

CITY OF REEDSBURG

Reedsburg, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2013

CITY OF REEDSBURG

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Reedsburg
Reedsburg, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Reedsburg, Wisconsin, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Reedsburg's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the City of Reedsburg's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City of Reedsburg's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the City Council
City of Reedsburg

Opinions

In our opinion, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Reedsburg, Wisconsin, as of December 31, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note I, the City of Reedsburg adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Net position has been restated as a result. See Note III.J. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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, economic, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Reedsburg's basic financial statements. The combining financial statements and statement of cash flows - component units 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and statement of cash flows - component units are fairly stated in all material respects, in relation to the basic financial statements as a whole.

To the City Council
City of Reedsburg

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of the City of Reedsburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Reedsburg's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
July 31, 2014

CITY OF REEDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended December 31, 2013

Our discussion and analysis of the City of Reedsburg's financial performance provides an overview of the city's financial activities for the fiscal year that ended on December 31, 2013. Please read it in conjunction with the financial statements following this section.

The intent is to provide a quick summary of salient points and highlights so that readers gain an appreciation of the city as a complex financial organization providing valuable services to the public since incorporation as a village in 1848. This unit of government continues to evolve in response to citizen desires, economic conditions and decisions of the elected and appointed officials charged with governing the community.

The report presents information on Governmental Activities and Business-type Activities. The Governmental Activities include the basic operations at city hall, public works, parks and recreation, library, public safety, community development and related debt service and capital outlay expenses and revenue. Business-type Activities are the utilities of the city: water, electricity, sewer, storm water, and communications.

The City had new management in 2012 with an emphasis on conservative fiscal management. New budgeting methodology was put into place to reduce reliance on debt. The driving factor for the tax levy remains the debt load, which peaked in 2013. Future debt payments decrease every year until all general obligation debt is retired in 2023. The new debt structure came from a refinancing that provided for a million dollars in interest savings over the life of the bonds.

FINANCIAL HIGHLIGHTS

- > The city's combined net position increased \$4,048,604 in 2013 to an ending balance of \$73,041,789
- > The city's governmental activities net position increased by \$895,820 to \$26,312,429.
- > The business-type activities net position increased by \$3,152,784 to \$46,729,360, mainly due to sewer plant capital assets.
- > The city's unassigned general fund balance was \$1,452,444.
- > The Utility Commission had operating income of \$2,350,246 and an increase in net position of \$2,403,486.
- > The sewer fund had an operating income of \$655,202 and an increase in net position of \$852,424.
- > The city's total debt outstanding decreased from \$46,072,599 to \$45,185,304, with the governmental activities decreasing by \$1,219,444, and the business-type activities increasing by \$332,149.

CITY OF REEDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of these elements:

- > Management's discussion and analysis
- > Basic financial statements
 - Government wide financial statements
 - Fund financial statements
 - Notes to the financial statements
- > Required supplementary information
- > Combining statements for non-major governmental funds

The basic financial statements include two kinds of statements that present different views of the city. The first two statements are government-wide financial statements that provide both long and short-term information about the city's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the city government and report the city's operation in more detail than the government-wide statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds. The non-major funds are added together and presented in a single column in the basic financial statements.

GOVERNMENT-WIDE STATEMENTS

Government-wide statements report information about the city as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all government assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when the cash is received or paid.

The two government-wide statements report the city's net position and how they have changed. Net position – the difference between the city's assets and liabilities and deferred inflows of resources – is one way to measure the city's financial health, or position.

Over time, increases or decreases in the city's net position are an indicator whether its financial health is improving or deteriorating, respectively. This section will become more significant in future years with data trends crossing multiple accounting periods.

To assess the overall health of the city you need to consider additional non-financial factors such as changes in the city property tax base, economy and rate of growth.

The government-wide financial statements of the city are divided into two categories:

Governmental activities – The city's basic services are included here, such as police, fire, public works, parks, community development, solid waste, property assessment, finance and administration. Property taxes and state aid finance most of these activities. Fees for programs, licenses and permits are becoming more important as a source of revenue.

CITY OF REEDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

GOVERNMENT-WIDE STATEMENTS (cont.)

Business-type activities – The Reedsburg Utility Commission charges user fees to cover the cost of providing water, electric and communication services. User fees are also used to finance the operations of the sewer and stormwater utilities operated by the Public Works Department.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the city's significant funds. Funds are accounting devices that the city uses to keep track of specific sources of funding and spending for particular purposes.

The city has three kinds of funds:

Governmental funds – Most of the city's basic services are included in governmental funds that focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, governmental funds statements tell how general government services like public safety and public works are financed in the short term as well as what future spending remains. Because this information does not encompass the additional long-term focus of government-wide statements, additional information is provided at the bottom of the governmental funds statement explaining the differences between them.

Proprietary funds – Services for which the city charges customers user and other types of fees are reported in proprietary funds. These include sewer, water, electricity, stormwater, and communication utilities. Proprietary fund statements offer short and long-term financial information about activities that the city operates like a business.

Fiduciary funds – The city is a trustee, or fiduciary, for the collection of all property taxes within the city for all taxing districts, including the School District of Reedsburg, Madison Area Technical College District (MATC), State of Wisconsin, and Sauk County. All the city's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the city's government-wide financial statements because these assets cannot be used to finance operations. The city also is the trustee of the Nishan Community Aid for the Poor fund.

CITY OF REEDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended December 31, 2013

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

NET POSITION

Net position of the governmental activities total \$26,312,429 in 2013. The business-type activities have net position totaling \$46,729,360. Table A-1 describes the net position of the city.

**City of Reedsburg Net Position
Table A-1**

	Governmental Activities		Business-type Activities		Totals	
	2012	2013	2012*	2013	2012	2013
Assets and Liabilities						
Current and other assets	\$13,831,727	\$14,017,965	\$15,642,074	\$15,530,415	\$29,473,801	\$29,548,380
Capital assets	29,621,597	29,107,005	67,499,533	70,974,126	97,121,130	100,081,131
Total Assets	43,453,324	43,124,970	83,141,607	86,504,541	126,594,931	129,629,511
Long-term liabilities	11,184,225	10,101,439	35,609,996	36,046,499	46,794,221	46,147,938
Other liabilities	959,558	517,981	3,955,035	3,728,682	4,914,593	4,246,663
Total Liabilities	12,143,783	10,619,420	39,565,031	39,775,181	51,708,814	50,394,601
Deferred inflows	5,892,932	6,193,121	-	-	5,892,932	6,193,121
Net Position						
Net investment in capital assets	21,386,390	21,322,950	35,026,336	35,851,494	56,412,726	57,174,444
Restricted	3,899,438	3,515,998	3,403,735	2,666,003	7,303,173	6,182,001
Unrestricted	130,781	1,473,481	5,146,505	8,211,863	5,277,286	9,685,344
Total Net Assets	\$25,416,609	\$26,312,429	\$43,576,576	\$46,729,360	\$68,993,185	\$73,041,789

* Includes restatement for implementation of GASB No. 65.

CHANGES IN NET POSITION

The city's 2013 revenues total \$44,660,769 and expenses total \$40,612,165 resulting in an increase of net position of \$4,048,604. Table A-2 and the narrative that follows consider the operations of the governmental and business-type activities.

CITY OF REEDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended December 31, 2013

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

CHANGES IN NET POSITION (cont.)

Changes in Net Position – Table A-2

	Governmental Activities		Business-type Activities		Totals	
	2012	2013	2012*	2013	2012	2013
Revenue						
Charges for services	\$1,163,377	\$1,158,289	\$32,561,251	\$33,270,103	\$33,724,628	\$34,428,392
Operating grants and contributions	1,177,457	1,171,160	-	-	1,177,457	1,171,160
Capital grants and contributions	23,937	35,316	3,058,302	1,844,213	3,082,239	1,879,529
Taxes	5,193,277	5,732,940	-	-	5,193,277	5,732,940
Intergovernmental revenues	919,037	912,264	-	-	919,037	912,264
Investment income	79,923	67,094	223,972	222,996	303,895	290,090
Miscellaneous	43,806	160,973	59,417	85,421	103,223	246,394
Total Revenues	8,600,814	9,238,036	35,902,942	35,422,733	44,503,756	44,660,769
Expenses						
General government	1,297,024	1,214,927	-	-	1,297,024	1,214,927
Public safety	3,145,907	3,102,111	-	-	3,145,907	3,102,111
Public works	2,432,045	2,455,861	-	-	2,432,045	2,455,861
Health and human services	21,253	21,101	-	-	21,253	21,101
Culture, education, and recreation	1,331,494	1,406,697	-	-	1,331,494	1,406,697
Conservation and development	336,288	420,707	-	-	336,288	420,707
Interest and fiscal charges	554,618	533,779	-	-	554,618	533,779
Water	-	-	1,145,637	1,221,990	1,145,637	1,221,990
Electric	-	-	23,063,799	23,065,388	23,063,799	23,065,388
Communications	-	-	4,012,093	4,381,684	4,012,093	4,381,684
Sewer	-	-	2,170,574	2,211,779	2,170,574	2,211,779
Stormwater	-	-	404,679	576,141	404,679	576,141
Total Expenses	9,118,629	9,155,183	30,796,782	31,456,982	39,915,411	40,612,165
Transfers	747,939	812,967	(747,939)	(812,967)	-	-
Change in Net Position	230,124	895,820	4,358,221	3,152,784	4,588,345	4,048,604
Net Position – Beginning (As Restated)	25,186,485	25,416,609	39,218,355	43,576,576	64,404,840	68,993,185
Net Position – Ending	\$25,416,609	\$26,312,429	\$43,576,576	\$46,729,360	\$68,993,185	\$73,041,789

* Includes restatement for implementation of GASB No. 65.

CITY OF REEDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended December 31, 2013

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

GOVERNMENTAL ACTIVITIES

Revenues for city governmental activities total \$9,238,036. Taxes accounted for 62%, operating grants and contributions accounted for 13%, charges for services accounted for 13%, and intergovernmental revenues accounted for 10%, making up most of the city's revenues. Governmental activities expenses total \$9,155,183. Public safety accounted for 34% of the expenses, public works accounted for 27%, culture, recreation, and education accounted for 15%, and general government accounted for 13%.

Table A-3 presents the total costs of each of the city's activities as well as each activity's net cost. Net cost is the total cost less fees generated by the activities and direct intergovernmental aid. The net cost shows the financial burden placed on city taxpayers or indirect revenue sources by each of these activities.

The cost of all governmental activities during 2013 was \$9,155,183. However, the amount paid through the city property tax and other taxes was only \$5,732,940. Some of the costs were paid by:

- > Direct beneficiaries of programs, permits and licenses - \$1,158,289
- > Operating grants and contributions - \$1,171,160
- > Capital grants and contributions - \$35,316
- > Intergovernmental aid - \$912,264
- > The net cost of services is 74% of the total expenses

Net Cost of Governmental Activities – Table A-3

	Total Cost of Services		Net Cost of Services	
	2012	2013	2012	2013
General government	\$1,297,024	\$1,214,927	\$1,121,352	\$1,015,273
Public safety	3,145,907	3,102,111	2,672,512	2,660,911
Public works	2,432,045	2,455,861	1,394,839	1,344,791
Health and social services	21,253	21,101	21,253	21,101
Culture, education and recreation	1,331,494	1,406,697	798,501	994,029
Conservation and development	336,288	420,707	264,874	248,606
Interest and fiscal charges	554,618	533,779	480,527	505,707
Total Governmental Activities	\$9,118,629	\$9,155,183	\$6,753,858	\$6,790,418

CITY OF REEDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended December 31, 2013

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

BUSINESS-TYPE ACTIVITIES

Operating revenue of the city's business-type activities totals \$32,270,101 with an operating margin of 6%. Other revenue sources include investment income, capital grants and contributions, and impact or connection fees. Net position grew by \$3,152,784.

Changes in Net Position in Business-type Activity – Table A-4

	Water		Electric		Sewer		Communications		Stormwater		Totals	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Revenue												
Charges for services	\$ 1,401,639	\$ 1,388,126	\$ 23,779,457	\$ 23,877,243	\$ 2,681,084	\$ 2,562,003	\$ 4,085,321	\$ 4,830,133	\$ 475,579	\$ 473,015	\$ 32,423,080	\$ 33,130,520
Other revenue	52,683	54,769	70,766	68,809	-	-	14,722	16,003	-	-	138,171	139,581
Total	1,454,322	1,442,895	23,850,223	23,946,052	2,681,084	2,562,003	4,100,043	4,846,136	475,579	473,015	32,561,251	33,270,101
Oper. Expenses	(1,108,565)	(1,195,341)	(22,866,843)	(22,839,573)	(1,856,692)	(1,906,801)	(3,350,486)	(3,849,925)	(404,679)	(576,141)	(29,587,265)	(30,367,781)
Operating Income											2,973,986	2,902,322
Investment Income											223,970	222,996
Other Non-Operating Items											(1,150,098)	(1,003,780)
Contributions and Transfers											2,310,363	1,031,246
Change in net position											4,358,221	3,152,784
Net Position – Beginning of Year (as restated)											39,218,355	43,576,576
Net Position – End of Year											\$43,576,576	\$46,729,360

CITY OF REEDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended December 31, 2013

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

The city's General Fund had a net increase in fund balance in 2013 of \$361,399. The ending General Fund balance was \$5,608,382. Of this total, \$2,625,991 was nonspendable because it was in nonspendable form, or because legal or contractual requirements require them to be maintained intact. \$616,980 was restricted for a loan receivable. The amount of \$912,967 was assigned to budget carryovers, PILOT, and health insurance reserves. The General Fund had unassigned fund balance of \$1,452,444 at year end.

TIF 3 has a significant deficit fund balance, but it was reduced significantly in 2013 with the receipt of an EDA grant and with contributions from donor TIF's. TIF 3 was designated a distressed TIF in 2012. The designation allows for the contribution from the donor TIF's. With the designation, the TIF district has a better chance of completely recouping the deficit. Additional growth in the TIF district would also help recoup the deficit.

The net position of the enterprise funds increased \$3,152,784 as shown in Table A-4. The sewer net position increased because of operating income. The storm sewer net position decreased because of operating loss for 2013. The net position of the other enterprise funds is expanded on in the utility commission analysis.

GENERAL FUND BUDGETARY HIGHLIGHTS

A detailed budget is adopted by the City Council on an annual basis following a public hearing. Actual revenues and other financing sources exceeded the budget by \$307,456 and actual expenditures were under budget by \$53,943. Revenue recorded for insurance claims, property sales and transfers accounted for the increase in revenues. Police wages and health benefits were under budget to account for the majority of expenses under budget, with the elimination of one police officer position.

CITY OF REEDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
As of and for the Year Ended December 31, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The city had capital assets of \$100,081,131 at the end of 2013. See Table A-5.

Additions of \$18,608,951 minus deletions, adjustments, and depreciation represent a net increase in capital assets of \$2,960,001 in 2013. Additional information about capital assets can be found in Note III.D of the Financial Statements.

Capital Assets – Net of Accumulated Depreciation – Table A-5

	Governmental Activities		Business-type Activities		Totals	
	2012	2013	2012	2013	2012	2013
Land	\$ 6,696,144	\$6,696,144	\$ 279,932	\$279,932	\$ 6,976,076	\$6,976,076
Land – right of way	808,570	808,570	-	-	808,570	808,570
CWIP	-	46,863	5,610,319	2,139,883	5,610,319	2,186,746
Buildings	4,150,508	3,997,771	-	-	4,150,508	3,997,771
Equipment	4,566,107	4,457,993	-	-	4,566,107	4,457,993
Infrastructure	13,324,552	13,036,985	-	-	13,324,552	13,036,985
Intangibles	75,716	62,679	-	-	75,716	62,679
Electric	-	-	14,124,055	13,931,690	14,124,055	13,931,690
Water	-	-	9,602,417	9,451,634	9,602,417	9,451,634
Communications	-	-	15,623,965	21,409,776	15,623,965	21,409,776
Sewer	-	-	18,137,445	19,764,275	18,137,445	19,764,275
Stormwater	-	-	4,121,400	3,996,936	4,121,400	3,996,936
Totals	\$29,621,597	\$29,107,005	\$67,499,533	\$70,974,126	\$97,121,130	\$100,081,131

LONG-TERM DEBT

At the year end, the city had \$45,185,304 in outstanding general obligation bonds, revenue bonds, and capital leases. This is an decrease of \$887,295 or 1.93% from the prior year. See Table A-6. The detailed notes on long-term obligations begin on page 44.

CITY OF REEDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended December 31, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION (cont.)

LONG-TERM DEBT (cont.)

Long-Term Debt – Table A-6

	Governmental Activities		Business-type Activities		Totals	
	2012	2013	2012	2013	2012	2013
Debt outstanding	\$10,759,444	\$9,540,000	\$35,313,155	\$35,645,304	\$46,072,599	\$45,185,304

The city has the power to incur general obligation debt specified by state statute in an aggregate amount, not to exceed 5% of the equalized value of taxable property in the city. Our legal debt capacity was \$25,868,285 at the end of 2013. The city is currently at 58% of our capacity with \$14,955,000 of outstanding general obligation debt. We have additional capacity of \$10,913,285.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

ECONOMIC FACTORS

The City of Reedsburg TIF districts continue to struggle, due to decreasing valuation of manufacturing property. The City has taken steps to declare two of the TIF districts as distressed to allow those districts to be extended and to share TIF increment from other districts. When analyzed together and with continued growth, the TIF districts as a whole are still projected to recoup all of the TIF expenditures from projected increments.

The growth rate for the City over the past few years has slowed due to the overall national economic downturn in the housing market. The devaluation has caused the equalized value of the community to drop over the past few years. We are optimistic that with the recent upward trend in housing, that we have seen the bottom of the devaluation and that equalized value will start to increase again within the next year.

The City refinanced half of its outstanding general obligation debt with interest savings of \$1.1 million dollars over a ten year period, in 2013. The debt restructuring allowed the City to more aggressively pay off principal balances to make the City general obligation debt free in 2023. The tax rate over the next decade will continue to decrease as the debt payments are scheduled to step down every few years to allow for continued tax cuts and absorption to expense increases.

CITY OF REEDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended December 31, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (cont.)

2014 BUDGET

The city's budget, adopted on November 25, 2013, made appropriations of \$5,979,553 for the General fund. Property taxes of \$2,912,313 were levied to support these funds. The Sewer Fund and Solid Waste Fund budgets were adopted on November 25, 2013.

The combined net tax rate for all jurisdictions for the past five years was:

2009 for 2010	\$22.84
2010 for 2011	\$23.35
2011 for 2012	\$23.49
2012 for 2013	\$23.90
2013 for 2014	\$24.12

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the city's finances. It is intended to demonstrate the city's accountability for the money it receives. If you have any questions about this report or need additional information, please contact City Administrator/Clerk/Treasurer Ken Witt.

City of Reedsburg
134 S. Locust Street
PO Box 490
Reedsburg, WI 53959
Phone: 608 524 6404
Fax: 608 524 8458
Email: cityhall@ci.reedsburg.wi.us
Website: www.reedsburgwi.gov

CITY OF REEDSBURG

STATEMENT OF NET POSITION As of December 31, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and investments	\$ 3,542,334	\$ 6,002,501	\$ 9,544,835	\$ 2,533,794
Receivables (net)				
Taxes receivable	6,236,351	-	6,236,351	-
Delinquent personal property taxes	224	-	224	-
Accounts	202,553	3,431,852	3,634,405	-
Accrued interest	-	36,415	36,415	4,039
Special assessments	6,775	4,000	10,775	-
Loans	2,690,526	-	2,690,526	70,000
Internal balances	812,967	(812,967)	-	-
Capital lease receivable from primary government	-	-	-	585,000
Due from other governments	24,777	-	24,777	-
Due from component units	22,809	-	22,809	-
Inventories and prepaid items	204,640	1,210,394	1,415,034	-
Other assets	-	2,249,020	2,249,020	-
Restricted assets				
Cash and investments	73,494	3,409,200	3,482,694	-
Deposit with Wisconsin Mutual Insurance Co.	200,515	-	200,515	-
Capital Assets				
Land and other nondepreciable assets	12,495,962	279,932	12,775,894	-
Construction in progress	46,863	2,139,883	2,186,746	-
Other capital assets, net of depreciation	<u>16,564,180</u>	<u>68,554,311</u>	<u>85,118,491</u>	-
Total Assets	<u>43,124,970</u>	<u>86,504,541</u>	<u>129,629,511</u>	<u>3,192,833</u>
LIABILITIES				
Accounts payable	237,005	3,115,657	3,352,662	-
Accrued liabilities	260,564	493,217	753,781	4,039
Due to primary government	-	-	-	22,809
Deposits	20,412	-	20,412	-
Unearned revenue	-	119,808	119,808	-
Noncurrent Liabilities				
Due within one year	1,484,446	1,821,541	3,305,987	70,000
Due in more than one year	<u>8,616,993</u>	<u>34,224,958</u>	<u>42,841,951</u>	<u>515,000</u>
Total Liabilities	<u>10,619,420</u>	<u>39,775,181</u>	<u>50,394,601</u>	<u>611,848</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	<u>6,193,121</u>	-	<u>6,193,121</u>	-
NET POSITION				
Net investment in capital assets	21,322,950	35,851,494	57,174,444	-
Restricted	3,515,998	2,666,003	6,182,001	2,510,985
Unrestricted	<u>1,473,481</u>	<u>8,211,863</u>	<u>9,685,344</u>	<u>70,000</u>
TOTAL NET POSITION	<u>\$ 26,312,429</u>	<u>\$ 46,729,360</u>	<u>\$ 73,041,789</u>	<u>\$ 2,580,985</u>

See accompanying notes to financial statements.

CITY OF REEDSBURG

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2013

Functions/Programs	Program Revenues			
Primary Government	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 1,214,927	\$ 199,654	\$ -	\$ -
Public safety	3,102,111	394,665	46,535	-
Public works	2,455,861	395,295	711,556	4,219
Health and human services	21,101	-	-	-
Culture, recreation and education	1,406,697	158,155	254,513	-
Conservation and development	420,707	10,520	130,484	31,097
Interest and fiscal charges	533,779	-	28,072	-
Total Governmental Activities	9,155,183	1,158,289	1,171,160	35,316
Business-type Activities				
Water	1,221,990	1,442,895	-	24,152
Electric	23,065,388	23,946,054	-	56,031
Communications	4,381,684	4,846,136	-	1,264,030
Sewer	2,211,779	2,562,003	-	500,000
Stormwater	576,141	473,015	-	-
Total Business-type Activities	31,456,982	33,270,103	-	1,844,213
Total Primary Government	\$ 40,612,165	\$ 34,428,392	\$ 1,171,160	\$ 1,879,529
Component Units				
Community Development Authority	\$ 51,105	\$ -	\$ -	\$ -
Herbert H Webb Trust	67,536	-	-	-
Total Component Units	\$ 118,641	\$ -	\$ -	\$ -
General Revenues				
Taxes				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Property taxes, levied for TIF districts				
Other taxes				
Intergovernmental revenues not restricted to specific programs				
Investment income				
Gain on sale of assets				
Miscellaneous				
Total General Revenues				
Transfers				
Total General Revenues and Transfers				
Change in net position				
NET POSITION - Beginning of Year (as restated)				
NET POSITION - END OF YEAR				

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Totals	Component Units
\$ (1,015,273)	\$ -	\$ (1,015,273)	
(2,660,911)	-	(2,660,911)	
(1,344,791)	-	(1,344,791)	
(21,101)	-	(21,101)	
(994,029)	-	(994,029)	
(248,606)	-	(248,606)	
(505,707)	-	(505,707)	
<u>(6,790,418)</u>	<u>-</u>	<u>(6,790,418)</u>	
-	245,057	245,057	
-	936,697	936,697	
-	1,728,482	1,728,482	
-	850,224	850,224	
-	<u>(103,126)</u>	<u>(103,126)</u>	
-	<u>3,657,334</u>	<u>3,657,334</u>	
<u>(6,790,418)</u>	<u>3,657,334</u>	<u>(3,133,084)</u>	
			\$ (51,105)
			<u>(67,536)</u>
			<u>(118,641)</u>
3,686,872	-	3,686,872	-
1,322,360	-	1,322,360	-
458,594	-	458,594	-
265,114	-	265,114	-
912,264	-	912,264	-
67,094	222,996	290,090	339,772
48,121	-	48,121	-
<u>112,852</u>	<u>85,421</u>	<u>198,273</u>	<u>-</u>
6,873,271	308,417	7,181,688	339,772
<u>812,967</u>	<u>(812,967)</u>	<u>-</u>	<u>-</u>
<u>7,686,238</u>	<u>(504,550)</u>	<u>7,181,688</u>	<u>339,772</u>
895,820	3,152,784	4,048,604	221,131
<u>25,416,609</u>	<u>43,576,576</u>	<u>68,993,185</u>	<u>2,359,854</u>
<u>\$ 26,312,429</u>	<u>\$ 46,729,360</u>	<u>\$ 73,041,789</u>	<u>\$ 2,580,985</u>

See accompanying notes to financial statements.

CITY OF REEDSBURG

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2013

	General	General Debt Service	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and investments	\$ 1,624,270	\$ 2	\$ 1,918,062	\$ 3,542,334
Receivables				
Taxes	2,955,712	1,241,003	2,039,636	6,236,351
Delinquent personal property taxes	224	-	-	224
Accounts	183,387	-	19,166	202,553
Special assessments	4,000	-	2,775	6,775
Loans	616,980	-	2,073,546	2,690,526
Due from other funds	888,673	-	-	888,673
Prepaid items	204,640	-	-	204,640
Advances to other funds	2,645,116	-	-	2,645,116
Due from component unit	-	-	22,809	22,809
Due from other governments	-	-	24,777	24,777
Restricted cash and investments	-	73,494	-	73,494
Investment in mutual insurance company	200,515	-	-	200,515
TOTAL ASSETS	\$ 9,323,517	\$ 1,314,499	\$ 6,100,771	\$ 16,738,787

See accompanying notes to financial statements.

	<u>General</u>	<u>General Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 199,429	\$ -	\$ 37,576	\$ 237,005
Accrued liabilities	178,720	-	18,646	197,366
Deposits	-	19,002	1,410	20,412
Due to other funds	-	-	75,706	75,706
Advances from other funds	-	175,630	2,469,486	2,645,116
Total Liabilities	<u>378,149</u>	<u>194,632</u>	<u>2,602,824</u>	<u>3,175,605</u>
Deferred Inflows of Resources				
Unearned revenues	2,912,482	1,241,003	2,039,636	6,193,121
Unavailable revenues	424,504	-	2,775	427,279
Total Deferred Inflows of Resources	<u>3,336,986</u>	<u>1,241,003</u>	<u>2,042,411</u>	<u>6,620,400</u>
Fund Balances (Deficit)				
Nonspendable	2,625,991	-	-	2,625,991
Restricted	616,980	-	2,899,018	3,515,998
Committed	-	-	122,816	122,816
Assigned	912,967	-	643,239	1,556,206
Unassigned (deficit)	1,452,444	(121,136)	(2,209,537)	(878,229)
Total Fund Balances (deficit)	<u>5,608,382</u>	<u>(121,136)</u>	<u>1,455,536</u>	<u>6,942,782</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 9,323,517</u>	<u>\$ 1,314,499</u>	<u>\$ 6,100,771</u>	<u>\$ 16,738,787</u>

See accompanying notes to financial statements.

CITY OF REEDSBURG

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2013

Total Fund Balances - Governmental Funds	\$ 6,942,782
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.

Land and other nondepreciable assets	12,495,962
Construction in progress	46,863
Other capital assets	16,564,180

Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.

427,279

Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.

Bonds and notes payable	(8,955,000)
Compensated absences	(504,592)
Accrued interest	(63,198)
Retiree health insurance	(8,480)
Capital leases	(585,000)
Unamortized premium on debt	<u>(48,367)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 26,312,429

CITY OF REEDSBURG

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

For the Year Ended December 31, 2013

	General	General Debt Service	Nonmajor Governmental Funds	Totals
REVENUES				
Taxes	\$ 3,170,852	\$ 1,322,360	\$ 1,239,728	\$ 5,732,940
Intergovernmental	1,419,883	81,876	1,665,158	3,166,917
Licenses and permits	204,689	-	-	204,689
Fines, forfeitures and penalties	240,530	-	-	240,530
Public charges for services	157,770	-	406,770	564,540
Intergovernmental charges for services	69,640	-	-	69,640
Special assessments	-	-	63,230	63,230
Investment income	9,007	-	16,307	25,314
Miscellaneous	122,984	-	133,872	256,856
Total Revenues	<u>5,395,355</u>	<u>1,404,236</u>	<u>3,525,065</u>	<u>10,324,656</u>
EXPENDITURES				
Current				
General government	1,456,448	-	256	1,456,704
Public safety	2,598,330	-	77,943	2,676,273
Health and human services	21,101	-	-	21,101
Public works	1,056,566	-	602,181	1,658,747
Culture, recreation and education	482,876	-	739,502	1,222,378
Conservation and development	270,706	-	188,887	459,593
Capital Outlay	-	-	575,462	575,462
Debt Service				
Principal	-	6,279,444	-	6,279,444
Interest and fiscal charges	-	652,935	-	652,935
Total Expenditures	<u>5,886,027</u>	<u>6,932,379</u>	<u>2,184,231</u>	<u>15,002,637</u>
Excess (deficiency) of revenues over expenditures	<u>(490,672)</u>	<u>(5,528,143)</u>	<u>1,340,834</u>	<u>(4,677,981)</u>
OTHER FINANCING SOURCES (USES)				
Property sales	39,104	-	9,137	48,241
Transfers in	812,967	446,786	373,412	1,633,165
Transfers out	-	-	(820,198)	(820,198)
Premium on debt issued	-	55,136	-	55,136
Refunding debt issued	-	5,060,000	-	5,060,000
Total Other Financing Sources (Uses)	<u>852,071</u>	<u>5,561,922</u>	<u>(437,649)</u>	<u>5,976,344</u>
Net Change in Fund Balances	361,399	33,779	903,185	1,298,363
FUND BALANCES (DEFICIT) - Beginning of Year	<u>5,246,983</u>	<u>(154,915)</u>	<u>552,351</u>	<u>5,644,419</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 5,608,382</u>	<u>\$ (121,136)</u>	<u>\$ 1,455,536</u>	<u>\$ 6,942,782</u>

See accompanying notes to financial statements.

CITY OF REEDSBURG

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, 2013

Net change in fund balances - total governmental funds	\$ 1,298,363
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	575,462
Some items are reported as capital outlay were not capitalized	(117,855)
Some items are reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements	292,058
Depreciation is reported in the government-wide financial statements	(1,234,363)
Net book value of assets retired	(29,893)
Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	
Special assessments	(1,725)
Deferred grant revenue	(1,079,332)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Debt issued	(5,060,000)
Principal repaid	6,279,444
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.	
Compensated absences	(36,554)
Accrued interest	110,319
Amortization of debt discount	(100,104)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 895,820</u>

See accompanying notes to financial statements.

CITY OF REEDSBURG

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2013

	Business-type Activities - Enterprise Funds			Totals
	Utility Commission	Sewer	Nonmajor Enterprise Fund - Stormwater Fund	
ASSETS				
Current Assets				
Cash and investments	\$ 4,303,787	\$ 1,370,158	\$ 328,556	\$ 6,002,501
Accounts receivable (net)	2,414,916	77,687	-	2,492,603
Other accounts receivable	939,249	-	-	939,249
Accrued interest	36,415	-	-	36,415
Due from other funds	-	219,351	6,287	225,638
Prepaid items	94,979	5,658	-	100,637
Inventories	1,109,757	-	-	1,109,757
Restricted Assets				
Cash and investments	225,906	-	-	225,906
Total Current Assets	<u>9,125,009</u>	<u>1,672,854</u>	<u>334,843</u>	<u>11,132,706</u>
Noncurrent Assets				
Restricted Assets				
Cash and investments	1,139,683	2,043,611	-	3,183,294
Capital Assets				
Property and equipment	68,684,820	28,349,794	5,995,506	103,030,120
Construction work in progress	1,842,944	296,939	-	2,139,883
Less: Accumulated depreciation	(23,639,475)	(8,557,832)	(1,998,570)	(34,195,877)
Other Assets				
Organization costs	167,867	-	-	167,867
Accumulated amortization of organization costs	(49,503)	-	-	(49,503)
Private parking lighting (net of accumulated depreciation)	108,584	-	-	108,584
Investment in ATC	2,022,072	-	-	2,022,072
Special assessments	-	4,000	-	4,000
Total Noncurrent Assets	<u>50,276,992</u>	<u>22,136,512</u>	<u>3,996,936</u>	<u>76,410,440</u>
Total Assets	<u>59,402,001</u>	<u>23,809,366</u>	<u>4,331,779</u>	<u>87,543,146</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds			
	Utility Commission	Sewer	Nonmajor Enterprise Fund - Stormwater Fund	Totals
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 2,554,123	\$ 559,317	\$ 2,217	\$ 3,115,657
Accrued liabilities	251,025	14,273	2,743	268,041
Accrued interest	61,594	-	-	61,594
Due to other funds	1,038,605	-	-	1,038,605
Notes payable	16,123	-	-	16,123
Compensated absences (current portion)	76,636	-	-	76,636
Other liabilities	98,909	-	-	98,909
Liabilities Payable from Restricted Assets				
Current portion of revenue bonds payable	875,333	853,449	-	1,728,782
Accrued interest payable	10,015	54,658	-	64,673
Total Current Liabilities	<u>4,982,363</u>	<u>1,481,697</u>	<u>4,960</u>	<u>6,469,020</u>
Noncurrent Liabilities				
Long-Term Debt				
Revenue bonds payable	15,695,513	12,221,009	-	27,916,522
General obligation debt payable	6,000,000	-	-	6,000,000
Notes payable	139,729	-	-	139,729
Compensated absences	168,707	-	-	168,707
Unearned revenues	119,808	-	-	119,808
Total Noncurrent Liabilities	<u>22,123,757</u>	<u>12,221,009</u>	<u>-</u>	<u>34,344,766</u>
Total Liabilities	<u>27,106,120</u>	<u>13,702,706</u>	<u>4,960</u>	<u>40,813,786</u>
NET POSITION				
Net investment in capital assets	24,840,115	7,014,443	3,996,936	35,851,494
Restricted for				
Debt service	215,891	568,965	-	784,856
Equipment replacement	331,965	1,419,988	-	1,751,953
Impact fees	129,194	-	-	129,194
Unrestricted	<u>6,778,716</u>	<u>1,103,264</u>	<u>329,883</u>	<u>8,211,863</u>
TOTAL NET POSITION	<u>\$ 32,295,881</u>	<u>\$ 10,106,660</u>	<u>\$ 4,326,819</u>	<u>\$ 46,729,360</u>

See accompanying notes to financial statements.

CITY OF REEDSBURG

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds			Totals
	Utility Commission	Sewer	Nonmajor Enterprise Fund - Stormwater Fund	
OPERATING REVENUES				
Public charges for services	\$ 30,235,085	\$ 2,562,003	\$ 473,015	\$ 33,270,103
Total Operating Revenues	<u>30,235,085</u>	<u>2,562,003</u>	<u>473,015</u>	<u>33,270,103</u>
OPERATING EXPENSES				
Operation and maintenance	25,665,183	1,160,912	451,677	27,277,772
Depreciation	2,214,620	745,889	124,464	3,084,973
Amortization expense	5,036	-	-	5,036
Total Operating Expenses	<u>27,884,839</u>	<u>1,906,801</u>	<u>576,141</u>	<u>30,367,781</u>
Operating Income (Loss)	<u>2,350,246</u>	<u>655,202</u>	<u>(103,126)</u>	<u>2,902,322</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	220,796	2,200	-	222,996
Interest and amortization expense	(784,223)	(304,978)	-	(1,089,201)
Miscellaneous	85,421	-	-	85,421
Total Nonoperating Revenues (Expenses)	<u>(478,006)</u>	<u>(302,778)</u>	<u>-</u>	<u>(780,784)</u>
Income (Loss) Before Contributions and Transfers	<u>1,872,240</u>	<u>352,424</u>	<u>(103,126)</u>	<u>2,121,538</u>
CONTRIBUTIONS AND TRANSFERS				
Capital contributions	1,344,213	500,000	-	1,844,213
Transfers out	(812,967)	-	-	(812,967)
Total Contributions and Transfers	<u>531,246</u>	<u>500,000</u>	<u>-</u>	<u>1,031,246</u>
Change in Net Position	<u>2,403,486</u>	<u>852,424</u>	<u>(103,126)</u>	<u>3,152,784</u>
NET POSITION - Beginning of Year (as re stated)	<u>29,892,395</u>	<u>9,254,236</u>	<u>4,429,945</u>	<u>43,576,576</u>
NET POSITION - END OF YEAR	<u>\$ 32,295,881</u>	<u>\$ 10,106,660</u>	<u>\$ 4,326,819</u>	<u>\$ 46,729,360</u>

See accompanying notes to financial statements.

CITY OF REEDSBURG

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds			Totals
	Utility Commission	Sewer	Nonmajor Enterprise Fund - Stormwater Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from customers	\$ 29,624,002	\$ 2,630,777	\$ 546,361	\$ 32,801,140
Received from other funds for services	801,998	-	-	801,998
Paid to suppliers for goods and services	(23,488,010)	(861,820)	(306,049)	(24,655,879)
Paid to employees for services	(1,766,883)	(278,733)	(165,147)	(2,210,763)
Net Cash Flows From Operating Activities	<u>5,171,107</u>	<u>1,490,224</u>	<u>75,165</u>	<u>6,736,496</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments sold and matured	52,112	-	-	52,112
Investment income	146,485	2,200	-	148,685
Investment in ATC	(57,757)	-	-	(57,757)
Net Cash Flows From Investing Activities	<u>140,840</u>	<u>2,200</u>	<u>-</u>	<u>143,040</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Paid to municipality for tax equivalent	(747,941)	-	-	(747,941)
Net Cash Flows From Noncapital Financing Activities	<u>(747,941)</u>	<u>-</u>	<u>-</u>	<u>(747,941)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt issued	3,263,026	1,517,170	-	4,780,196
Debt retired	(3,516,934)	(775,261)	-	(4,292,195)
Interest paid	(895,018)	(302,108)	-	(1,197,126)
Debt issuance costs	(82,562)	-	-	(82,562)
Acquisition and construction of capital assets	(4,832,712)	(2,022,834)	-	(6,855,546)
Grant proceeds received	-	500,000	-	500,000
Capital contributions received	1,438,461	-	-	1,438,461
Special assessments received	-	5,302	-	5,302
Net Cash Flows From Capital and Related Financing Activities	<u>(4,625,739)</u>	<u>(1,077,731)</u>	<u>-</u>	<u>(5,703,470)</u>
Net Change in Cash and Cash Equivalents	(61,733)	414,693	75,165	428,125
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>5,092,662</u>	<u>2,999,076</u>	<u>253,391</u>	<u>8,345,129</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,030,929</u>	<u>\$ 3,413,769</u>	<u>\$ 328,556</u>	<u>\$ 8,773,254</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds			
	Utility Commission	Sewer	Nonmajor Enterprise Fund - Stormwater Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 2,350,246	\$ 655,202	\$ (103,126)	\$ 2,902,322
Nonoperating revenue	98,584	-	-	98,584
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities				
Depreciation	2,214,620	745,889	124,464	3,084,973
Depreciation charged to other funds	56,368	-	-	56,368
Amortization	5,036	-	-	5,036
Changes in assets and liabilities				
Accounts receivable	(1,037)	113,633	-	112,596
Due from other funds	-	(44,859)	73,346	28,487
Prepaid items	(46,130)	(158)	-	(46,288)
Inventories	50,280	-	-	50,280
Accounts payable	215,526	16,891	(19,522)	212,895
Accrued liabilities	1,662	3,626	-	5,288
Due to other funds	290,062	-	-	290,062
Compensated absences	(51,498)	-	-	(51,498)
Other current liabilities	(6,700)	-	3	(6,697)
Unearned revenues	(5,912)	-	-	(5,912)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 5,171,107	\$ 1,490,224	\$ 75,165	\$ 6,736,496
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS				
Cash and investments - statement of net position	\$ 4,303,787	\$ 1,370,158	\$ 328,556	\$ 6,002,501
Restricted cash and investments - current	225,906	-	-	225,906
Restricted cash and investments - noncurrent	1,139,683	2,043,611	-	3,183,294
Total Cash and Investments	5,669,376	3,413,769	328,556	9,411,701
Less: Noncash equivalents	(638,447)	-	-	(638,447)
CASH AND CASH EQUIVALENTS	\$ 5,030,929	\$ 3,413,769	\$ 328,556	\$ 8,773,254
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
ATC dividends reinvested	\$ 71,491	\$ -	\$ -	
Grant receivable at year end	\$ 357,004	\$ -	\$ -	
Interest charged to construction	\$ 185,613	\$ -	\$ -	

See accompanying notes to financial statements.

CITY OF REEDSBURG

STATEMENT OF NET POSITION FIDUCIARY FUNDS As of December 31, 2013

	<u>Agency Fund</u>	<u>Nishan Community Aid for the Poor</u>
ASSETS		
Cash and investments	\$ 5,142,995	\$ 35,000
Property taxes receivable	<u>3,496,626</u>	<u>-</u>
Total Assets	<u>8,639,621</u>	<u>35,000</u>
LIABILITIES		
Due to other taxing units	\$ 8,639,621	\$ -
Total Liabilities	<u>8,639,621</u>	<u>-</u>
NET POSITION		
Held in trust for private trust activities	<u>-</u>	<u>35,000</u>
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 35,000</u>

See accompanying notes to financial statements.

CITY OF REEDSBURG

**STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND**

For the Year Ended December 31, 2013

	<u>Nishan Community Aid for the Poor</u>
ADDITIONS	
Investment income	\$ 110
Total Additions	<u>110</u>
DEDUCTIONS	
Health and human services	<u>110</u>
Total Deductions	<u>110</u>
Change in Net Position	-
NET POSITION - Beginning of Year	<u>35,000</u>
NET POSITION - END OF YEAR	<u><u>\$ 35,000</u></u>

See accompanying notes to financial statements.

CITY OF REEDSBURG

STATEMENT OF NET POSITION COMPONENT UNITS December 31, 2013

	Community Development Authority	Herbert H. Webb Trust	Totals
ASSETS			
Cash and investments	\$ -	\$ 2,533,794	\$ 2,533,794
Accrued interest receivable	4,039	-	4,039
Loans receivable	70,000	-	70,000
Capital lease receivable from primary government	<u>585,000</u>	<u>-</u>	<u>585,000</u>
Total Assets	<u>659,039</u>	<u>2,533,794</u>	<u>3,192,833</u>
LIABILITIES			
Accrued liabilities	4,039	-	4,039
Due to primary government	-	22,809	22,809
Lease revenue bonds	<u>585,000</u>	<u>-</u>	<u>585,000</u>
Total Liabilities	<u>589,039</u>	<u>22,809</u>	<u>611,848</u>
NET POSITION			
Restricted for Trust Purposes	-	2,510,985	2,510,985
Unrestricted	<u>70,000</u>	<u>-</u>	<u>70,000</u>
TOTAL NET POSITION	<u>\$ 70,000</u>	<u>\$ 2,510,985</u>	<u>\$ 2,580,985</u>

See accompanying notes to financial statements.

CITY OF REEDSBURG

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION COMPONENT UNITS

For the Year Ended December 31, 2013

	Community Development Authority	Herbert H. Webb Trust	Totals
OPERATING EXPENSES			
Operation and maintenance	\$ -	\$ 67,536	\$ 67,536
Total Operating Expenses	-	67,536	67,536
Operating Loss	-	(67,536)	(67,536)
NONOPERATING REVENUES (EXPENSES)			
Investment income	51,105	288,667	339,772
Interest expense	(51,105)	-	(51,105)
Total Nonoperating Revenues (Expenses)	-	288,667	288,667
Change in net position	-	221,131	221,131
NET POSITION - Beginning of Year	70,000	2,289,854	2,359,854
NET POSITION - END OF YEAR	\$ 70,000	\$ 2,510,985	\$ 2,580,985

See accompanying notes to financial statements.

CITY OF REEDSBURG

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CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Reedsburg, Wisconsin conform to accounting principles generally accepted in the United States of America 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. The reporting entity for the city consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit 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 or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

Discretely Presented Component Units

Community Development Authority of the City of Reedsburg

The government-wide financial statements include the Community Development Authority of the City of Reedsburg ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the mayor. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the CDA, and also create a potential financial benefit to or burden on the city. See Note III.K. As a component unit, the CDA'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, 2013. The CDA does not issue separate financial statements.

Herbert H. Webb Trust

The government-wide financial statements include the Herbert H. Webb – Reedsburg Trust (trust) as a component unit. The trust is a legally separate tax exempt component unit of the City of Reedsburg. The trust was established to support the City of Reedsburg for public purposes. Although the city does not control the timing or amount of receipts from the trust, the resources of the trust can only be used by or for the benefit of the city. Therefore, the trust is considered to be a component unit of the city and is discretely presented in the financial statements. The information presented is for the fiscal year ended December 31, 2013. The trust does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In March 2012, the GASB issued statement No. 65 - *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented January 1, 2013.

Government-Wide Financial Statements

The statement of net position 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.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

Government-Wide Financial Statements (cont.)

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.

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, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditures/expenses.

Funds are organized as major funds or nonmajor 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/deferred outflows of resources, liabilities/deferred inflows of resources, 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 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.

Separate financial statements are provided for governmental funds, 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.

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 accounted for and reported in another fund.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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 major governmental funds: (cont.)

General Debt Service - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.

The city reports the following major enterprise funds:

Utility Commission Fund - accounts for operations of the water, electric, and communications systems
Sewer Utility - accounts for operations of the sewer system

The city reports the following nonmajor governmental and enterprise funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Taxi Grant Fund	Park Fund
Dog Park	DARE Fund
Webb Endowment Fund	Nishan Park Concession Stand Fund
Room Tax Fund	CDBG Fund
EDA Fund	HCRI Fund
Home Loan Fund	Sidewalk Repair Fund
Solid Waste Fund	Mannigal Endowment Fund
Library - County Funding	Library - Investment
Teen Court	Rescue Fund

Capital Projects Funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Tax Incremental Financing (TIF) District No. 3	Tax Incremental Financing (TIF) District No. 4
Tax Incremental Financing (TIF) District No. 5	Tax Incremental Financing (TIF) District No. 6
Tax Incremental Financing (TIF) District No. 7	Tax Incremental Financing (TIF) District No. 8
Capital Equipment Fund	General Capital Projects Fund

Enterprise Fund - used to account for and 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.

Stormwater - accounts for operations of the stormwater system.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

Fund Financial Statements (cont.)

In addition, the city reports the following fund types:

Private-Purpose Trust Fund - used to account for and report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments.

Nishan Community Aid for the Poor

Agency Fund - 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

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

Government-Wide Financial Statements

The government-wide statement of net position 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 unearned 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.

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 utility commission, sewer utility, and stormwater utility 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 60 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.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

Fund Financial Statements (cont.)

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

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 unavailable revenues. Amounts received before eligibility requirements (excluding time) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

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 unavailable 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.

Proprietary and fiduciary fund financial statements (other than agency funds) 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 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 water and electric, sewer, and communications utilities 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.

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.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION 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 Wisconsin 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 including cemetery perpetual care 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.

The city has not adopted an investment policy.

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 difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

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, 2013, 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 statement of net position - fiduciary fund.

Property tax calendar - 2013 tax roll:

Lien date and levy date	December 2013
Tax bills mailed	December 2013
Payment in full, or	January 31, 2014
First installment due	January 31, 2014
Second installment due	July 31, 2014
Personal property taxes in full	January 31, 2014
Tax sale - 2013 delinquent real estate taxes	October 2016

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, and sewer utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant. Delinquent communications bills are not placed on the tax roll. An allowance for uncollectible accounts has been established to account for all delinquent communications billings over 120 days past due. The allowance is adjusted on an annual basis.

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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

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 or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

The city has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The city records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as economic development and housing rehabilitation loans receivable has been reduced by an allowance for uncollectible accounts of \$174,468.

It is the city's policy to record revenue when the initial loan is made from the federal and state grant funds. The net amount of the loan receivable balance is included in restricted fund balance. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted 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/or for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction and/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.

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 position.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

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 \$25,000 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. \$185,613 of net interest was capitalized during the current year. 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 reflected in the statement of net position. Depreciation and amortization is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	30 Years
Land Improvements	30 Years
Machinery and Equipment	3-15 Years
Intangibles	5-50 Years
Infrastructure	18-77 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 REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

6. Other Assets

The electric utility is a member of American Transmission Company (ATC). ATC was formed by approximately 25 utilities to plan, construct, maintain, monitor, and own electric transmission facilities in Wisconsin. The utility owns less than 1/2 of 1% of ATC. The asset is valued at original cost plus additional contributions and reinvested dividends.

The electric utility has established a health insurance account to cover claims for employees under the \$35,000 reinsurance policy and also to pay out large claims that will be reimbursed rather than using operating cash flows.

As part of a settlement agreement with a vendor, the electric utility obtained customer rights from the prior service provider to serve additional customers. These costs are reported as organization costs and are being amortized over 33 years.

The electric utility has non-utility property consisting of private parking lighting which is depreciated over 20 years.

7. Compensated Absences

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

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary 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, and are payable with expendable resources.

The city provides postemployment health insurance benefits for all eligible employees. Eligibility is based on contractual agreements with employee groups, local ordinances, or employee benefit policies. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. Employees may convert specified amounts of accumulated sick leave to pay for health care premiums. The cost of those premiums is recognized as an expenditure as the premiums are paid. The entire cost is paid by the city. Funding for those costs is provided out of the current operating budget of the city. The contributions are financed on a pay as you go basis. Total expenditures for such premiums during the year were not material. The number of participants currently eligible to receive benefits is one. The total amount outstanding at year end to be paid in the future is \$8,480 and is included in the government-wide statement of net position.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

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 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 premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for gains/losses is shown as a deferred outflow/inflow in the statement of net position.

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 \$4,931,580, made up of three issues.

9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications

Government-Wide Statements

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position 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 position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

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 and displayed 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.
- 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 resolution of the City Council. 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 Council that originally created the commitment.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements (cont.)

- 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) Council, committee, or management identification, 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.

Proprietary fund equity is classified the same as in the government-wide statements.

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.

See Note III. H. for further information.

Fiduciary fund equity is classified as held in trust for community aid on the statement of fiduciary net position. Various donor restrictions apply, including authorizing and spending trust income, and the city believes it is in compliance with all significant restrictions. Net position of \$35,000 was available for the year ended December 31, 2013.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

11. Basis for Existing Rates - Proprietary Fund

Electric

Current electric rates were approved by the Public Service Commission of Wisconsin on June 1, 2011.

Water

Current water rates were approved by the Public Service Commission of Wisconsin on May 27, 2010.

Sewer

Current rates were approved and made effective by the city council on June 27, 2013.

Communications

Current communications rates were approved by the utility commission with periodic changes. The utility approved new cable TV rates on December 16, 2013 that will be effective February 20, 2014. Current telephone rates were approved by the utility commission effective in June 2003. Current residential and commercial internet rates were approved by the utility commission effective in December, 2013.

Stormwater

Current rates were approved by the city council and were effective in March 2009.

12. Capital Contributions - Enterprise Funds

Capital contributions represent the amount received from customers, the city, or external parties for construction and the value of property (plant) contributed to the utilities. These amounts are not subject to repayment.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
General Debt Service	\$ 2,061,046	\$ 6,932,379	\$ 4,871,333
Taxi Grant Fund	215,920	233,320	17,400
Park Fund	20,000	28,842	8,842
Webb Endowment Fund	50,000	52,749	2,749
Solid Waste Fund	360,500	367,513	7,013
Library - County Funding	641,518	647,186	5,668
TIF District No. 3	45,362	47,994	2,632
TIF District No. 4	227,127	492,966	265,839
TIF District No. 5	40,386	142,833	102,447
TIF District No. 6	161,275	163,399	2,124
TIF District No. 7	16,934	18,329	1,395

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.

B. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2013, the following individual funds held a deficit balance:

Fund	Amount	Reason
General Debt Service	\$ 121,136	Unfunded debt payments
Taxi Grant Fund	5,407	Unfunded program costs
Dog Park Fund	441	Costs exceeding revenues
Teen Court Fund	282	Costs exceeding revenues
Tax Incremental District No. 3	1,517,544	Costs exceeding increment
Tax Incremental District No. 6	593,058	Costs exceeding increment
Tax Incremental District No. 8	17,842	Costs exceeding increment
Capital Equipment Fund	74,963	Unfunded capital outlay

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. Other fund deficits are anticipated to be funded with future contributions, general tax revenues, long-term borrowing, or transfers from the general fund.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

C. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law limits the 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. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The city is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 13,401,021	\$ 13,032,954	Custodial credit risk
Mutual funds	73,494	73,495	Credit risk, interest rate risk
LGIP	4,730,509	4,730,509	Credit risk
Petty cash	500	-	N/A
Total Deposits and Investments	<u>\$ 18,205,524</u>	<u>\$ 17,836,958</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 9,544,835		
Restricted cash and investments	3,482,694		
Per statement of net position - fiduciary funds			
Tax collection fund	5,142,995		
Nishan Community Aid for the Poor	35,000		
Total Deposits and Investments	<u>\$ 18,205,524</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) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

The city maintains collateral agreements with its banks. At December 31, 2013, the banks had pledged various government securities in the amount of \$4,855,221 to secure the city's deposits.

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.

As of December 31, 2013, \$5,010,071 of the city's total bank balances were exposed to custodial credit risk because deposits exceeded insurance and collateralization agreements.

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, 2013, the city's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>
Mutual funds	AAAm

The city also held investments in the following external pool which is not rated:

Local Government Investment Pool

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

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, 2013, the city's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Mutual funds	\$ 73,495	40

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

B. RECEIVABLES

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

	General Fund	General Debt Service	Utility Commission	Sewer Utility	Nonmajor and Other Funds	Totals
Receivables						
Gross receivables	\$ 3,760,303	\$ 1,241,003	\$ 3,415,580	\$ 81,687	\$ 4,332,400	\$ 12,830,973
Less: Allowance for uncollectibles	-	-	(25,000)	-	(174,468)	(199,468)
Net Total Receivables	<u>\$ 3,760,303</u>	<u>\$ 1,241,003</u>	<u>\$ 3,390,580</u>	<u>\$ 81,687</u>	<u>\$ 4,157,932</u>	<u>\$ 12,631,505</u>
Amounts not expected to be collected within one year	<u>\$ 621,204</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 4,000</u>	<u>\$ 2,250,789</u>	<u>\$ 2,900,993</u>

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES (cont.)

Governmental funds report *unavailable or unearned 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 *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 6,193,121	\$ -
Special assessments not yet due	-	2,775
Interfund interest - TIF advances	-	424,504
 Total Unearned/Unavailable Revenue for Governmental Funds	 \$ 6,193,121	 \$ 427,279

For economic development loans, the city is limited by the Wisconsin Department of Administration to the amount of program income from economic development loans that it may retain and loan to other businesses. Program income includes the principal and interest received from economic development loans repayments. Based upon its current population, the city may generally retain \$750,000.

At December 31, 2013, the city has not exceeded the maximum amount that it may retain. However, it has recognized a liability for the estimated amount that will exceed the maximum amount it may retain.

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

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.
- Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

Equipment Replacement Account

The sewer utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS (cont.)

General Debt Service - Reserve Account

Lease Revenue Bond - Used to report resources set aside to pay on CDA leases payable.

Impact Fee Account

The utility commission has received impact fees which must be spent in accordance with the local ordinance and state statutes. Any unspent funds must be refunded to the property owner.

Following is a list of restricted assets at December 31, 2013:

	Governmental Activities	Business-type Activities
Redemption account		\$ 225,906
Reserve account	73,494	678,524
Depreciation account	-	955,588
Replacement account	-	1,419,988
Impact fee account	-	129,194
	<u>\$ 73,494</u>	<u>\$ 3,409,200</u>
Total	<u>\$ 73,494</u>	<u>\$ 3,409,200</u>

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized				
Land	\$ 6,696,144	\$ -	\$ -	\$ 6,696,144
Land for right of way	808,570	-	-	808,570
Road infrastructure not being depreciated	4,942,295	67,053	18,100	4,991,248
Construction work in progress	-	46,863	-	46,863
Total Capital Assets Not Being Depreciated/Amortized	<u>12,447,009</u>	<u>113,916</u>	<u>18,100</u>	<u>12,542,825</u>

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Capital assets being depreciated/amortized				
Buildings	\$ 10,309,321	\$ 47,930	\$ -	\$ 10,357,251
Intangibles	95,272	-	-	95,272
Equipment and furniture	9,177,035	386,658	171,692	9,392,001
Infrastructure	17,466,956	201,161	53,400	17,614,717
Total Capital Assets Being Depreciated/Amortized	37,048,584	635,749	225,092	37,459,241
Total Capital Assets	49,495,593	749,665	243,192	50,002,066
Less: Accumulated depreciation/amortization for				
Buildings	(6,158,814)	(200,666)	-	(6,359,480)
Intangibles	(19,556)	(13,037)	-	(32,593)
Equipment and furniture	(4,610,928)	(464,879)	141,799	(4,934,008)
Infrastructure	(9,084,699)	(555,781)	71,500	(9,568,980)
Total Accumulated Depreciation/Amortization	(19,873,997)	(1,234,363)	213,299	(20,895,061)
Net Capital Assets Being Depreciated/Amortized	17,174,587	(598,614)	11,793	16,564,180
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation/Amortization	\$ 29,621,596	\$ (484,698)	\$ 29,893	\$ 29,107,005

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 74,949
Public safety	244,026
Public works	697,179
Culture, recreation, and education	218,209
Total Governmental Activities Depreciation/Amortization Expense	\$ 1,234,363

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital assets not being depreciation				
Land	\$ 279,932	\$ -	\$ -	\$ 279,932
Construction in progress	<u>5,610,319</u>	<u>8,489,422</u>	<u>11,959,858</u>	<u>2,139,883</u>
Total Capital Assets Not Being Depreciation	<u>5,890,251</u>	<u>8,489,422</u>	<u>11,959,858</u>	<u>2,419,815</u>
Capital assets being depreciated				
Electric system	26,743,712	797,747	111,654	27,429,805
Water system	13,000,168	170,717	18,438	13,152,447
Communications system	21,124,352	6,800,217	74,245	27,850,324
Sewer system	25,949,388	2,372,719	-	28,322,107
Stormwater system	<u>5,991,012</u>	<u>4,494</u>	<u>-</u>	<u>5,995,506</u>
Total Capital Assets Being Depreciated	<u>92,808,632</u>	<u>10,145,894</u>	<u>204,337</u>	<u>102,750,189</u>
Total Capital Assets	<u>98,698,883</u>	<u>18,635,316</u>	<u>12,164,195</u>	<u>105,170,004</u>
Less: Accumulated depreciation for				
Electric system	(12,619,657)	(949,064)	70,606	(13,498,115)
Water system	(3,397,751)	(322,896)	19,834	(3,700,813)
Communications system	(5,500,387)	(1,014,473)	74,312	(6,440,548)
Sewer system	(7,811,943)	(745,889)	-	(8,557,832)
Stormwater system	<u>(1,869,612)</u>	<u>(128,958)</u>	<u>-</u>	<u>(1,998,570)</u>
Total Accumulated Depreciation	<u>(31,199,350)</u>	<u>(3,161,280)</u>	<u>164,752</u>	<u>(34,195,878)</u>
Net Capital Assets Being Depreciated	<u>61,609,282</u>	<u>6,984,614</u>	<u>39,585</u>	<u>68,554,311</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 67,499,533</u>	<u>\$15,474,036</u>	<u>\$11,999,443</u>	<u>\$ 70,974,126</u>

Depreciation expense was charged to functions as follows:

Business-type Activities	
Electric	\$ 911,350
Water	289,190
Communications	1,014,080
Sewer	745,889
Storm	<u>124,464</u>
Total Business-type Activities Depreciation Expense	<u>\$ 3,084,973</u>

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

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

Interfund Receivables/Payables

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	Utility commission	\$ 812,967
General fund	Nonmajor governmental funds	75,706
Sewer	Utility commission	219,351
Stormwater utility	Utility commission	<u>6,287</u>
Total - Fund Financial Statements		1,114,311
Less: Fund eliminations		<u>(301,344)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u>\$ 812,967</u>

All amounts are due within one year.

The principal purpose of these interfunds 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.

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

Advances

The general fund is advancing funds to TIF Districts No. 3, No. 6, and No. 8. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. The general fund previously charged TIF No. 3, No. 6, and No. 8 interest on the advance based on the average outstanding advance balance during the year at a rate of 5%, however, no interest is charged currently. \$424,504 of interest is included in the TIF No. 3, No. 6, and No. 8 advances and is recorded as unavailable revenue until it is collected. No repayment schedules have been established.

The general fund is also advancing funds to the taxi and general debt service funds. No interest is being charged on these advances and no repayment schedules have been established.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES, AND TRANSFERS (cont.)

Advances (cont.)

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	Taxi fund	\$ 15,882	\$ 15,882
General fund	General debt service fund	175,630	175,630
General fund	TIF District No. 3	1,518,544	1,518,544
General fund	TIF District No. 6	917,218	917,218
General fund	TIF District No. 8	<u>17,842</u>	<u>17,842</u>
Total - Fund Financial Statements		2,645,116	
Less: Fund eliminations		<u>(2,645,116)</u>	
Total - Interfund Advances - Government-Wide Statement of Net Position		<u>\$ -</u>	

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

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General fund	Utility commission	\$ 812,967	Tax equivalent
General debt service	Nonmajor governmental	446,786	Debt service payments
Nonmajor governmental	Nonmajor governmental	<u>373,412</u>	Increment sharing and library transfer
		373,412	
Total - Fund Financial Statements		1,633,165	
Less: Fund eliminations		<u>(820,198)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 812,967</u>	

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES, AND TRANSFERS (cont.)

Transfers (cont.)

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.

For the statement of activities, interfund transfers within the governmental activities or business-type activities are netted and eliminated.

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 10,109,444	\$ 5,060,000	\$ 6,214,444	\$ 8,955,000	\$ 1,300,000
(Discounts)/Premiums	(51,737)	55,136	(44,968)	48,367	-
Sub-totals	<u>10,057,707</u>	<u>5,115,136</u>	<u>6,169,476</u>	<u>9,003,367</u>	<u>1,300,000</u>
Other Liabilities					
Vested compensated absences	441,444	149,887	86,739	504,592	105,966
Capital leases	650,000	-	65,000	585,000	70,000
Retiree health insurance	35,074	-	26,594	8,480	8,480
Total Other Liabilities	<u>1,126,518</u>	<u>149,887</u>	<u>178,333</u>	<u>1,098,072</u>	<u>184,446</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 11,184,225</u>	<u>\$ 5,265,023</u>	<u>\$ 6,347,809</u>	<u>\$ 10,101,439</u>	<u>\$ 1,484,446</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 6,000,000	\$ -	\$ -	\$ 6,000,000	\$ -
Revenue bonds	29,313,155	4,618,970	4,286,821	29,645,304	1,728,782
Notes payable	-	161,226	5,374	155,852	16,123
Sub-totals	<u>35,313,155</u>	<u>4,780,196</u>	<u>4,292,195</u>	<u>35,801,156</u>	<u>1,744,905</u>
Other Liabilities					
Vested compensated absences	296,841	55,718	107,216	245,343	76,636
Total Other Liabilities	<u>296,841</u>	<u>55,718</u>	<u>107,216</u>	<u>245,343</u>	<u>76,636</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 35,609,996</u>	<u>\$ 4,835,914</u>	<u>\$ 4,399,411</u>	<u>\$ 36,046,499</u>	<u>\$ 1,821,541</u>

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

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, 2013, was \$25,868,285. Total general obligation debt outstanding at year end was \$14,955,000.

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 debt service fund. 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.

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2013
General obligation refunding bonds	6/15/2004	12/1/2015	4.00 - 4.30%	\$ 2,090,000	\$ 1,675,000
General obligation refunding bonds	2/15/2006	12/1/2021	3.50 - 5.00	2,825,000	2,090,000
General obligation refunding bonds	3/1/2010	3/1/2014	1.25 - 2.90	505,000	130,000
General obligation refunding bonds	5/20/2013	3/1/2020	0.45 - 1.70	1,835,000	1,835,000
General obligation refunding bonds	5/5/2013	3/1/2023	1.20 - 1.80	3,225,000	<u>3,225,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 8,955,000</u>

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance December 31, 2013
General obligation refunding bonds	11/1/2009	12/1/2019	3.80%	\$ 6,000,000	<u>\$ 6,000,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 6,000,000</u>

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2014	\$ 1,300,000	\$ 250,474	\$ -	\$ 228,000
2015	1,220,000	195,435	-	228,000
2016	1,140,000	148,055	-	228,000
2017	905,000	124,560	-	228,000
2018	925,000	101,400	-	228,000
2019-2023	<u>3,465,000</u>	<u>188,025</u>	<u>6,000,000</u>	<u>228,000</u>
Totals	<u>\$ 8,955,000</u>	<u>\$ 1,007,949</u>	<u>\$ 6,000,000</u>	<u>\$ 1,368,000</u>

Revenue Debt

Business-type activities revenue bonds are payable only from revenues derived from the operation of the water, electric, communication and sewer utilities.

Revenue debt payable at December 31, 2013, consists of the following:

Business-type Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2013
<u>Sewer Utility</u>					
Revenue bonds	5/1/2005	5/1/2025	2.565%	\$ 11,292,318	\$ 7,782,730
Revenue bonds	5/1/2006	5/1/2025	2.365	2,981,335	2,062,914
Revenue bonds	3/23/2011	5/1/2030	2.499	1,860,236	1,711,644
Revenue bonds	5/23/2013	5/1/2033	2.630	1,517,170	<u>1,517,170</u>
				Total Sewer Utility	<u>13,074,458</u>

All sewer utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid was \$1,077,369. Total sewer gross revenues as defined were \$2,543,491. Annual principal and interest payments are expected to require 32% of sewer revenues.

(1) - During 2013, the utility was authorized to issue \$3,310,182 of sewer system Clean Water Fund revenue bonds. The original amount reported above has been issued as of December 31, 2013. The repayment schedule is for the amount issued.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Business-type Activities Revenue Debt (cont.)

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2013
<u>Water Utility</u>					
Safe Drinking Water Loan	12/27/2010	5/1/2029	2.68%	\$ 368,363	\$ 340,757
Revenue bonds	9/29/2011	5/1/2020	1.00 - 3.00	995,000	790,000
Total Water Utility					1,130,757

All water utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid was \$149,698. Total customer gross revenues were \$1,442,895. Annual principal and interest payments are expected to require 6% of gross revenues on average.

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2013
<u>Electric Utility</u>					
Revenue refunding bonds	11/15/2011	12/1/2020	0.75 - 3.10%	1,470,000	1,170,000
Revenue bonds	2/21/2013	12/1/2023	0.65 - 2.70	940,000	875,000
Revenue bonds	10/24/2013	12/1/2022	0.80 - 3.50	2,145,000	2,145,000
Total Electric Utility					4,190,000

All electric utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid was \$599,301. Total customer gross revenues were \$23,946,052. Annual principal and interest payments are expected to require 2% of gross revenues on average.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Business-type Activities Revenue Debt (cont.)

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2013</u>
<u>Communications Utility</u>					
Revenue refunding bonds	2/15/2012	11/1/2020	4.25%	\$ 9,762,653	\$ 9,304,984
Revenue refunding bonds	3/15/2012	3/1/2022	4.25	2,030,000	<u>1,945,105</u>
				Total Telecommunications Utility	<u>11,250,089</u>
				Total Business-type Activities - Revenue Debt	<u>\$ 29,645,304</u>

All electric, water and communications utility revenues are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid was \$785,059 (excluding refunded amounts). Total customer gross revenues as defined were \$30,235,083. Annual principal and interest payments are expected to require 7% of gross revenues on average.

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,728,782	\$ 918,371
2015	1,772,684	873,257
2016	1,813,045	830,144
2017	1,862,117	781,712
2018	1,911,185	731,254
2019-2023	16,918,437	1,802,465
2024-2028	2,923,462	210,452
2029-2030	441,622	25,754
2031-2033	<u>273,970</u>	<u>11,175</u>
Totals	<u>\$ 29,645,304</u>	<u>\$ 6,184,584</u>

Capital Leases

Refer to Note III. G.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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.

Current Refundings

On May 20, 2013, the city issued \$5,060,000 in general obligation bonds with coupon rates ranging from 0.45% to 1.80% to refund \$4,966,754 of outstanding debt with coupon rates ranging from 3.75% to 5.50%. The net proceeds along with existing funds of the city were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$6,626,304 from 2014 through 2030. The cash flow requirements on the current refunding bonds are \$5,478,264 from 2014 through 2023. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$980,125.

On February 21, 2013, the electric utility issued \$940,000 in revenue bonds with coupon rates ranging from 0.65% to 2.70% to refund \$615,000 of outstanding 2002 electric revenue bonds with coupon rates ranging from 4.90% to 5.20%. The net proceeds along with existing funds of the electric utility were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$762,682 from 2013 through 2020. The cash flow requirements on the current refunding bonds are \$637,895 from 2013 through 2023. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$78,852.

On October 24, 2013, the electric utility issued \$2,145,000 in revenue bonds with coupon rates ranging from 0.80% to 3.50% to refund \$2,260,000 of outstanding 2013 electric revenue bonds with coupon rates ranging from 3.95% to 4.80%. The net proceeds were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$2,651,053 from 2013 through 2023. The cash flow requirements on the current refunding bonds are \$2,459,934 from 2013 through 2022. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$191,119.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures

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

Insurance

The sewer utility is covered under the self-insurance policy of the city. See Note IV.B. for further information on actual coverage and risk of loss.

Debt Coverage - Sewer Utility

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.1 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2013 as follows:

Operating revenues	\$ 2,562,003
Investment income	2,200
Less: Operation and maintenance expenses	<u>(1,160,912)</u>
Net Defined Earnings	<u>\$ 1,403,291</u>
Minimum Required Earnings per Resolution:	
Highest annual debt service 2005 CWF bonds	\$ 754,496
Highest annual debt service 2006 CWF bonds	197,686
Highest annual debt service 2011 CWF bonds	123,791
Highest annual debt service 2013 CWF bonds	<u>97,685</u>
Subtotal	1,173,658
Coverage factor	<u>1.10</u>
Minimum Required Earnings	<u>\$ 1,291,024</u>
Actual Debt Coverage	<u>1.20</u>

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. LEASE DISCLOSURES

Lessee - Capital Leases

In 2004 the city acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$1,960,000, which are included in capital assets in the governmental activities. The future lease payments as of December 31, 2013, are as follows:

<u>Years</u>	Governmental Activities		
	Principal	Interest	Totals
2014	\$ 70,000	\$ 45,620	\$ 115,620
2015	85,000	39,283	124,283
2016	90,000	32,085	122,085
2017	100,000	24,222	124,222
2018	240,000	20,924	260,924
Totals	\$ 585,000	\$ 162,134	\$ 747,134

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2013, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Capital assets, net of accumulated depreciation	\$ 29,107,005
Less: Long-term debt outstanding	(8,955,000)
Plus: Unspent capital related debt proceeds	73,495
Plus: Noncapital debt proceeds	1,097,450
Total Net Investment in Capital Assets	21,322,950
Restricted	
Trust purposes	114,148
Housing and economic development	2,785,841
TIF projects	81,629
Park development	113,954
Room tax	20,296
Library	400,130
Total Restricted	3,515,998
Unrestricted	1,473,481
Total Governmental Activities Net Position	\$ 26,312,429

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2013, include the following:

	General	Debt Service Fund	Nonmajor Funds	Totals
Fund Balances				
Nonspendable:				
Investment in mutual insurance company	\$ 200,515	\$ -	\$ -	\$ 200,515
Advances	2,220,612	-	-	2,220,612
Prepaid items	204,640	-	-	204,640
DPPT	224	-	-	224
Restricted for:				
Loans	616,980	-	-	616,980
Library	-	-	400,130	400,130
Capital projects	-	-	81,629	81,629
Park improvements	-	-	113,954	113,954
Public purposes	-	-	91,926	91,926
General city expenditures	-	-	20,296	20,296
Loans	-	-	2,168,861	2,168,861
Recreational and playground purposes	-	-	22,222	22,222
Committed to:				
Drug education	-	-	4,920	4,920
Park improvements	-	-	7,155	7,155
Sidewalk repairs	-	-	17,307	17,307
Solid waste and recycling activities	-	-	62,110	62,110
Fire protection	-	-	31,324	31,324
Assigned to:				
PILOT	812,967	-	-	812,967
CVMIC self-insurance retention	100,000	-	-	100,000
Capital projects	-	-	643,239	643,239
Unassigned (deficit):	<u>1,452,444</u>	<u>(121,136)</u>	<u>(2,209,537)</u>	<u>(878,229)</u>
Total Fund Balances (Deficit)	<u>\$ 5,608,382</u>	<u>\$ (121,136)</u>	<u>\$ 1,455,536</u>	<u>\$ 6,942,782</u>

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	
Capital assets, net of accumulated depreciation	\$ 70,974,126
Less: Long-term debt outstanding	(35,801,156)
Plus: Unspent capital related debt proceeds	<u>678,524</u>
Total Net Investment in Capital Assets	<u>35,851,494</u>
Restricted	
Impact fees	129,194
Debt service	784,856
Equipment replacement	<u>1,751,953</u>
Total Restricted	<u>2,666,003</u>
Unrestricted	<u>8,211,863</u>
Total Business-type Activities Net Position	<u>\$ 46,729,360</u>

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

I. SEGMENT INFORMATION

The Reedsburg Utility Commission issued revenue bonds to finance its water, electric, and communications activities, which are combined and presented as the Reedsburg Utility Commission, a major enterprise fund. Summary financial information for each activity is presented below.

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Water Utility	Electric Utility	Communications Utility
Charges for services	\$ 1,388,126	\$ 23,877,245	\$ 4,830,133
Other operating revenues	54,769	68,809	16,003
Depreciation expense	(289,190)	(911,350)	(1,014,080)
Other operating expenses	(906,151)	(21,928,223)	(2,835,845)
 Operating Income	 247,554	 1,106,481	 996,211
 Nonoperating Revenues (Expenses)			
Investment earnings	-	220,212	584
Income from non-utility operations	-	80,442	4,979
Interest and amortization expense	(26,649)	(225,815)	(531,759)
Capital contributions	24,152	56,031	1,264,030
Payment in lieu of taxes	(256,346)	(556,621)	-
 CHANGE IN NET POSITION	 \$ (11,289)	 \$ 680,730	 \$ 1,734,045

J. RESTATEMENT OF NET POSITION

Net position has been restated as a result of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires debt issuance costs to be expensed in the period incurred. These costs were previously required to be capitalized. The details of this restatement are as follows:

	Business-type Activities	Utility Commission
Net Position - December 31, 2012 (as reported)	\$ 43,866,069	\$ 30,181,888
Less: Unamortized debt issuance costs	(289,493)	(289,493)
 Net Position - December 31, 2012 (as restated)	 \$ 43,576,576	 \$ 29,892,395

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

K. COMPONENT UNITS

COMMUNITY DEVELOPMENT AUTHORITY OF THE CITY OF REEDSBURG

This report contains the Community Development Authority of the City of Reedsburg (CDA), which is included as a component unit.

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.

a. Basis of Accounting/Measurement Focus

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

b. Cash and Cash Equivalents

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

c. Long-Term Obligations

The CDA has issued Community Development Lease Revenue Bonds for the purpose of providing financing for the City of Reedsburg's Tax Increment Financing District Nos. 3, 4 and 6. All of the debt proceeds were used for the purpose of financing TID Nos. 3, 4, and 6 projects.

The CDA is leasing improved property to the city. The lease payments are in the same amount as the CDA's debt payments on the 2000 Series A lease revenue bonds. Upon final payment of the bonds, title to the leased property will transfer to the city.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
2000 Series A	\$ 650,000	\$ -	\$ 65,000	\$ 585,000	\$ 70,000
Totals	<u>\$ 650,000</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 585,000</u>	<u>\$ 70,000</u>

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

K. COMPONENT UNIT (cont.)

c. Long-Term Obligations (cont.)

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 70,000	\$ 45,620	\$ 115,620
2015	85,000	39,282	124,282
2016	90,000	32,085	122,085
2017	100,000	24,223	124,223
2018	110,000	15,480	125,480
2019	<u>130,000</u>	<u>10,888</u>	<u>140,888</u>
Totals	<u>\$ 585,000</u>	<u>\$ 167,578</u>	<u>\$ 752,578</u>

HERBERT H. WEBB TRUST

This report contains the Herbert H. Webb Trust (trust), which is included as a component unit.

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.

a. Basis of Accounting/Measurement Focus

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

b. Deposits and Investments

	<u>Carrying Value</u>	<u>Statement Balances</u>	<u>Associated Risks</u>
Mutual funds - equity and bond funds	<u>\$ 2,533,794</u>	<u>\$ 2,533,794</u>	Credit risk, interest rate risk
Total Deposits and Investments	<u>\$ 2,533,794</u>	<u>\$ 2,533,794</u>	

Credit Risk and Interest Rate Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. Information regarding these risks is not available since the investment funds are held by a trustee.

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

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

K. COMPONENT UNIT (cont.)

HERBERT H. WEBB TRUST (cont.)

c. Cash and Cash Equivalents

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

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible city employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was change to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective employees are the same as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for December 31, 2013 are:

	<u>Employee</u>	<u>Employer</u>
General	6.65%	6.65%
Executives and Elected Officials	7.00%	7.00%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

The payroll for city employees covered by the WRS for the year ended December 31, 2013 was \$4,819,634; the employer's total payroll was \$5,122,537. The total required contribution for the year ended December 31, 2013 was \$675,360 or 14.0% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ended 2012 and 2011 were \$604,744 and \$569,954, respectively, equal to the required contributions for each year.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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. A final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application 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, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be 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 December 31, 2013 there was no pension related debt for the city.

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.

Self Insurance

For tasks, error, and omissions claims, the uninsured risk of loss is \$25,000 per incident and for theft of, damage to, and destruction of assets, the uninsured risk of loss is \$500 per incident. The city has purchased commercial insurance for claims in excess of those amounts. Settled claims have not exceeded the commercial coverage in any of the past three years.

For health claims, the uninsured risk of loss is \$35,000 per incident. The city has purchased commercial insurance for claims in excess of those amounts. Settled claims have not exceeded the commercial coverage in any of the past three years.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Self Insurance (cont.)

All funds of the city participate in the risk management program. Amounts payable are based on actuarial estimates of the amounts necessary to pay prior and current year claims and to establish a reserve for catastrophic losses. The reserve was \$100,000 at year end and is included in assigned fund balance in the general fund.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported. This liability is included in the general fund's accounts payable at year end.

Claims Liability

	<u>Prior Year</u>	<u>Current Year</u>
Unpaid claims - Beginning of Year	\$ 207,656	\$ 99,462
Current year claims and changes in estimates	876,995	1,066,972
Claim payments	<u>(985,189)</u>	<u>(1,000,966)</u>
 Unpaid Claims - End of Year	 <u>\$ 99,462</u>	 <u>\$ 165,468</u>

Public Entity Risk Pool

**Wisconsin Municipal Insurance Commission (WMIC)
Cities and Villages Mutual Insurance Company (CVMIC)**

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC, and has numerous cities and villages as members.

The CVMIC is a municipal mutual insurance company established on September 14, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities. The city's share of such losses is less than on percent.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The city does not exercise any control over the activities of the agencies beyond the election of the officers and board.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Public Entity Risk Pool (cont.)

Wisconsin Municipal Insurance Commission (WMIC) Cities and Villages Mutual Insurance Company (CVMIC) (cont.)

Financial statements of WMIC and CVMIC can be obtained directly from CVMIC's offices.

The initial investment in WMIC is refundable upon withdrawal from the commission and has been reported at the original amount of \$200,515 in the general fund.

The city pays an annual premium to CVMIC for its general liability insurance, which provides coverage up to \$5,000,000 per occurrence, less the city's retained liability. The city's retained liability is limited to \$25,000 per occurrence and an annual aggregate limit of \$100,000. An actuarially determined estimate has been recorded for this liability, as well as for claims incurred but not reported at December 31, 2013.

C. COMMITMENTS AND CONTINGENCIES

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 are only reported in governmental funds 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.

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.

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.

Long-Term Contracts - WPPI Energy

The electric utility is one of 51 WPPI Energy member municipalities located throughout the State of Wisconsin. On December 1, 1989, each initial WPPI Energy member commenced purchasing electric service from WPPI Energy under a long-term Power Supply Contract for Participating Members (long-term contract). Under the long-term contract, WPPI Energy is obligated to provide and sell, and each member is obligated to take and pay for, the electric power and energy required for the operation of each member's electric utility.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

Long-Term Contracts - WPPI

The long-term contract requires all WPPI Energy members to pay for power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover WPPI Energy's revenue requirement including power supply costs, administrative expenses and debt service. WPPI Energy's subsequent year's operating budget and rates are approved annually by its Board of Directors, consisting of representatives from each member. The members have agreed to charge rates to retail customers sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy constitute operating expenses of the utility payable from any operating and maintenance fund established for that system.

In 2002, all WPPI Energy members ratified a 13 year extension to their original 35 year contracts. The new contract expires at midnight on December 31, 2037.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract was \$487 million as of December 31, 2013.

D. JOINT VENTURE

The City of Reedsburg and the Town of Winfield, Town of Washington, Town of Reedsburg, Town of Westfield, Town of Seven Mile Creek, Town of Dellona, Town of LaValle, Town of North Freedom, Town of Excelsior, Village of Lime Ridge, Village of LaValle, and the Village of Loganville jointly operate the local ambulance service, which is called the Reedsburg Area Ambulance Service, Inc. The communities share in the annual operation of the district based on the ratio of populations.

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 district. The city made a payment totaling \$64,813 to the district for 2013. The city believes that the district will continue to provide services in the future at similar rates. The city does not have an equity interest in the joint venture.

Financial information of the district is available directly from the district's office. The transactions of the district are not reflected in these financial statements.

E. SUBSEQUENT EVENT

On June 23, 2014 the city issued revenue bonds in the amount of \$895,000 with an interest rate of 3.39%. This amount will be used for replacement of water infrastructure.

CITY OF REEDSBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV - OTHER INFORMATION (cont.)

F. ECONOMIC DEPENDENCY

Utility Commission

The electric utility has one significant customer who was responsible for 36% of operating revenues in 2013.

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

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*
- > Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- > Statement No. 69, *Government Combinations and Disposals of Government Operations*
- > Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REEDSBURG

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
TAXES			
General property taxes	\$ 2,974,870	\$ 2,974,872	\$ 2
Mobile home taxes	78,000	85,391	7,391
Room taxes	1,375	4,094	2,719
Payments in lieu of taxes	97,000	105,734	8,734
Interest on delinquent taxes	150	761	611
Total Taxes	<u>3,151,395</u>	<u>3,170,852</u>	<u>19,457</u>
INTERGOVERNMENTAL REVENUES			
State shared revenues	736,004	735,932	(72)
State expenditure restraint program	153,124	153,124	-
Fire insurance tax from state	20,000	21,094	1,094
State aid - exempt computers	13,500	14,188	688
State aid - law enforcement training	3,000	10,132	7,132
State aid - road allotment	422,879	422,632	(247)
State aid - connecting streets	48,589	48,589	-
Other state payments	-	132	132
State aid - aid to state facilities	6,000	5,393	(607)
County aid - airport	4,100	4,100	-
Federal aid - disaster assistance	-	4,567	4,567
Total Intergovernmental Revenues	<u>1,407,196</u>	<u>1,419,883</u>	<u>12,687</u>
LICENSES AND PERMITS			
Liquor and malt beverage	13,000	13,258	258
Operators' license	3,000	11,915	8,915
Cigarette licenses	1,600	1,600	-
Amusement device licenses	600	600	-
Electrical contractor	-	70	70
Mobile home park licenses	600	560	(40)
Weights and measures licenses	5,400	6,026	626
Cable television franchise fees	110,000	130,807	20,807
Taxi cab	25	50	25
Bicycle licenses	100	110	10
Dog and cat licenses	8,000	7,483	(517)
Transient licenses	200	115	(85)
Sanitation license	-	900	900
Building permits	20,000	18,498	(1,502)
Electrical permits	7,500	6,622	(878)
Plumbing permits	3,500	3,924	424
Farmers market licenses	300	28	(272)
Zoning permits	2,300	1,468	(832)
State permit seals	500	150	(350)
Parade/special event permits	250	-	(250)
Other permits	-	505	505
Total Licenses and Permits	<u>176,875</u>	<u>204,689</u>	<u>27,814</u>

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

CITY OF REEDSBURG

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL For the Year Ended December 31, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
FINES AND FORFEITURES			
Court penalties and costs	\$ 217,500	\$ 223,626	\$ 6,126
Parking violations	14,500	16,055	1,555
Other law and ordinance violations	2,500	849	(1,651)
Total Fines and Forfeitures	<u>234,500</u>	<u>240,530</u>	<u>6,030</u>
PUBLIC CHARGES FOR SERVICES			
Special assessment search	6,000	4,875	(1,125)
Clerk and treasurer fees	2,500	1,154	(1,346)
License publication fees	600	825	225
Land use inquiries	5,000	5,235	235
Photocopies	1,800	1,164	(636)
Police fees	5,000	3,738	(1,262)
Street maintenance	7,400	15,757	8,357
Weed and nuisance control	3,500	4,719	1,219
Parks	20,000	20,738	738
Other recreation programs	26,350	40,943	14,593
Adult volleyball fees	3,500	3,050	(450)
Adult basketball fees	2,500	1,500	(1,000)
Adult softball fees	1,500	-	(1,500)
Youth soccer program	150	1,110	960
Youth tennis program	1,200	250	(950)
Swimming pools	40,000	39,371	(629)
Registration fees	15,000	11,811	(3,189)
BID security deposits	-	270	270
Trees	-	1,250	1,250
Sale of materials	50	10	(40)
Total Public Charges for Services	<u>142,050</u>	<u>157,770</u>	<u>15,720</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES			
Local government services	<u>69,640</u>	<u>69,640</u>	<u>-</u>
SPECIAL ASSESSMENTS			
Sidewalks	<u>2,100</u>	<u>-</u>	<u>(2,100)</u>
INVESTMENT INCOME			
Investment income	6,000	7,175	1,175
Interest on city billings	1,250	1,832	582
Interest on special assessments	100	-	(100)
Total Investment Income	<u>7,350</u>	<u>9,007</u>	<u>1,657</u>

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

CITY OF REEDSBURG

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL For the Year Ended December 31, 2013

	Original and Final Budget	Actual	Variance with Final Budget
MISCELLANEOUS			
Donations	\$ 17,000	\$ 11,517	\$ (5,483)
Insurance recoveries	-	69,666	69,666
Workers compensation dividends	16,500	26,952	10,452
Rent	5,000	7,735	2,735
Other miscellaneous	-	7,114	7,114
Total Miscellaneous	<u>38,500</u>	<u>122,984</u>	<u>84,484</u>
OTHER FINANCING SOURCES			
Property sales	8,000	39,104	31,104
Transfers in	702,364	812,967	110,603
Total Other Financing Sources	<u>710,364</u>	<u>852,071</u>	<u>141,707</u>
Total Revenues and Other Financing Sources	<u>5,939,970</u>	<u>6,247,426</u>	<u>307,456</u>
EXPENDITURES			
GENERAL GOVERNMENT			
Council	25,171	22,988	2,183
Municipal court	126,034	151,669	(25,635)
Legal	60,000	68,804	(8,804)
Mayor	5,929	6,662	(733)
Administrator	123,818	121,020	2,798
Legislative support	52,791	35,744	17,047
General administration	17,908	14,296	3,612
Elections	10,000	4,930	5,070
Financial management	243,355	202,473	40,882
Assessment of property	42,100	43,161	(1,061)
GIS/mapping	21,236	22,925	(1,689)
Buildings and plant	269,685	240,485	29,200
Property and liability insurance	130,000	134,392	(4,392)
Health insurance	461,019	372,753	88,266
Other general government	14,151	14,146	5
Total General Government	<u>1,603,197</u>	<u>1,456,448</u>	<u>146,749</u>
PUBLIC SAFETY			
Police	1,615,999	1,504,386	111,613
Commission	100	68	32
Fire protection	165,453	134,510	30,943
Hydrant rental	306,749	306,749	-
Ambulance	64,813	64,813	-
Building inspection	58,297	57,219	1,078
Emergency government	4,500	5,962	(1,462)
Emergency communication (911)	468,404	524,623	(56,219)
Total Public Safety	<u>2,684,315</u>	<u>2,598,330</u>	<u>85,985</u>

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

CITY OF REEDSBURG

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL For the Year Ended December 31, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
HEALTH AND HUMAN SERVICES			
Regulation and inspection	\$ 5,060	\$ 5,100	\$ (40)
Animal control	150	1	149
Cemetery	<u>16,000</u>	<u>16,000</u>	-
Total Health and Human Services	<u>21,210</u>	<u>21,101</u>	<u>109</u>
PUBLIC WORKS			
General public works	3,881	3,065	816
Engineering	40,331	41,483	(1,152)
Machinery	83,682	84,641	(959)
Garages and sheds	136,601	135,348	1,253
Street maintenance	241,564	223,443	18,121
Tree and brush removal	7,540	10,051	(2,511)
Traffic control	53,981	48,997	4,984
Snow and ice control	176,304	227,216	(50,912)
Street lighting	200,000	188,500	11,500
Sidewalks	6,360	2,258	4,102
Parking lot	1,666	1,666	-
Airport	68,460	88,442	(19,982)
Refuse and garbage collection	<u>1,344</u>	<u>1,456</u>	<u>(112)</u>
Total Public Works	<u>1,021,714</u>	<u>1,056,566</u>	<u>(34,852)</u>
CULTURE, RECREATION, AND EDUCATION			
Parks	263,567	265,544	(1,977)
Recreation	48,025	29,536	18,489
Recreation administration	41,343	37,443	3,900
Celebration and entertainment	12,000	15,803	(3,803)
Recreation facilities	37,820	35,025	2,795
Swimming pool	<u>90,317</u>	<u>99,525</u>	<u>(9,208)</u>
Total Culture, Recreation, and Education	<u>493,072</u>	<u>482,876</u>	<u>10,196</u>
CONSERVATION AND DEVELOPMENT			
Tree planting	3,000	3,195	(195)
Nuisance control	4,500	3,821	679
Planning	37,962	38,260	(298)
Historic preservation	500	211	289
Economic development	25,500	181,756	(156,256)
Industrial development	<u>45,000</u>	<u>43,463</u>	<u>1,537</u>
Total Conservation and Development	<u>116,462</u>	<u>270,706</u>	<u>(154,244)</u>
Total Expenditures	<u>5,939,970</u>	<u>5,886,027</u>	<u>53,943</u>
Net Change in Fund Balance	-	361,399	361,399
FUND BALANCE - Beginning of Year	<u>5,246,983</u>	<u>5,246,983</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 5,246,983</u>	<u>\$ 5,608,382</u>	<u>\$ 361,399</u>

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

CITY OF REEDSBURG

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2013

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 the general fund, certain special revenue funds, the general debt service fund, and certain capital projects funds. A budget has not been formally adopted for other funds. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

The budgeted amounts presented are as presented in the original budget and no amendments were adopted during the year. The water utility 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. There were no carryovers to the following year. Budgets are adopted at the department level of expenditure.

SUPPLEMENTARY INFORMATION

CITY OF REEDSBURG

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of December 31, 2013

	Special Revenue Funds		
	Taxi Grant Fund	Park Fund	Dog Park
ASSETS			
Cash and investments	\$ -	\$ 113,154	\$ -
Receivables			
Taxes	15,000	-	-
Accounts	-	800	-
Due from other governments	24,777	-	-
Special assessments	-	-	-
Loans	-	-	-
Due from component units	-	-	-
TOTAL ASSETS	<u>\$ 39,777</u>	<u>\$ 113,954</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 14,302	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	441
Deposits	-	-	-
Advances from other funds	15,882	-	-
Total Liabilities	<u>30,184</u>	<u>-</u>	<u>441</u>
Deferred Inflows of Resources			
Unearned revenues	15,000	-	-
Unavailable revenues	-	-	-
Total Deferred Inflows of Resources	<u>15,000</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficit)			
Restricted	-	113,954	-
Committed	-	-	-
Assigned	-	-	-
Unassigned (deficit)	(5,407)	-	(441)
Total Fund Balances (deficit)	<u>(5,407)</u>	<u>113,954</u>	<u>(441)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 39,777</u>	<u>\$ 113,954</u>	<u>\$ -</u>

Special Revenue Funds

DARE Fund	Webb Endowment Fund	Nishan Park Concession Stand Fund	Room Tax Fund	CDBG Fund	EDA Fund	HCRI Fund
\$ 5,055	\$ 69,117	\$ 7,155	\$ 6,038	\$ 391,584	\$ 49,796	\$ 9,410
-	-	-	-	-	-	-
-	-	-	14,258	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,509,405	75,239	30,000
<u>-</u>	<u>22,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 5,055</u>	<u>\$ 91,926</u>	<u>\$ 7,155</u>	<u>\$ 20,296</u>	<u>\$ 1,900,989</u>	<u>\$ 125,035</u>	<u>\$ 39,410</u>
\$ 135	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,410	-	-
<u>135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,410</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	91,926	-	20,296	1,899,579	125,035	39,410
4,920	-	7,155	-	-	-	-
-	-	-	-	-	-	-
<u>4,920</u>	<u>91,926</u>	<u>7,155</u>	<u>20,296</u>	<u>1,899,579</u>	<u>125,035</u>	<u>39,410</u>
<u>\$ 5,055</u>	<u>\$ 91,926</u>	<u>\$ 7,155</u>	<u>\$ 20,296</u>	<u>\$ 1,900,989</u>	<u>\$ 125,035</u>	<u>\$ 39,410</u>

CITY OF REEDSBURG

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2013

	Special Revenue Funds		
	Home Loan Fund	Sidewalk Repair Fund	Solid Waste Fund
ASSETS			
Cash and investments	\$ 18,095	\$ 17,016	\$ 62,216
Receivables			
Taxes	-	2,402	373,492
Accounts	-	291	149
Due from other governments	-	-	-
Special assessments	-	2,775	-
Loans	86,742	-	-
Due from component units	-	-	-
TOTAL ASSETS	\$ 104,837	\$ 22,484	\$ 435,857
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 255
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deposits	-	-	-
Advances from other funds	-	-	-
Total Liabilities	-	-	255
Deferred Inflows of Resources			
Unearned revenues	-	2,402	373,492
Unavailable revenues	-	2,775	-
Total Deferred Inflows of Resources	-	5,177	373,492
Fund Balances (Deficit)			
Restricted	104,837	-	-
Committed	-	17,307	62,110
Assigned	-	-	-
Unassigned (deficit)	-	-	-
Total Fund Balances (deficit)	104,837	17,307	62,110
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 104,837	\$ 22,484	\$ 435,857

Special Revenue Funds					Capital Projects Funds	
Mannigal Endowment Fund	Library - County Funding	Library - Investment	Teen Court	Rescue Fund	TIF District No. 3	TIF District No. 4
\$ 22,222	\$ 63,532	\$ 365,743	\$ -	\$ 27,676	\$ 1,000	\$ 314
-	379,440	-	-	-	107,311	334,954
-	-	-	20	3,648	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	48,000
-	-	-	-	-	-	-
<u>\$ 22,222</u>	<u>\$ 442,972</u>	<u>\$ 365,743</u>	<u>\$ 20</u>	<u>\$ 31,324</u>	<u>\$ 108,311</u>	<u>\$ 383,268</u>
\$ -	\$ 10,499	\$ -	\$ -	\$ -	\$ -	\$ -
-	18,646	-	-	-	-	-
-	-	-	302	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,518,544	-
-	<u>29,145</u>	-	<u>302</u>	-	<u>1,518,544</u>	-
-	379,440	-	-	-	107,311	334,954
-	-	-	-	-	-	-
-	<u>379,440</u>	-	-	-	<u>107,311</u>	<u>334,954</u>
22,222	34,387	365,743	-	-	-	48,314
-	-	-	-	31,324	-	-
-	-	-	-	-	-	-
-	-	-	(282)	-	(1,517,544)	-
<u>22,222</u>	<u>34,387</u>	<u>365,743</u>	<u>(282)</u>	<u>31,324</u>	<u>(1,517,544)</u>	<u>48,314</u>
<u>\$ 22,222</u>	<u>\$ 442,972</u>	<u>\$ 365,743</u>	<u>\$ 20</u>	<u>\$ 31,324</u>	<u>\$ 108,311</u>	<u>\$ 383,268</u>

CITY OF REEDSBURG

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2013

	Capital Projects Funds		
	TIF District No. 5	TIF District No. 6	TIF District No. 7
ASSETS			
Cash and investments	\$ 14,931	\$ -	\$ 18,384
Receivables			
Taxes	68,384	16,949	13,803
Accounts	-	-	-
Due from other governments	-	-	-
Special assessments	-	-	-
Loans	-	324,160	-
Due from component units	-	-	-
	\$ 83,315	\$ 341,109	\$ 32,187
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deposits	-	-	-
Advances from other funds	-	917,218	-
Total Liabilities	-	917,218	-
Deferred Inflows of Resources			
Unearned revenues	68,384	16,949	13,803
Unavailable revenues	-	-	-
Total Deferred Inflows of Resources	68,384	16,949	13,803
Fund Balances (Deficit)			
Restricted	14,931	-	18,384
Committed	-	-	-
Assigned	-	-	-
Unassigned (deficit)	-	(593,058)	-
Total Fund Balances (deficit)	14,931	(593,058)	18,384
	\$ 83,315	\$ 341,109	\$ 32,187

Capital Projects Funds

<u>TIF District No. 8</u>	<u>Capital Equipment Fund</u>	<u>General Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 655,624	\$ 1,918,062
-	300,000	427,901	2,039,636
-	-	-	19,166
-	-	-	24,777
-	-	-	2,775
-	-	-	2,073,546
-	-	-	22,809
<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 1,083,525</u>	<u>\$ 6,100,771</u>
\$ -	\$ -	\$ 12,385	\$ 37,576
-	-	-	18,646
-	74,963	-	75,706
-	-	-	1,410
<u>17,842</u>	<u>-</u>	<u>-</u>	<u>2,469,486</u>
<u>17,842</u>	<u>74,963</u>	<u>12,385</u>	<u>2,602,824</u>
-	300,000	427,901	2,039,636
-	-	-	2,775
-	<u>300,000</u>	<u>427,901</u>	<u>2,042,411</u>
-	-	-	2,899,018
-	-	-	122,816
-	-	643,239	643,239
<u>(17,842)</u>	<u>(74,963)</u>	<u>-</u>	<u>(2,209,537)</u>
<u>(17,842)</u>	<u>(74,963)</u>	<u>643,239</u>	<u>1,455,536</u>
<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 1,083,525</u>	<u>\$ 6,100,771</u>

CITY OF REEDSBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2013

	Special Revenue Funds		
	Taxi Grant Fund	Park Fund	Dog Park
REVENUES			
Taxes	\$ 15,000	\$ -	\$ -
Intergovernmental	218,592	-	-
Public charges for services	-	800	-
Special assessments	-	-	-
Investment income	-	173	-
Miscellaneous	-	-	1,077
Total Revenues	233,592	973	1,077
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	233,320	-	-
Culture, recreation and education	-	28,842	1,077
Conservation and development	-	-	-
Capital Outlay	-	-	-
Total Expenditures	233,320	28,842	1,077
Excess (deficiency) of revenues over expenditures	272	(27,869)	-
OTHER FINANCING SOURCES (USES)			
Property sales	8,070	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	8,070	-	-
Net Change in Fund Balances	8,342	(27,869)	-
FUND BALANCES (DEFICIT) - Beginning of Year	(13,749)	141,823	(441)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (5,407)	\$ 113,954	\$ (441)

Special Revenue Funds

DARE Fund	Webb Endowment Fund	Nishan Park Concession Stand Fund	Room Tax Fund	CDBG Fund	EDA Fund	HCRI Fund
\$ -	\$ -	\$ -	\$ 69,134	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	1,812	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	14,970	38	5
<u>10,742</u>	<u>41,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>10,742</u>	<u>41,780</u>	<u>1,812</u>	<u>69,134</u>	<u>14,970</u>	<u>38</u>	<u>5</u>
-	-	-	-	-	-	-
13,390	-	-	-	-	-	-
-	-	-	-	-	-	-
-	52,749	244	8,400	-	-	-
-	-	-	41,564	74,347	2,096	-
<u>13,390</u>	<u>52,749</u>	<u>244</u>	<u>49,964</u>	<u>74,347</u>	<u>2,096</u>	<u>-</u>
<u>(2,648)</u>	<u>(10,969)</u>	<u>1,568</u>	<u>19,170</u>	<u>(59,377)</u>	<u>(2,058)</u>	<u>5</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(2,648)</u>	<u>(10,969)</u>	<u>1,568</u>	<u>19,170</u>	<u>(59,377)</u>	<u>(2,058)</u>	<u>5</u>
<u>7,568</u>	<u>102,895</u>	<u>5,587</u>	<u>1,126</u>	<u>1,958,956</u>	<u>127,093</u>	<u>39,405</u>
<u>\$ 4,920</u>	<u>\$ 91,926</u>	<u>\$ 7,155</u>	<u>\$ 20,296</u>	<u>\$ 1,899,579</u>	<u>\$ 125,035</u>	<u>\$ 39,410</u>

CITY OF REEDSBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	Special Revenue Funds		
	Home Loan Fund	Sidewalk Repair Fund	Solid Waste Fund
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	10,539
Public charges for services	-	-	367,388
Special assessments	-	5,944	-
Investment income	15	319	-
Miscellaneous	-	-	-
Total Revenues	15	6,263	377,927
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	1,348	367,513
Culture, recreation and education	-	-	-
Conservation and development	1,995	-	-
Capital Outlay	-	-	-
Total Expenditures	1,995	1,348	367,513
Excess (deficiency) of revenues over expenditures	(1,980)	4,915	10,414
OTHER FINANCING SOURCES (USES)			
Property sales	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(1,980)	4,915	10,414
FUND BALANCES (DEFICIT) - Beginning of Year	106,817	12,392	51,696
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 104,837	\$ 17,307	\$ 62,110

Special Revenue Funds					Capital Projects Funds	
Mannigal Endowment Fund	Library - County Funding	Library - Investment	Teen Court	Rescue Fund	TIF District No. 3	TIF District No. 4
\$ -	\$ 372,000	\$ -	\$ -	\$ -	\$ 42,377	\$ 343,910
-	248,905	-	-	-	877,547	1,514
-	36,770	-	-	-	-	-
-	-	-	-	-	45,093	12,193
256	-	531	-	-	-	-
-	-	2,014	-	62,155	8,400	600
<u>256</u>	<u>657,675</u>	<u>2,545</u>	<u>-</u>	<u>62,155</u>	<u>973,417</u>	<u>358,217</u>
-	-	-	256	-	-	-
-	-	-	-	64,553	-	-
-	-	-	-	-	-	-
-	647,186	1,004	-	-	-	-
-	-	-	-	-	4,570	16,571
-	-	-	-	-	-	-
-	<u>647,186</u>	<u>1,004</u>	<u>256</u>	<u>64,553</u>	<u>4,570</u>	<u>16,571</u>
<u>256</u>	<u>10,489</u>	<u>1,541</u>	<u>(256)</u>	<u>(2,398)</u>	<u>968,847</u>	<u>341,646</u>
-	-	-	-	-	-	-
-	23,412	-	-	-	350,000	-
-	-	(23,412)	-	-	(43,424)	(476,395)
-	<u>23,412</u>	<u>(23,412)</u>	<u>-</u>	<u>-</u>	<u>306,576</u>	<u>(476,395)</u>
256	33,901	(21,871)	(256)	(2,398)	1,275,423	(134,749)
<u>21,966</u>	<u>486</u>	<u>387,614</u>	<u>(26)</u>	<u>33,722</u>	<u>(2,792,967)</u>	<u>183,063</u>
<u>\$ 22,222</u>	<u>\$ 34,387</u>	<u>\$ 365,743</u>	<u>\$ (282)</u>	<u>\$ 31,324</u>	<u>\$ (1,517,544)</u>	<u>\$ 48,314</u>

CITY OF REEDSBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2013

	Capital Projects Funds		
	TIF District No. 5	TIF District No. 6	TIF District No. 7
REVENUES			
Taxes	\$ 54,472	\$ 1,126	\$ 16,709
Intergovernmental	222	1,582	-
Public charges for services	-	-	-
Special assessments	-	-	-
Investment income	-	-	-
Miscellaneous	-	-	-
Total Revenues	54,694	2,708	16,709
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Culture, recreation and education	-	-	-
Conservation and development	150	47,294	150
Capital Outlay	-	-	-
Total Expenditures	150	47,294	150
Excess (deficiency) of revenues over expenditures	54,544	(44,586)	16,559
OTHER FINANCING SOURCES (USES)			
Property sales	-	-	-
Transfers in	-	-	-
Transfers out	(142,683)	(116,105)	(18,179)
Total Other Financing Sources (Uses)	(142,683)	(116,105)	(18,179)
Net Change in Fund Balances	(88,139)	(160,691)	(1,620)
FUND BALANCES (DEFICIT) - Beginning of Year	103,070	(432,367)	20,004
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 14,931	\$ (593,058)	\$ 18,384

Capital Projects Funds

<u>TIF District No. 8</u>	<u>Capital Equipment Fund</u>	<u>General Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 150,000	\$ 175,000	\$ 1,239,728
130	-	306,127	1,665,158
-	-	-	406,770
-	-	-	63,230
-	-	-	16,307
-	-	7,104	133,872
<u>130</u>	<u>150,000</u>	<u>488,231</u>	<u>3,525,065</u>
-	-	-	256
-	-	-	77,943
-	-	-	602,181
-	-	-	739,502
150	-	-	188,887
-	96,557	478,905	575,462
<u>150</u>	<u>96,557</u>	<u>478,905</u>	<u>2,184,231</u>
<u>(20)</u>	<u>53,443</u>	<u>9,326</u>	<u>1,340,834</u>
-	1,067	-	9,137
-	-	-	373,412
-	-	-	(820,198)
-	1,067	-	(437,649)
(20)	54,510	9,326	903,185
<u>(17,822)</u>	<u>(129,473)</u>	<u>633,913</u>	<u>552,351</u>
<u>\$ (17,842)</u>	<u>\$ (74,963)</u>	<u>\$ 643,239</u>	<u>\$ 1,455,536</u>

CITY OF REEDSBURG

STATEMENT OF CASH FLOWS COMPONENT UNITS For the Year Ended December 31, 2013

	Community Development Authority	Herbert H Webb Trust	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Paid to primary government	\$ -	\$ (48,332)	\$ (48,332)
Paid to suppliers for goods and services	-	(25,756)	(25,756)
Net Cash Flows From Operating Activities	<u>-</u>	<u>(74,088)</u>	<u>(74,088)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	51,105	71,321	122,426
Net Cash Flows From Investing Activities	<u>51,105</u>	<u>71,321</u>	<u>122,426</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital lease payment received	65,000	-	65,000
Principal paid on lease revenue bonds	(65,000)	-	(65,000)
Interest paid on lease revenue bonds	(51,105)	-	(51,105)
Net Cash Flows From Capital and Related Financing Activities	<u>(51,105)</u>	<u>-</u>	<u>(51,105)</u>
Net Change in Cash and Cash Equivalents	-	(2,767)	(2,767)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>-</u>	<u>51,099</u>	<u>51,099</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>	<u>\$ 48,332</u>	<u>\$ 48,332</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ -	\$ (67,536)	\$ (67,536)
Changes in assets and liabilities			
Accounts receivable	439	-	439
Accounts payable	(439)	-	(439)
Due to primary government	-	(6,552)	(6,552)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ (74,088)</u>	<u>\$ (74,088)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Cash and investments - statement of net position	\$ -	\$ 2,533,794	\$ 2,533,794
Total Cash and Investments	-	2,533,794	2,533,794
Less: Noncash equivalents	-	(2,485,462)	(2,485,462)
CASH AND CASH EQUIVALENTS	<u>\$ -</u>	<u>\$ 48,332</u>	<u>\$ 48,332</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Unrealized gain on investments	<u>\$ -</u>	<u>\$ 233,381</u>	