial statements in accordance with generally accepted accounting principles. The accounts are kept on the modified accrual method of accounting and the flow of current financial resources measurement focus.

The District was established in 1988 pursuant to the law of the State of Wisconsin, to transact business and to have powers as defined therein. An independent board is responsible for all activities of the District. The board members of the District are separate from those of the city, and employees are not included on or entitled to benefit programs of the city. Separate accounting records are maintained and debts incurred by the District are not obligations of the city.

##### b. Deposits and Investments

At year end, the District's deposits were \$22,111. The entire balance was insured by the FDIC.

#### *J. TAX INCREMENTAL FINANCING DISTRICTS*

The city currently maintains separate special revenue and capital projects fund accounts for three Tax Increment Financing Districts (TID) created in accordance with Section 66.1105 of the Wisconsin Statutes. The purpose of that section is to allow a municipality to recover development and improvements costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the District. The tax on the increased value is called a tax increment. The statutes allow the municipality to collect tax increments until the net project cost has been fully recovered, or until either 23 or 27 years after the creation date, whichever occurs first.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

---

#### J. TAX INCREMENTAL FINANCING DISTRICTS (cont.)

Special revenue and capital project funds are maintained to account for tax increments and other revenues used to finance principal and interest payments on outstanding debt applicable to the districts. Upon termination, the incremental tax base created by each TID will become part of the city's regular tax base. Any surplus remaining in the TID districts at the time of termination will be allocated among all affected taxing jurisdictions.

	Creation Date	Expenditure Deadline	Termination Date
TID No. 4	1988	2010	2015
TID No. 5	1994	2016	2027
TID No. 6	2005	2027	2032
TID No. 7	2009	2024	2029
TID No. 8	2010	2032	2037
TID No. 9	2011	2034	2039

---

### NOTE IV – OTHER INFORMATION

---

#### A. EMPLOYEES' RETIREMENT SYSTEM

All eligible city employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (1,200 hours for employees hired on or after July 1, 2011) are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan through June 28, 2011. Beginning June 29, 2011, and thereafter, covered employees in the General category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% for Protective Occupations without Social Security). Employers generally make these contributions to the plan on behalf of employees through June 28, 2011. Thereafter, employees are required to fund their contribution, subject to terms of employment contracts and which employee group they are a member of. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for city employees covered by the system for the year ended December 31, 2011 was \$6,059,368; the employer's total payroll was \$6,514,746. The total required contribution for the year ended December 31, 2011 was \$776,626 or 12.82% of covered payroll. Of this amount, 94.9% was contributed by the employer and 5.1% was contributed by the employees. Total contributions for the years ending December 31, 2010 and 2009 were \$727,897 and \$716,017, respectively, equal to the required contributions for each year.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE IV – OTHER INFORMATION (cont.)

---

#### **A. EMPLOYEES' RETIREMENT SYSTEM (cont.)**

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, or beginning participation on or after July 1, 2011, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and between April 24, 1998 and June 30, 2011 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

The city did not have any pension related debt as of December 31, 2011.

#### **B. RISK MANAGEMENT**

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

#### **C. COMMITMENTS AND CONTINGENCIES**

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

A court decision was rendered in 2012 related to a claim asserted by a bank, due to a dispute over a development agreement. The city has recorded a liability of \$240,000 related to this decision. This amount is included in the other liabilities category on the Statement of Net Assets.

The city has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE IV – OTHER INFORMATION (cont.)

---

#### C. COMMITMENTS AND CONTINGENCIES (cont.)

Funding for the operating budget of the city comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the city. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes.

The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the city.

The electric utility under their original wholesale agreement had committed to purchase their electrical power and energy requirements from the Wisconsin Public Power, Inc. System (WPPI) until December 1, 2024. In 2002, the city agreed to a thirteen-year extension, which terminates December 31, 2037. Refer to the River Falls Municipal Utilities financial statements for additional details.

#### D. JOINT VENTURE

The City of River Falls and the municipalities of Hudson, New Richmond, Prescott, Baldwin, Ellsworth, Roberts, Spring Valley, Amery, Osceola, and Somerset jointly contract with the West Central Wisconsin Biosolids Facility Commission (facility) for the treatment, storage, disposal, recycling and/or sale of biosolids (sludge). Currently, the communities share in the operation of the facility as follows:

Hudson	39.32%
River Falls	17.65%
New Richmond	8.54%
Prescott	8.48%
Ellsworth	6.35%
Amery	6.03%
Osceola	5.03%
Baldwin	4.29%
Spring Valley	1.90%
Somerset	1.23%
Roberts	1.18%

The governing body is made up of citizens from each community. Local representatives are appointed by the mayor. The governing body has authority to adopt its own budget and control the financial affairs of the facility. The city believes that the facility will continue to provide services in the future at similar rates.

Debt is being repaid with resources of the sewer utility and is secured by revenues of the utility. The transactions of the facility are not reflected in these financial statements. Facility financial information as of December 31, 2011 is available from the facility office.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

### NOTE IV – OTHER INFORMATION (cont.)

#### *E. OTHER POST EMPLOYMENT BENEFITS*

The city's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. This provision results in another postemployment benefit (OPEB) for the retirees, commonly referred to as an implicit rate subsidy.

Contribution requirements are established through personnel policy guidelines and may be amended by the action of the governing body. Retired plan members are required to pay 100% of the premium. For fiscal year 2011, total retired member contributions were \$78,122. Administrative costs of the plan are financed by the city.

The city's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the city's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the city's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$	164,240
Interest on net OPEB obligation		14,658
Adjustment to annual required contribution		<u>(14,139)</u>
Annual OPEB cost		164,759
Contributions earned		<u>(95,569)</u>
Increase in Net OPEB Obligation		69,190
Net OPEB Obligation – Beginning of Year		<u>366,442</u>
Net OPEB Obligation – End of Year	\$	<u><u>435,632</u></u>

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/09	\$ 189,186	36%	\$ 242,008
12/31/10	197,406	37%	366,442
12/31/11	164,759	58%	435,632

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE IV – OTHER INFORMATION (cont.)

---

#### *E. OTHER POST EMPLOYMENT BENEFITS (cont.)*

The funded status of the plans as of January 1, 2011, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$	1,780,745
Actuarial value of plan assets		<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$	<u>1,780,745</u>
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	5,742,867
UAAL as a percentage of covered payroll		31.01%

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 4% asset rate of return and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 4.7% in ten years. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of payroll. The amortization period at December 31, 2011, was 30 years.

#### *F. DEVELOPER AGREEMENTS*

The City of River Falls has entered into a development agreement with Martinsen Investment and Land Co., Inc (developer). The agreement guarantees that developer improvements will have a minimum assessed value of \$10,000,000 as of December 31, 2009 or upon the City's issuance of a certificate of completion and occupancy, whichever occurs first. The developer also agrees to pay minimum real estate taxes and supplemental payments of \$181,400 per year, starting in 2010 and continuing for 18 years.

As part of the agreement, the City has committed to provide \$2,550,000 in expenditures of public monies and/or dedication of public land to the developer. As of December 31, 2011, the city has paid \$1,500,000 of such costs and has deeded \$1,050,000 of public lands to the developer.

# CITY OF RIVER FALLS

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

---

### NOTE IV – OTHER INFORMATION (cont.)

---

#### **F. DEVELOPER AGREEMENTS (cont.)**

The City of River Falls has entered into a development agreement with Frisbie Properties (developer). The agreement guarantees that developer improvements will have a minimum assessed value of \$3,000,000 as of December 31, 2012 or upon the City's issuance of a certificate of completion and occupancy, whichever occurs first. As security during construction, the developer executed a note to the City commensurate with the receipt of the warranty deed in the principal amount of \$605,000 bearing interest at 6.5% due December 31, 2012 and a real estate mortgage securing said note covering the development property. This mortgage will be secondary to the mortgagee who is providing the construction financing. As further security the developers will provide personal guarantees with respect to performance under the contract. The issuance of the Certificate of Completion and Occupancy shall constitute full payment and satisfaction of the note and mortgage upon the issuance of said certificate by the City. The developer also agrees to pay minimum real estate taxes and supplemental payments of at least \$59,745 per year, starting in 2011 and continuing for 18 years.

As part of the agreement, the City has committed to provide \$605,000 in expenditures of public monies and/or dedication of public land to the developer. As of December 31, 2011, the city has deeded \$513,538 of public lands to the developer.

The City of River Falls has entered into a development agreement with Gerrard Corporation (developer). The agreement guarantees that developer improvements will have a minimum assessed value of \$1,500,000 for phase I as of January 1, 2011, and a minimum assessed value of \$1,500,000 for phase II as of January 1, 2013. The minimum assessed values are required for a twenty year period or the life of the tax increment district, whichever is longer. The City has agreed to provide annual increment payments to the developer beginning in 2012 equal to a total of \$270,000 for phase I and \$216,000 for phase II.

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*. Application of these standards may restate portions of these financial statements.

#### **H. SUBSEQUENT EVENTS**

On February 28, 2012, the city issued \$4,560,000 of Taxable General Obligation Refunding Bonds. The bonds were used to pay off \$4,483,883 of outstanding State Trust Fund Loans.

The water and sewer utility implemented new rates effective April 13, 2012. Annual water revenues were increased by 3% overall, or approximately \$42,000 per year. The sewer rates have increased an average of 8.35%, for approximately \$234,000 in additional revenue per year.

At its March 13, 2012 meeting, the City Council authorized the redemption of the 2002A General Obligation Promissory Notes.

REQUIRED SUPPLEMENTARY INFORMATION

## CITY OF RIVER FALLS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,616,462	\$ 2,616,462	\$ 2,605,307	\$ (11,155)
Special assessments	10,215	10,215	3,838	(6,377)
Intergovernmental	3,250,095	3,313,810	3,312,865	(945)
Licenses and permits	149,490	149,490	128,784	(20,706)
Fines, forfeitures and penalties	205,000	205,000	186,942	(18,058)
Public charges for services	247,500	247,500	228,895	(18,605)
Intergovernmental charges for services	18,000	18,000	14,641	(3,359)
Investment income	50,000	60,000	191,541	131,541
Miscellaneous	236,219	291,868	297,673	5,805
Total Revenues	<u>6,782,981</u>	<u>6,912,345</u>	<u>6,970,486</u>	<u>58,141</u>
<b>EXPENDITURES</b>				
Current				
General government	1,397,233	1,397,233	1,330,341	66,892
Public safety	3,181,522	3,181,522	3,086,658	94,864
Public works	1,955,996	1,866,626	1,664,438	202,188
Health services	9,445	9,445	10,172	(727)
Leisure	581,022	556,022	549,740	6,282
Conservation and development	609,002	575,336	506,110	69,226
Public service enterprises	5,191	5,191	2,127	3,064
Debt Service				
Principal retirement	183,513	135,099	130,685	4,414
Interest and fiscal charges	48,414	48,414	24,801	23,613
Total Expenditures	<u>7,971,338</u>	<u>7,774,888</u>	<u>7,305,072</u>	<u>469,816</u>
Excess (deficiency) of revenues over expenditures	<u>(1,188,357)</u>	<u>(862,543)</u>	<u>(334,586)</u>	<u>527,957</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	1,529,572	1,593,572	1,455,562	(138,010)
Transfers to other funds	(389,629)	(731,029)	(731,029)	-
Total Other Financing Sources	<u>1,139,943</u>	<u>862,543</u>	<u>724,533</u>	<u>(138,010)</u>
Net change in fund balances	(48,414)	-	389,947	389,947
FUND BALANCE - Beginning of Year	<u>5,972,667</u>	<u>5,972,667</u>	<u>5,972,667</u>	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 5,924,253</u>	<u>\$ 5,972,667</u>	<u>\$ 6,362,614</u>	<u>\$ 389,947</u>

See independent auditors' report and accompanying notes to required supplementary information.

## CITY OF RIVER FALLS

### SCHEDULE OF FUNDING PROGRESS FOR RETIREE'S HEALTH PLAN For the Year Ended December 31, 2011

---

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2011	\$ -	\$ 1,780,745	\$ 1,780,745	0%	\$ 5,742,867	31.01%
1/1/2010	-	1,840,339	1,840,339	0%	5,759,383	31.95%
1/1/2008	-	1,658,940	1,658,940	0%	5,591,634	29.67%

The City is required to present the above information for the three most recent actuarial studies. The study completed as of January 1, 2008 was the first study performed for the City.

## CITY OF RIVER FALLS

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2011

---

#### *BUDGETARY INFORMATION*

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

**SUPPLEMENTARY INFORMATION**

## CITY OF RIVER FALLS

### DETAILED BUDGETARY COMPARISON SCHEDULE OF REVENUES GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>TAXES</b>				
General property tax	\$ 2,531,962	\$ 2,531,962	\$ 2,523,486	\$ (8,476)
Mobile home taxes	22,000	22,000	21,686	(314)
Other taxes	-	-	2,190	2,190
Payment in lieu of taxes - housing authority	6,000	6,000	7,558	1,558
Payment in lieu of taxes - other	55,000	55,000	47,850	(7,150)
Interest on taxes	1,500	1,500	2,537	1,037
<b>TOTALS</b>	<u>2,616,462</u>	<u>2,616,462</u>	<u>2,605,307</u>	<u>(11,155)</u>
<b>SPECIAL ASSESSMENTS</b>				
Special assessments	9,598	9,598	2,943	(6,655)
Interest on special assessments	617	617	895	278
<b>TOTALS</b>	<u>10,215</u>	<u>10,215</u>	<u>3,838</u>	<u>(6,377)</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
Shared taxes from state	2,165,515	2,165,515	2,130,986	(34,529)
Fire insurance from state	25,000	25,000	27,298	2,298
State aid - computers	10,000	10,000	9,106	(894)
State aid - police training	4,000	4,000	7,282	3,282
State aid - streets	506,000	506,000	511,806	5,806
State aid - municipal services	225,000	268,715	269,867	1,152
State grant - other public safety	3,500	23,500	42,839	19,339
School district grant	50,000	50,000	52,601	2,601
Municipal grants	261,080	261,080	261,080	-
<b>TOTALS</b>	<u>3,250,095</u>	<u>3,313,810</u>	<u>3,312,865</u>	<u>(945)</u>
<b>LICENSES AND PERMITS</b>				
Liquor and malt beverage licenses	15,000	15,000	17,628	2,628
Operators licenses	4,500	4,500	5,653	1,153
Cigarette licenses	450	450	1,150	700
Business and occupational licenses	1,500	1,500	1,658	158
Housing citations	500	500	-	(500)
Bike licenses	50	50	16	(34)
Dog licenses	5,000	5,000	6,306	1,306
Housing inspection licenses	17,190	17,190	15,890	(1,300)
Plumbing permits	1,500	1,500	1,200	(300)
Building permits	100,000	100,000	73,221	(26,779)
Sign permits	1,500	1,500	2,024	524
Zoning permits	1,000	1,000	3,510	2,510
Inspectors red seal	1,300	1,300	528	(772)
<b>TOTALS</b>	<u>149,490</u>	<u>149,490</u>	<u>128,784</u>	<u>(20,706)</u>

## CITY OF RIVER FALLS

### DETAILED BUDGETARY COMPARISON SCHEDULE OF REVENUES (cont.) GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>FINES, FORFEITURES AND PENALTIES</b>				
Court penalties and costs	\$ 85,000	\$ 85,000	\$ 64,119	\$ (20,881)
Parking violations	90,000	90,000	96,464	6,464
Restitution and forfeitures	-	-	360	360
Court costs	30,000	30,000	25,999	(4,001)
TOTALS	205,000	205,000	186,942	(18,058)
<b>PUBLIC CHARGES FOR SERVICES</b>				
Clerk fees	6,000	6,000	5,630	(370)
Zoning administration fees	10,000	10,000	8,430	(1,570)
Publication fees	1,000	1,000	1,207	207
Plat review fees	10,000	10,000	6,700	(3,300)
Police department fees	16,500	16,500	19,505	3,005
Police reserve	2,000	2,000	270	(1,730)
Police towing	10,000	10,000	18,648	8,648
Fire department fees	15,000	15,000	14,699	(301)
Fire inspection fees	-	-	1,190	1,190
Public works charges	5,000	5,000	21,358	16,358
Weights and measures charges	4,000	4,000	4,000	-
Swimming pool	18,000	18,000	20,625	2,625
Parks	20,000	20,000	14,738	(5,262)
Other recreation programs	130,000	130,000	91,895	(38,105)
TOTALS	247,500	247,500	228,895	(18,605)
<b>INTERGOVERNMENTAL CHARGES FOR SERVICES</b>				
Utility-mechanic charges	15,000	15,000	13,532	(1,468)
Utility-DPW/engineer	500	500	-	(500)
Motor pool cars	2,500	2,500	1,109	(1,391)
TOTALS	18,000	18,000	14,641	(3,359)
<b>INVESTMENT INCOME</b>				
Interest from interfund advances	-	-	125,000	125,000
Interest on temporary investments	50,000	60,000	66,541	6,541
TOTALS	50,000	60,000	191,541	131,541

**CITY OF RIVER FALLS**

DETAILED BUDGETARY COMPARISON SCHEDULE OF REVENUES (cont.)  
GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>MISCELLANEOUS REVENUES</b>				
Sale of supplies	\$ 1,500	\$ 1,500	\$ 565	\$ (935)
Rent of municipal buildings	193,244	193,244	179,927	(13,317)
Donations	-	-	9,207	9,207
Sale of capital assets	10,000	10,000	13,100	3,100
Miscellaneous	31,475	87,124	94,874	7,750
<b>TOTALS</b>	<u>236,219</u>	<u>291,868</u>	<u>297,673</u>	<u>5,805</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	<u>1,529,572</u>	<u>1,593,572</u>	<u>1,455,562</u>	<u>(138,010)</u>
<b>TOTALS</b>	<u>1,529,572</u>	<u>1,593,572</u>	<u>1,455,562</u>	<u>(138,010)</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>\$ 8,312,553</u>	<u>\$ 8,505,917</u>	<u>\$ 8,426,048</u>	<u>\$ (79,869)</u>

## CITY OF RIVER FALLS

### DETAILED BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>GENERAL GOVERNMENT</b>				
Council	\$ 196,736	\$ 194,236	\$ 168,237	\$ 25,999
Municipal court	122,842	122,842	116,132	6,710
Mayor	14,436	14,436	13,063	1,373
City administrator	230,263	235,263	231,520	3,743
Personnel	64,965	44,765	38,170	6,595
Elections	33,537	33,537	29,709	3,828
Data processing	89,986	74,986	74,035	951
Clerk	121,820	123,820	122,247	1,573
Finance	416,998	461,932	461,345	587
General services	35,650	35,650	28,305	7,345
Legal counseling	70,000	55,766	47,578	8,188
TOTALS	<u>1,397,233</u>	<u>1,397,233</u>	<u>1,330,341</u>	<u>66,892</u>
<b>PUBLIC SAFETY</b>				
Police	2,613,965	2,613,965	2,588,229	25,736
Police reserve	14,560	14,560	10,187	4,373
Fire department	545,657	535,657	476,074	59,583
Emergency government	7,340	17,340	12,168	5,172
TOTALS	<u>3,181,522</u>	<u>3,181,522</u>	<u>3,086,658</u>	<u>94,864</u>
<b>PUBLIC WORKS</b>				
Garage	279,837	279,837	262,221	17,616
Street maintenance	942,724	917,724	846,720	71,004
Bridges and culverts	3,000	3,000	2,071	929
Motor pool	10,600	10,600	7,694	2,906
Engineer	283,185	193,815	123,137	70,678
Snow and ice control	184,550	209,550	185,931	23,619
Street lighting	252,100	252,100	236,664	15,436
TOTALS	<u>1,955,996</u>	<u>1,866,626</u>	<u>1,664,438</u>	<u>202,188</u>
<b>HEALTH SERVICES</b>				
Health officer	2,000	2,000	2,000	-
Animal control	7,445	7,445	8,172	(727)
TOTALS	<u>9,445</u>	<u>9,445</u>	<u>10,172</u>	<u>(727)</u>

## CITY OF RIVER FALLS

### DETAILED BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES (cont.)

#### GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>LEISURE ACTIVITIES</b>				
Recreation	\$ 165,101	\$ 136,526	\$ 135,778	\$ 748
Swimming	76,493	84,068	83,916	152
Parks	339,428	335,428	330,046	5,382
<b>TOTALS</b>	<u>581,022</u>	<u>556,022</u>	<u>549,740</u>	<u>6,282</u>
<b>CONSERVATION AND DEVELOPMENT</b>				
Forestry	41,729	41,729	32,446	9,283
Community development	567,273	533,607	473,664	59,943
<b>TOTALS</b>	<u>609,002</u>	<u>575,336</u>	<u>506,110</u>	<u>69,226</u>
<b>PUBLIC SERVICE ENTERPRISES</b>				
Cemetery	5,191	5,191	2,127	3,064
<b>TOTALS</b>	<u>5,191</u>	<u>5,191</u>	<u>2,127</u>	<u>3,064</u>
<b>DEBT SERVICE</b>				
Principal on notes payable-fire	66,661	66,661	66,661	-
Principal on notes payable-streets	68,438	68,438	64,024	4,414
Interest on notes payable-fire	31,951	31,951	16,638	15,313
Interest on notes payable-streets	16,363	16,363	8,081	8,282
Agent fees	100	100	82	18
<b>TOTALS</b>	<u>183,513</u>	<u>183,513</u>	<u>155,486</u>	<u>28,027</u>
<b>OTHER FINANCING USES</b>				
Transfers to other funds	389,629	731,029	731,029	-
<b>TOTALS</b>	<u>389,629</u>	<u>731,029</u>	<u>731,029</u>	<u>-</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 8,312,553</u>	<u>\$ 8,505,917</u>	<u>\$ 8,036,101</u>	<u>\$ 469,816</u>

**CITY OF RIVER FALLS**

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
As of December 31, 2011

	Special Revenue Funds				
	Parking Meters	Refuse/Solid Waste	Shared Ride Taxi	Media Services	Environmental Fee
<b>ASSETS</b>					
Cash and investments	\$ 58,573	\$ 294,211	\$ -	\$ 318,222	\$ 1,600,172
Taxes receivable	-	268	-	-	-
Accounts receivable	4,835	13,826	23,695	39,096	15,254
Interest receivable	-	-	-	-	4,419
Notes receivable	-	-	-	-	-
Prepaid items	646	8	-	699	-
Due from other funds	-	-	-	-	-
Due from other governmental units	-	939	23,154	-	-
Advances to other funds	112,131	-	-	-	1,000,000
<b>TOTAL ASSETS</b>	<u>\$ 176,185</u>	<u>\$ 309,252</u>	<u>\$ 46,849</u>	<u>\$ 358,017</u>	<u>\$ 2,619,845</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 680	\$ 2,206	\$ 14,739	\$ 618	\$ 1,173
Accrued liabilities	622	-	-	1,469	-
Deferred revenues	-	14,094	23,154	-	-
Due to other funds	-	-	11,331	-	-
Due to other governments	-	-	-	-	-
Advances from other funds	-	-	-	-	-
<b>Total Liabilities</b>	<u>1,302</u>	<u>16,300</u>	<u>49,224</u>	<u>2,087</u>	<u>1,173</u>
Fund Balances (Deficit)					
Nonspendable	646	8	-	699	-
Restricted	174,237	292,944	-	-	2,618,672
Committed	-	-	-	355,231	-
Unassigned (deficit)	-	-	(2,375)	-	-
<b>Total Fund Balances (Deficit)</b>	<u>174,883</u>	<u>292,952</u>	<u>(2,375)</u>	<u>355,930</u>	<u>2,618,672</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 176,185</u>	<u>\$ 309,252</u>	<u>\$ 46,849</u>	<u>\$ 358,017</u>	<u>\$ 2,619,845</u>

Special Revenue Funds						
Tax Increment District #4	Tax Increment District #6	Tax Increment District #7	Tax Increment District #8	Tax Increment District #9	Library	Revolving Loan
\$ 9,421	\$ -	\$ -	\$ -	\$ 325,000	\$ 207,869	\$ 3,777
231,236	195,935	15,331	-	-	753,156	-
-	14,460	-	-	-	246	-
-	-	-	-	-	-	-
-	-	-	-	-	-	82,308
-	-	-	-	-	11,301	-
25,806	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 266,463</u>	<u>\$ 210,395</u>	<u>\$ 15,331</u>	<u>\$ -</u>	<u>\$ 325,000</u>	<u>\$ 972,572</u>	<u>\$ 86,085</u>
\$ 1,725	\$ 4,607		\$ -	\$ 4,424	\$ 20,602	\$ -
-	-	-	-	-	14,249	-
231,236	195,935	15,331	-	-	753,156	82,308
-	-	-	-	12,495	-	-
-	-	-	-	-	35	-
-	641,031	41,234	12,871	-	-	-
<u>232,961</u>	<u>841,573</u>	<u>56,565</u>	<u>12,871</u>	<u>16,919</u>	<u>788,042</u>	<u>82,308</u>
-	-	-	-	-	11,301	-
33,502	-	-	-	308,081	173,229	-
-	-	-	-	-	-	3,777
-	(631,178)	(41,234)	(12,871)	-	-	-
<u>33,502</u>	<u>(631,178)</u>	<u>(41,234)</u>	<u>(12,871)</u>	<u>308,081</u>	<u>184,530</u>	<u>3,777</u>
<u>\$ 266,463</u>	<u>\$ 210,395</u>	<u>\$ 15,331</u>	<u>\$ -</u>	<u>\$ 325,000</u>	<u>\$ 972,572</u>	<u>\$ 86,085</u>

**CITY OF RIVER FALLS**

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

As of December 31, 2011

Special Revenue Funds

	<u>Park Impact Fees</u>	<u>Library Impact Fees</u>	<u>Fire Impact Fees</u>	<u>Housing Reserve</u>	<u>Library Trust</u>
<b>ASSETS</b>					
Cash and investments	\$ -	\$ 33,599	\$ 234,353	\$ 408,614	\$ 114,684
Taxes receivable	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Interest receivable	-	-	-	-	-
Notes receivable	-	-	-	261,530	-
Prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
Advances to other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 33,599</u>	<u>\$ 234,353</u>	<u>\$ 670,144</u>	<u>\$ 114,684</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Deferred revenues	-	-	-	261,530	-
Due to other funds	13,839	-	-	-	-
Due to other governments	-	-	-	-	-
Advance from other funds	-	-	-	-	-
<b>Total Liabilities</b>	<u>13,839</u>	<u>-</u>	<u>-</u>	<u>261,530</u>	<u>-</u>
Fund Balances (Deficit)					
Nonspendable	-	-	-	-	-
Restricted	-	33,599	234,353	408,614	114,684
Committed	-	-	-	-	-
Unassigned (deficit)	(13,839)	-	-	-	-
<b>Total Fund Balances (Deficit)</b>	<u>(13,839)</u>	<u>33,599</u>	<u>234,353</u>	<u>408,614</u>	<u>114,684</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 33,599</u>	<u>\$ 234,353</u>	<u>\$ 670,144</u>	<u>\$ 114,684</u>

Special Revenue Funds		Debt Service Funds		Capital Projects	
Tourism and Economic Development	Whitetail Ridge Corporate Park	Bonds	Notes	Capital Equipment	Totals
\$ 71,476	\$ 22,366	\$ -	\$ 9,082	102,123	\$ 3,813,542
-	471,183	215,513	710,931	133,899	2,727,452
11,278	-	-	-	2,744	125,434
-	-	-	-	-	4,419
-	-	-	-	-	343,838
122	256	-	-	-	13,032
-	-	-	-	-	25,806
-	-	-	-	-	24,093
-	-	-	-	-	1,112,131
<u>\$ 82,876</u>	<u>\$ 493,805</u>	<u>\$ 215,513</u>	<u>\$ 720,013</u>	<u>\$ 238,766</u>	<u>\$ 8,189,747</u>
\$ 27,427	\$ -	\$ -	\$ -	\$ 7,074	\$ 85,275
-	-	-	-	-	16,340
-	471,183	215,513	710,931	133,899	3,108,270
-	25,806	611	-	-	64,082
-	-	-	-	-	35
1,000,000	574,564	-	-	-	2,269,700
<u>1,027,427</u>	<u>1,071,553</u>	<u>216,124</u>	<u>710,931</u>	<u>140,973</u>	<u>5,543,702</u>
122	256	-	-	-	13,032
-	-	-	9,082	-	4,400,997
-	-	-	-	97,793	456,801
(944,673)	(578,004)	(611)	-	-	(2,224,785)
<u>(944,551)</u>	<u>(577,748)</u>	<u>(611)</u>	<u>9,082</u>	<u>97,793</u>	<u>2,646,045</u>
<u>\$ 82,876</u>	<u>\$ 493,805</u>	<u>\$ 215,513</u>	<u>\$ 720,013</u>	<u>\$ 238,766</u>	<u>\$ 8,189,747</u>

**CITY OF RIVER FALLS**

NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 For the Year Ended December 31, 2011

	Special Revenue Funds			
	Parking Meters	Refuse/Solid Waste	Shared Ride Taxi	Media Services
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	-	-	156,220	-
Charges for public services	64,771	50,198	-	189,995
Investment income	4,551	389	3	504
Miscellaneous revenue	45	154	-	6,078
Total Revenues	<u>69,367</u>	<u>50,741</u>	<u>156,223</u>	<u>196,577</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	64,679	-	-	-
Public works	-	33,269	181,441	-
Leisure activities	-	-	-	208,131
Conservation and development	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal on long-term debt	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>64,679</u>	<u>33,269</u>	<u>181,441</u>	<u>208,131</u>
Excess (deficiency) of revenues over expenditures	<u>4,688</u>	<u>17,472</u>	<u>(25,218)</u>	<u>(11,554)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	-	-	-
Transfers from other funds	-	-	100,000	93,537
Transfers to other funds	(7,569)	(20,463)	(2,500)	(49,812)
Total Other Financing Sources (Uses)	<u>(7,569)</u>	<u>(20,463)</u>	<u>97,500</u>	<u>43,725</u>
Change in fund balances	(2,881)	(2,991)	72,282	32,171
FUND BALANCES (DEFICIT) - Beginning of Year	<u>177,764</u>	<u>295,943</u>	<u>(74,657)</u>	<u>323,759</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 174,883</u>	<u>\$ 292,952</u>	<u>\$ (2,375)</u>	<u>\$ 355,930</u>

Special Revenue Funds							
Environmental Fee	Tax Increment District #4	Tax Increment District #6	Tax Increment District #7	Tax Increment District #8	Tax Increment District #9	Library	Revolving Loan
\$ -	\$ 266,889	\$ 181,282		\$ -	\$ -	\$ 785,778	\$ -
-	-	-	-	-	-	-	-
-	1,433	-	-	-	-	332,132	-
86,023	-	-	-	-	-	43,408	-
24,675	214	33	24	-	-	508	1,530
-	-	10,212	-	-	-	19,479	4,392
<u>110,698</u>	<u>268,536</u>	<u>191,527</u>	<u>24</u>	<u>-</u>	<u>-</u>	<u>1,181,305</u>	<u>5,922</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,006,812	-
39,093	4,246	10,004	790	730	16,919	-	-
-	-	-	-	-	-	-	-
-	28,001	81,179	-	-	-	-	-
-	126,227	105,916	-	-	-	-	-
<u>39,093</u>	<u>158,474</u>	<u>197,099</u>	<u>790</u>	<u>730</u>	<u>16,919</u>	<u>1,006,812</u>	<u>-</u>
<u>71,605</u>	<u>110,062</u>	<u>(5,572)</u>	<u>(766)</u>	<u>(730)</u>	<u>(16,919)</u>	<u>174,493</u>	<u>5,922</u>
-	-	-	-	-	325,000	-	-
-	-	-	-	-	-	-	-
<u>(9,000)</u>	<u>(158,555)</u>	<u>(33,246)</u>	<u>(125)</u>	<u>(125)</u>	<u>-</u>	<u>(111,730)</u>	<u>(996)</u>
<u>(9,000)</u>	<u>(158,555)</u>	<u>(33,246)</u>	<u>(125)</u>	<u>(125)</u>	<u>325,000</u>	<u>(111,730)</u>	<u>(996)</u>
62,605	(48,493)	(38,818)	(891)	(855)	308,081	62,763	4,926
<u>2,556,067</u>	<u>81,995</u>	<u>(592,360)</u>	<u>(40,343)</u>	<u>(12,016)</u>	<u>-</u>	<u>121,767</u>	<u>(1,149)</u>
<u>\$ 2,618,672</u>	<u>\$ 33,502</u>	<u>\$ (631,178)</u>	<u>\$ (41,234)</u>	<u>\$ (12,871)</u>	<u>\$ 308,081</u>	<u>\$ 184,530</u>	<u>\$ 3,777</u>

**CITY OF RIVER FALLS**

NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 For the Year Ended December 31, 2011

	Special Revenue Funds			
	Park Impact Fees	Library Impact Fees	Fire Impact Fees	Housing Reserve
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for public services	19,704	10,741	11,035	-
Investment income	85	58	326	487
Miscellaneous revenue	-	-	-	64,204
<b>Total Revenues</b>	<u>19,789</u>	<u>10,799</u>	<u>11,361</u>	<u>64,691</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Leisure activities	-	-	-	-
Conservation and development	-	-	-	120,340
Capital Outlay	-	-	-	-
Debt Service				
Principal on long-term debt	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,340</u>
Excess (deficiency) of revenues over expenditures	<u>19,789</u>	<u>10,799</u>	<u>11,361</u>	<u>(55,649)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(92,215)	(507)	(28,593)	(529)
<b>Total Other Financing Sources (Uses)</b>	<u>(92,215)</u>	<u>(507)</u>	<u>(28,593)</u>	<u>(529)</u>
Change in fund balances	(72,426)	10,292	(17,232)	(56,178)
<b>FUND BALANCES (DEFICIT) - Beginning of Year</b>	<u>58,587</u>	<u>23,307</u>	<u>251,585</u>	<u>464,792</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ (13,839)</u>	<u>\$ 33,599</u>	<u>\$ 234,353</u>	<u>\$ 408,614</u>

Special Revenue Funds			Debt Service Funds		Capital Projects	
Library Trust	Tourism and Economic Development	Whitetail Ridge Corporate Park	Bonds	Notes	Capital Equipment	Totals
\$ -	\$ 88,413	\$ 496,305	\$ 217,564	\$ 696,730	\$ 183,693	\$ 2,916,654
-	2,500	-	-	-	-	2,500
-	-	6,113	-	-	-	495,898
-	-	-	-	-	-	475,875
187	20	162	224	452	91	34,523
7,281	14,116	66,822	-	-	7,700	200,483
7,468	105,049	569,402	217,788	697,182	191,484	4,125,933
-	-	-	-	-	-	64,679
-	-	-	-	-	-	214,710
5,548	-	-	-	-	-	1,220,491
-	77,361	8,635	-	-	-	278,118
-	1,448,712	775,265	-	-	137,389	2,361,366
-	-	241,618	180,000	397,974	-	928,772
-	-	25,963	33,719	293,314	-	585,139
5,548	1,526,073	1,051,481	213,719	691,288	137,389	5,653,275
1,920	(1,421,024)	(482,079)	4,069	5,894	54,095	(1,527,342)
-	445,400	774,600	-	-	54,000	1,599,000
-	42,400	90,000	-	257,087	-	583,024
(106)	-	(104,902)	(4,276)	(13,895)	(18,033)	(657,177)
(106)	487,800	759,698	(4,276)	243,192	35,967	1,524,847
1,814	(933,224)	277,619	(207)	249,086	90,062	(2,495)
112,870	(11,327)	(855,367)	(404)	(240,004)	7,731	2,648,540
\$ 114,684	\$ (944,551)	\$ (577,748)	\$ (611)	\$ 9,082	\$ 97,793	\$ 2,646,045

**CITY OF RIVER FALLS**

COMBINING STATEMENT OF NET ASSETS -  
CITY OF RIVER FALLS HOUSING AUTHORITY  
As of June 30, 2011

	Housing Authority	Component Unit Windmill Place, LLC	Subtotals
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 408,538	\$ 31,255	\$ 439,793
Accounts receivable (net)	18,605	795	19,400
Due from Windmill Place, LLC	821	-	821
Prepaid items	22,628	-	22,628
Total Current Assets	<u>450,592</u>	<u>32,050</u>	<u>482,642</u>
<b>NONCURRENT ASSETS</b>			
Restricted assets - cash and investments	387,155	176,610	563,765
Financing costs, net of amortization	-	27,306	27,306
Tax credit fees, net of amortization	-	17,636	17,636
Due from Windmill Place, LLC	383,059	-	383,059
Capital Assets			
Land	359,998	391,518	751,516
Construction in progress	47,942	-	47,942
Other capital assets	5,852,778	3,296,915	9,149,693
Less: Accumulated depreciation	<u>(3,917,511)</u>	<u>(303,186)</u>	<u>(4,220,697)</u>
Total Noncurrent Assets	<u>3,113,421</u>	<u>3,606,799</u>	<u>6,720,220</u>
Total Assets	<u>3,564,013</u>	<u>3,638,849</u>	<u>7,202,862</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	1,977	781	2,758
Accrued liabilities	10,854	22,818	33,672
Due to City of River Falls	39,645	-	39,645
Unearned revenue	20,285	2,610	22,895
Current portion of compensated absences	7,547	-	7,547
Due to River Falls Housing Authority	-	196,293	196,293
Current portion of long-term debt	12,205	11,267	23,472
Other liabilities	54,857	7,800	62,657
Total Current Liabilities	<u>147,370</u>	<u>241,569</u>	<u>388,939</u>
<b>NONCURRENT LIABILITIES</b>			
Housing projects notes and bonds	2,297,560	1,676,420	3,973,980
Compensated absences	12,586	-	12,586
Total Noncurrent Liabilities	<u>2,310,146</u>	<u>1,676,420</u>	<u>3,986,566</u>
Total Liabilities	<u>2,457,516</u>	<u>1,917,989</u>	<u>4,375,505</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	33,442	1,697,560	1,731,002
Restricted - grant requirements	332,298	-	332,298
Unrestricted	740,757	23,300	764,057
TOTAL NET ASSETS	<u>\$ 1,106,497</u>	<u>\$ 1,720,860</u>	<u>\$ 2,827,357</u>

## CITY OF RIVER FALLS

### COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - CITY OF RIVER FALLS HOUSING AUTHORITY

For the Year Ended June 30, 2011

	Housing Authority	Component Unit Windmill Place, LLC	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$ 627,669	\$ 178,101	\$ 805,770
Other	111,625	11	111,636
Total Operating Revenues	739,294	178,112	917,406
<b>OPERATING EXPENSES</b>			
Operation and maintenance	1,337,629	99,014	1,436,643
Depreciation	249,232	99,196	348,428
Taxes	45,595	8,200	53,795
Total Operating Expenses	1,632,456	206,410	1,838,866
Operating Income (Loss)	(893,162)	(28,298)	(921,460)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	14,437	77	14,514
Interest expense	(154,921)	(59,583)	(214,504)
Amortization	-	(1,469)	(1,469)
Gain (loss) on sale of capital assets	(1,885)	-	(1,885)
Intergovernmental grants	775,694	-	775,694
Total Nonoperating Revenues (Expenses)	633,325	(60,975)	572,350
Income (Loss) Before Contributions	(259,837)	(89,273)	(349,110)
<b>CONTRIBUTIONS</b>			
Capital contributions	121,413	277,000	398,413
Change in net assets	(138,424)	187,727	49,303
NET ASSETS - Beginning of Year	1,244,921	1,533,133	2,778,054
NET ASSETS - END OF YEAR	\$ 1,106,497	\$ 1,720,860	\$ 2,827,357

# CITY OF RIVER FALLS

## BALANCE SHEET GOVERNMENTAL COMPONENT UNIT As of December 31, 2011

---

	Business Improvement District
<b>ASSETS</b>	
Cash and investments	\$ 22,111
Special assessments	<u>42,178</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 64,289</u></b>
<b>LIABILITIES</b>	
Liabilities	
Deferred revenue	\$ 42,178
Total Liabilities	<u>42,178</u>
<b>FUND BALANCES</b>	
Undesignated	<u>22,111</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 64,289</u></b>
<b>RECONCILIATION OF FUND BALANCE TO NET ASSETS</b>	
Fund balance at year end	\$ 22,111
Special assessments are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	<u>42,178</u>
<b>NET ASSETS AT YEAR END</b>	<b><u>\$ 64,289</u></b>

# CITY OF RIVER FALLS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL COMPONENT UNIT For the Year Ended December 31, 2011

---

	Business Improvement District
<b>REVENUES</b>	
Special assessments	\$ 42,594
Total Revenues	<u>42,594</u>
<b>EXPENDITURES</b>	
Conservation and development	<u>57,830</u>
Total Expenditures	<u>57,830</u>
Change in fund balance	(15,236)
FUND BALANCES - Beginning of Year	<u>37,347</u>
FUND BALANCES - END OF YEAR	<u>\$ 22,111</u>

### RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET ASSETS:

There is no difference between the change in fund balance and the change in net assets.