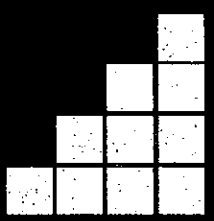
CITY OF MAUSTON, WISCONSIN

REQUIRED AUDIT COMMUNICATIONS TO THE MAYOR AND MEMBERS OF THE COMMON COUNCIL

Year Ended December 31, 2010



Vig & Associates, LLC

Certified Public Accountants and Business Advisors

CITY OF MAUSTON, WISCONSIN

REQUIRED AUDIT COMMUNICATIONS TO THE MAYOR AND MEMBERS OF THE COMMON COUNCIL

Year Ended December 31, 2010

CITY OF MAUSTON, WISCONSIN

Year Ended December 31, 2010

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Vig & Associates, LLC
Certified Public Accountants and Business Advisors

AUDIT MATTERS REQUIRING COMMUNICATION TO THE GOVERNING BODY

To the Mayor and Members of
the Common Council
City of Mauston, Wisconsin

We have audited the financial statements of the City of Mauston, Wisconsin for the year ended December 31, 2010 and issued our report thereon dated June 30, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards, Government Auditing Standards, and OMB Circular A-133

As stated in our 2010 engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of Mauston, Wisconsin. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Mauston, Wisconsin's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City of Mauston, Wisconsin's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal and state programs for the purpose of expressing an opinion on the City of Mauston, Wisconsin's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City of Mauston, Wisconsin's compliance with those requirements.

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Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. We evaluated the key factors and assumptions used to develop the estimates in determining their reasonableness in relation to the financial statements taken as a whole. We are not aware of any particularly sensitive accounting estimates utilized by management in its financial statement process. The primary estimates used in preparing your financial statements relate to estimating depreciable lives and depreciating fixed assets.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the financial reporting process.

The audit adjustments we prepared were accepted by City management. Adjusting and passed entries are further explained on pages 5 through 7 of this document.

Other Information Regarding Nonattest Services We Performed

The City has requested that we prepare regulatory reports for the Public Service Commission and the Wisconsin Department of Revenue for the year ended December 31, 2010.

We have not performed any advisory or nonattest services that would impair our independence as your auditor. Management has overseen, directed and accepted all nonattest services that were provided.

Disagreements with Management

For purposes of this document, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Mauston's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This report is intended solely for the use of the audit committee or its equivalent, management and regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss any of the matters referred to in this letter should you desire more explanation of these communications.

Vig & Associates LLC

June 30, 2011

ADJUSTING JOURNAL ENTRIES

We are frequently requested by our clients to discuss the overall condition of their accounting records and what our role is as your audit firm. We believe that these matters should be discussed at each audit. The following section describes your accounting process in general terms and the ways in which we work with your staff.

The City processes accounting transactions based on the type of transaction involved. Money coming in is processed using a cash receipt system. The payment of bills is done through an accounts payable system. Employees' salaries are paid using a payroll system. Utility billing and accounts receivable are processed through a billing system. Utility plant, depreciation and materials are accounted for through a work order system. These five systems are responsible for recording and summarizing the vast majority of your financial transactions.

Beyond the five systems described in the preceding paragraph, another system is used to make corrections and to record non-cash transactions. This system involves preparing general journal entries. Journal entries provide the ability to make changes to the financial data entered in the other systems. As your auditor, our role is to substantiate year end financial balances and information presented by your accounting personnel, and compare it to supporting information and outside confirmations. When information in your records does not agree with audit evidence, an adjusting entry is necessary to correct your records. Sometimes these entries are identified by your staff as they get ready for the audit. Other adjustments are prepared by us as we discover that your general ledger balances need to be changed to reflect the correct balances.

For the 2010 audit, we proposed the following adjustments and reclassifications to your records:

Description of Entry	Financial Statement Impact Increase (Decrease) in Net Income		
		Business-Type Activities	
	Governmental Activities	Water Utility	Sewer Fund
Record/adjust accounts payable and accrued expenses	$ (494,892)	$ (6,112)	$ (44,411)
Adjust accrued payroll	-	(5,003)	(4,405)
Adjust materials and supplies and prepaid expenses	-	(2,282)	146
Adjust joint metering charge	-	1,118	(1,118)
Record/adjust depreciation expense	-	(4,770)	(10,638)
Record/adjust receivables and revenues	390,780	50,009	42,470
Amortization of debt issuance expense	-	(225)	(225)
Reclass capital asset activity	-	34,498	4,964
Reclass long term debt payments/accruals	125,000	-	-
Record off the books library activity	17,342	-	-
Record RLF activity maintained by MSA	81,426	-	-
Reclass interfund transactions	(428,618)	-	-
Total impact of adjusting audit entries	$ (308,962)	$ 67,233	$ (13,217)

The effect of these journal entries is considered to be material to the financial statements of the City of Mauston, Wisconsin.

The proposed entries were accepted by the City's management. All of these changes are reflected properly in your audited financial statements. A copy of the adjusting entries has been provided to your staff and they have been posted to your 2010 general ledger.

Because we are providing assistance to your staff by proposing changes to correct your financial information, you should be aware of these processes. Many of our clients rely on us to make year end adjustments as we have described. In many cases, we have the experience or expertise to compute, and identify, corrections to your records. We work with many clients on similar issues, so it may be more efficient for you to have us do some of the one-time adjustments, rather than your staff spending hours researching the proper adjustment.

Due to the technical nature of financial reporting and complying with financial reporting standards, most clients have their CPA firm prepare the year end financial statements and note disclosures. We have provided these services to your City.

We are communicating this information to you to give you a better understanding of what we do and how the year end process works. Our job as auditors is to bring in an outside perspective and provide a level of comfort that your financial reporting system is materially correct and accurately reflects the financial activity for the year. However, in many cases, our services go beyond auditing. Our experience and training can provide a very cost-effective means of providing the year end accounting assistance that you need.

We hope that by providing this information on what we do, you will have a better understanding of our role, and the various ways that we work with your staff.

PASSED JOURNAL ENTRIES

Passed journal entries may occur due to transaction timing, industry practices or lack of overall significance. There were no potential (passed) journal entries identified in our audit that were not posted to the general ledger.

OTHER COMMENTS ON OPERATIONS AND INTERNAL CONTROL

Accounting System Design and Implementation

During 2010, the City decided to convert its general ledger and utility billing software to a system designed for and used by many other Wisconsin municipalities. This conversion was done to improve processing of day-to-day transactions and communication between City personnel and software support. We commend the City Council, Administration, and staff for making this conversion, as it appears to address some of the processing concerns we had noted during previous audits. We recommend the City continue to use the software's support staff to assist you in setting up your accounting system to ensure you are fully utilizing the capabilities of the software.

New Accounting Standard

GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, will change how fund balance is reported. The new statement is intended to improve the usefulness of the amount reported in fund balance by providing more structured classification. In addition, the Statement clarifies the definition of existing governmental fund types. It is aimed at helping decision makers of the City better understand the constraints placed on fund balance. We recommend City personnel discuss policy changes related to this statement as the City will need to report their fund balance on Exhibit III in accordance with this standard for the year ending December 31, 2011.

CONCLUDING REMARKS

We would like to thank you for allowing us to serve you over the years. We are committed to assisting you in the long-term financial success of the City of Mauston and our comments are intended to draw to your attention issues which need to be addressed by the City to meet its goals and responsibilities.

The comments and suggestions in this communication are not intended to reflect in any way on the integrity or ability of the personnel of the City of Mauston. They are made solely in the interest of establishing sound internal control practices required by changing professional standards. The City of Mauston's staff is deeply committed in maintaining the financial reporting system so that informed decisions can be made. They were receptive to our comments and suggestions.

We will review the status of these comments during each audit engagement.

If you have any questions or comments regarding this communication or the financial statements, do not hesitate to contact us.

CITY OF MAUSTON, WISCONSIN

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORTS

Year Ended December 31, 2010

CITY OF MAUSTON, WISCONSIN

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Vig & Associates, LLC
Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

Mayor and Members of
the Common Council
City of Mauston, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Mauston Redevelopment Authority aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Mauston, Wisconsin, as of and for the year ended December 31, 2010, which collectively comprise the City of Mauston, Wisconsin's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mauston, Wisconsin's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the City of Mauston which statements reflect total assets of $1,073,908 as of June 30, 2010 and total revenues of $789,377 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Mauston, is based on the report of the other auditors.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Mauston, Wisconsin, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2011 on our consideration of the City of Mauston, Wisconsin's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mauston, Wisconsin's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and are also not a required part of the financial statements of the City of Mauston, Wisconsin. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Virchow & Associates LLC

June 30, 2011

BASIC FINANCIAL STATEMENTS

CITY OF MAUSTON, WISCONSIN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
As of December 31, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Mauston Redevelopment Authority	Housing Authority June 30, 2010*
Assets					
Current assets:					
Cash and investments	$ 3,332,221	$ 3,515,891	$ 6,848,112	$ -	$ 213,202
Receivables:					
Customer	191,202	253,073	444,275	-	-
Taxes	2,881,219	-	2,881,219	-	-
Special assessments	488,679	30,736	519,415	-	-
Other	-	-	-	3,399	1,009
Due from other governments	403,600	84,011	487,611	-	8,206
Inventories and prepaid items	-	28,071	28,071	-	8,856
Total current assets	7,296,921	3,911,782	11,208,703	3,399	231,273
Noncurrent assets:					
Restricted assets:					
Cash and investments	506,847	1,121,949	1,628,796	-	84,062
Economic development loans receivable	619,398	-	619,398	-	-
Capital assets					
Land	1,907,630	435,440	2,343,070	-	261,819
Construction in progress	10,831	-	10,831	-	-
Other capital assets, net of depreciation	9,375,793	19,421,266	28,797,059	-	496,754
Advances receivable	-	1,598,159	1,598,159	905,000	-
Due from State of Wisconsin	-	897,752	897,752	-	-
Unamortized debt issuance expense	91,825	88,937	180,762	-	-
Total noncurrent assets	12,512,324	23,563,503	36,075,827	905,000	842,635
Total assets	$ 19,809,245	$ 27,475,285	$ 47,284,530	$ 908,399	$ 1,073,908

*Fiscal year-end of the component unit.

See accompanying notes to financial statements.

CITY OF MAUSTON, WISCONSIN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
As of December 31, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Mauston Redevelopment Authority	Housing Authority June 30, 2010*
Liabilities					
Current liabilities (payable from current assets):					
Accounts payable	$ 82,618	$ 450,143	$ 532,761	$ -	$ 5,776
Accrued liabilities:					
Interest	22,765	-	22,765	-	-
Other	32,348	23,441	55,789	-	-
Due to other governments	561	-	561	-	11,103
Deferred revenue	3,387,246	-	3,387,246	-	170
Total current liabilities (payable from current assets)	3,525,538	473,584	3,999,122	-	17,049
Current liabilities (payable from restricted assets):					
Current portion of long-term obligations	-	311,504	311,504	-	-
Accrued interest payable	-	82,874	82,874	3,399	-
Tenant deposits	-	-	-	-	9,643
Total current liabilities (payable from restricted assets)	-	394,378	394,378	3,399	9,643
Total current liabilities	3,525,538	867,962	4,393,500	3,399	26,692
Noncurrent liabilities:					
Due within one year	646,620	-	646,620	125,000	-
Due in more than one year	6,074,151	11,384,182	17,458,333	780,000	-
Advances due to other funds	1,598,159	-	1,598,159	-	-
Total noncurrent liabilities	8,318,930	11,384,182	19,703,112	905,000	-
Total liabilities	11,844,468	12,252,144	24,096,612	908,399	26,692
Net Assets					
Invested in capital assets, net of related debt	4,996,095	8,161,020	13,157,115	-	758,573
Restricted for:					
Special purposes	1,114,404	1,039,075	2,153,479	-	74,418
Unrestricted	1,854,278	6,023,046	7,877,324	-	214,225
Total net assets	7,964,777	15,223,141	23,187,918	-	1,047,216
Total liabilities and net assets	$ 19,809,245	$ 27,475,285	$ 47,284,530	$ 908,399	$ 1,073,908

*Fiscal year-end of the component unit.

See accompanying notes to financial statements.

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EXHIBIT II

CITY OF MAUSTON, WISCONSIN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

Functions/Programs	Expenses	Charges for Services	Capital Grants and Contri-butions	Primary Government: Gov't. Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units: Mauston Redevelop-ment Auth.	Component Units: Housing Authority, Year Ended June 30, 2010*
Governmental activities:								
General government	$ 601,284	$ 80,922	$ 72,815	$ (447,547)	$ -	$ (447,547)	$ -	$ -
Public safety	1,360,913	187,617	11,899	(1,161,397)	-	(1,161,397)	-	-
Public works	948,342	154,683	940,140	146,481	-	146,481	-	-
Culture and recreation	759,379	53,269	191,861	(514,249)	-	(514,249)	-	-
Conservation and development	1,067,655	-	682,934	(384,721)	-	(384,721)	-	-
Interest and fiscal charges	296,984	-	-	(296,984)	-	(296,984)	-	-
Total governmental activities	5,034,557	476,491	1,899,649	(2,658,417)	-	(2,658,417)	-	-
Business-type activities:								
Water	743,761	871,988	-	-	128,227	128,227	-	-
Sewer	1,257,179	1,075,367	34,614	-	(147,198)	(147,198)	-	-
Total business-type activities	2,000,940	1,947,355	34,614	-	(18,971)	(18,971)	-	-
Total primary government	$ 7,035,497	$ 2,423,846	$ 1,934,263	(2,658,417)	(18,971)	(2,677,388)	-	-
Component units:								
Mauston Redevelopment Auth.	$ 45,718	$ -	$ -	-	-	-	(45,718)	-
Housing Authority	682,547	152,313	628,589	-	-	-	-	98,355
Total component units	$ 728,265	$ 152,313	$ 628,589	-	-	-	(45,718)	98,355
General revenues:								
Property taxes								
General purpose				1,252,851	-	1,252,851	-	-
Debt service				298,795	-	298,795	-	-
Tax incremental financing districts				1,001,918	-	1,001,918	-	-
Other taxes				166,612	-	166,612	-	-
State and federal aids not restricted to specific functions:								
State shared taxes				1,124,801	-	1,124,801	-	-
Interest and investment earnings				113,394	142,217	255,611	45,718	3,476
Miscellaneous				46,137	-	46,137	-	4,999
Sale of capital assets				1,200	-	1,200	-	-
Transfers:								
Tax equivalent				80,715	(80,715)	-	-	-
Total general revenues and transfers				4,086,423	61,502	4,147,925	45,718	8,475
Change in net assets				1,428,006	42,531	1,470,537	-	106,830
Net assets - beginning of year				6,536,771	15,180,610	21,717,381	-	913,849
Prior period adjustment				-	-	-	-	26,537
Net assets - beginning of year, restated				6,536,771	15,180,610	21,717,381	-	940,386
Net assets - end of year				$ 7,964,777	$ 15,223,141	$ 23,187,918	$ -	$ 1,047,216

*Fiscal year-end of the component unit.

See accompanying notes to financial statements.

CITY OF MAUSTON, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2010
With Comparative Totals for December 31, 2009

	Major Funds				2010 Total	2009 Totals
	General	TIF Districts	Capital Projects Fund	Nonmajor Funds	Gov't. Funds	(Memorandum Only)
ASSETS						
Cash and cash equivalents	$ 1,110,687	$ 1,973,382	$ -	$ 248,152	$ 3,332,221	$ 2,815,435
Receivables:						
Taxes	1,645,106	1,222,080	-	-	2,867,186	2,557,984
Special assessments	184,065	304,614	-	-	488,679	588,136
Customer accounts	168,985	-	-	22,217	191,202	536,925
Loans	-	-	-	619,398	619,398	552,589
Due from other funds	380,055	-	-	-	380,055	369,283
Due from other governments	116,071	-	249,112	38,417	403,600	176,077
Advances due from other funds	1,145,027	-	-	-	1,145,027	1,145,027
Restricted assets:						
Cash and cash equivalents	79,939	-	-	426,908	506,847	495,901
Total assets	$ 4,829,935	$ 3,500,076	$ 249,112	$ 1,355,092	$ 9,934,215	$ 9,237,357
LIABILITIES						
Accounts payable	$ 18,533	$ -	$ 57,625	$ 6,460	$ 82,618	$ 155,079
Accrued liabilities and expenses	32,348	-	-	-	32,348	22,474
Due to other funds	-	55,244	289,578	35,233	380,055	369,283
Due to other governments	-	-	-	561	561	9,251
Deferred revenues	1,860,552	1,526,694	-	-	3,387,246	3,194,936
Advance due to Mauston RDA	-	905,000	-	-	905,000	1,030,000
Advances due to other funds	608,159	2,135,027	-	-	2,743,186	2,743,186
Total liabilities	2,519,592	4,621,965	347,203	42,254	7,531,014	7,524,209
FUND EQUITY						
Fund balance:						
Reserved for advances	1,145,027	-	-	-	1,145,027	1,145,027
Reserved - other	4,000	-	-	-	4,000	4,000
Reserved for loans	-	-	-	619,398	619,398	552,589
Unreserved:						
Designated (deficit)	79,939	(1,121,889)	(98,091)	693,440	(446,601)	(946,651)
Undesignated	1,081,377	-	-	-	1,081,377	958,183
Total fund equity	2,310,343	(1,121,889)	(98,091)	1,312,838	2,403,201	1,713,148
Total liabilities and fund equity	$ 4,829,935	$ 3,500,076	$ 249,112	$ 1,355,092	$ 9,934,215	$ 9,237,357

See accompanying notes to financial statements.

CITY OF MAUSTON, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2010
With Comparative Totals for December 31, 2009

		2010 Total Gov't. Funds	2009 Totals (Memorandum Only)
Total fund balances from prior page		$ 2,403,201	$ 1,713,148
Total net assets reported for governmental activities in the Statement of Net Assets are different from the amount reported above as total governmental funds fund balance because:			
Taxes from municipal utilities are recognized as revenues as they are received in the fund statements.			
Property tax equivalents receivable		14,033	14,033
Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the Statement of Net Assets are:			
Governmental capital assets	$14,615,992		
Governmental accumulated depreciation	(3,321,738)	11,294,254	11,094,255
Long term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the Statement of Net Assets that are not reported in the fund's balance sheet are:			
General obligation debt	(5,690,000)		
Unamortized debt discounts	91,825		
Accrued interest on general obligation debt	(22,765)		
Vested employee benefits	(84,031)		
Unfunded retirement liability	(41,740)	(5,746,711)	(6,284,665)
Total net assets - governmental activities		$ 7,964,777	$ 6,536,771

See accompanying notes to financial statements.

CITY OF MAUSTON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010
With Comparative Totals for Year Ended December 31, 2009

	Major Funds						
	General	TIF Districts	Debt Service	Capital Projects Fund	Nonmajor Funds	2010 Totals	2009 Totals (Memorandum Only)
Revenues:							
Property taxes	$ 1,252,851	$ 1,001,918	$ 298,795	$ -	$ -	$ 2,553,564	$ 2,423,625
Other local sources	223,675	204,891	-	-	111,964	540,530	381,770
Intergovernmental	1,677,606	6,365	-	408,517	627,067	2,719,555	2,480,652
Licenses and permits	62,755	-	-	-	-	62,755	62,780
Penalties and forfeitures	26,359	-	-	-	-	26,359	28,207
Public charges for services	330,659	-	-	-	24,813	355,472	325,279
Interest	44,972	50,915	-	-	11,926	107,813	89,764
Miscellaneous general revenues	45,370	-	-	17,368	32,577	95,315	77,610
Total revenues	3,664,247	1,264,089	298,795	425,885	808,347	6,461,363	5,869,687
Expenditures:							
Current:							
General government	557,179	-	-	-	-	557,179	539,064
Public safety	1,283,371	-	-	-	5,844	1,289,215	1,345,192
Public works	788,544	-	-	-	-	788,544	849,922
Culture and recreation	199,177	-	-	-	479,597	678,774	707,608
Conservation and development	70,567	241,994	-	236,319	513,650	1,062,530	860,521
Capital outlay	-	-	-	509,865	45,408	555,273	1,992,637
Debt service:							
Principal retirement	-	335,000	217,840	-	-	552,840	538,790
Interest and fiscal charges	-	172,633	115,522	-	-	288,155	328,588
Total expenditures	2,898,838	749,627	333,362	746,184	1,044,499	5,772,510	7,162,322
Excess (deficiency) of revenues over expenditures	765,409	514,462	(34,567)	(320,299)	(236,152)	688,853	(1,292,635)
Other financing sources (uses):							
Sale of municipal property	1,200	-	-	-	-	1,200	-
Proceeds of long-term debt	-	-	-	-	-	-	1,415,000
Principal retirement	-	-	-	-	-	-	(985,000)
Bond issue costs	-	-	-	-	-	-	(26,325)
Operating transfers in (out)	(576,022)	-	34,567	222,674	318,781	-	-
Total other financing sources (uses)	(574,822)	-	34,567	222,674	318,781	1,200	403,675
Extraordinary item:							
Insurance proceeds received on building casualty	-	-	-	-	-	-	1,265,466
Total extraordinary item	-	-	-	-	-	-	1,265,466
Excess (deficiency) of revenues over expenditures, other sources (uses) and extraordinary item	190,587	514,462	-	(97,625)	82,629	690,053	376,506
Fund balance (deficit), January 1	2,185,956	(1,702,551)	-	(466)	1,230,209	1,713,148	1,336,642
Prior period adjustment	(66,200)	66,200	-	-	-	-	-
Fund balance (deficit), January 1, restated	2,119,756	(1,636,351)	-	(466)	1,230,209	1,713,148	1,336,642
Fund balance (deficit), December 31	$ 2,310,343	$ (1,121,889)	$ -	$ (98,091)	$ 1,312,838	$ 2,403,201	$ 1,713,148

See accompanying notes to financial statements.

CITY OF MAUSTON, WISCONSIN
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

Net change in fund balances - total governmental funds		$ 690,053
Amounts reported for governmental activities in the Statement of Activities are different because:		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
Capital outlay reported in governmental fund statements	$ 555,273	
Capital outlays not included in capital asset additions	(16,658)	
Depreciation expense reported in the Statement of Activities	(333,452)	
Amount by which capital outlays are greater (less) than depreciation in the current period:		205,163
Vested employee benefits are reported in the governmental funds when amounts are paid. The Statement of Activities reports the value of benefits earned during the year.		
Special termination benefits paid in current year	1,598	
Special termination benefits earned in current year	(7,655)	
Amounts paid are greater (less) than amounts earned by:		(6,057)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the Statement of Net Assets and does not affect the Statement of Activities.		
The amount of long-term debt principal payments in the current year is:		552,840
The City disposed of various capital assets resulting in a reduction of capital assets and recapture of prior year depreciation expense reported on the Statement of Net Assets as a net loss and has no affect on the Governmental Fund Balance Sheet.		
The value of capital assets disposed of during the year was	(48,489)	
The amount of depreciation recapture for the year was	43,325	
The difference in the value of assets net of recaptured depreciation creates a gain (loss) of:		(5,164)
In governmental funds interest payments on outstanding long-term debt are reported as an expenditure when paid. In the Statement of Activities, interest is reported as incurred.		
The amount of interest paid during the current period	288,155	
The amount of interest accrued during the current period	(284,782)	
Interest paid is greater (less) than interest accrued by:		3,373
In governmental funds debt issue cost on outstanding long-term debt are reported as an expenditure when paid. In the Statement of Activities, debt issue costs are amortized and expensed over the life of the issue.		
The amount of debt issue costs paid during the current period	-	
The amount of debt issue costs recognized during the current period	(12,202)	
Debt issue costs paid is greater (less) than costs recognized by:		(12,202)
Change in net assets - governmental activities		$ 1,428,006

See accompanying notes to financial statements.

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CITY OF MAUSTON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2010
With Comparative Actual Totals for Year Ended December 31, 2009

	2010			2009
	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)	Actual Totals (Memorandum Only)
Revenues:				
Property taxes	$ 1,252,866	$ 1,252,851	$ (15)	$ 1,250,281
Other local sources	127,465	223,675	96,210	198,234
Intergovernmental	1,679,986	1,677,606	(2,380)	1,708,240
Licenses and permits	52,175	62,755	10,580	62,780
Penalties and forfeitures	31,500	26,359	(5,141)	28,207
Public charges for services	289,293	330,659	41,366	303,539
Interest	18,900	44,972	26,072	40,382
Miscellaneous general revenues	23,525	45,370	21,845	25,644
Total revenues	3,475,710	3,664,247	188,537	3,617,307
Expenditures:				
Current:				
General government	550,582	557,179	(6,597)	532,496
Public safety	1,329,994	1,283,371	46,623	1,236,023
Public works	806,975	788,544	18,431	849,922
Culture and recreation	241,963	199,177	42,786	232,075
Conservation and development	58,500	70,567	(12,067)	87,535
Capital outlay	-	-	-	103,996
Total expenditures	2,988,014	2,898,838	89,176	3,042,047
Excess (deficiency) of revenues over expenditures	487,696	765,409	277,713	575,260
Other financing sources (uses):				
Sale of city property	-	1,200	1,200	-
Proceeds of long-term debt	-	-	-	430,000
Bond issue costs	-	-	-	(26,325)
Operating transfers in (out)	(477,465)	(576,022)	(98,557)	(453,864)
Total other financing sources (uses)	(477,465)	(574,822)	(97,357)	(50,189)
Excess (deficiency) of revenues over expenditures and other sources (uses)	10,231	190,587	180,356	525,071
Fund balance, January 1	2,185,956	2,185,956	-	1,660,885
Prior period adjustment	-	(66,200)	(66,200)	-
Fund balance, January 1, restated	2,185,956	2,119,756	(66,200)	1,660,885
Fund balance, December 31	$ 2,196,187	$ 2,310,343	$ 114,156	$ 2,185,956

See accompanying notes to financial statements.

CITY OF MAUSTON, WISCONSIN
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
As of December 31, 2010
With Comparative Totals for December 31, 2009

	Major Funds			
	Water Utility	Sewer Fund	2010 Totals	2009 Totals (Memorandum Only)
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,060,932	$ 2,454,959	$ 3,515,891	$ 3,005,622
Receivables:				
Customer accounts	89,938	163,135	253,073	219,280
Special assessments	-	30,736	30,736	13,008
Materials and supplies	23,967	-	23,967	26,355
Prepayments	2,051	2,053	4,104	3,894
Current portion of due from State of Wisconsin for treatment plant assessment	-	84,011	84,011	80,796
Total current assets	1,176,888	2,734,894	3,911,782	3,348,955
Restricted assets:				
Cash and cash equivalents	239,623	882,326	1,121,949	907,395
Total restricted assets	239,623	882,326	1,121,949	907,395
Property, plant and equipment:				
Land	7,256	428,184	435,440	435,440
Construction in progress	-	-	-	34,374
Utility plant being depreciated	10,221,926	15,746,219	25,968,145	23,379,016
Accumulated depreciation	(1,941,848)	(4,605,031)	(6,546,879)	(6,052,964)
Net property, plant and equipment	8,287,334	11,569,372	19,856,706	17,795,866
Other assets and debits:				
Due from State of Wisconsin for treatment plant assessment	-	897,752	897,752	981,763
Advances to other funds	530,000	1,068,159	1,598,159	1,598,159
Unamortized debt discount	43,742	45,195	88,937	27,433
Total other assets and debits	573,742	2,011,106	2,584,848	2,607,355
Total assets	$ 10,277,587	$ 17,197,698	$ 27,475,285	$ 24,659,571

See accompanying notes to financial statements.

CITY OF MAUSTON, WISCONSIN
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
As of December 31, 2010
With Comparative Totals for December 31, 2009

	Major Funds			
	Water Utility	Sewer Fund	2010 Totals	2009 Totals (Memorandum Only)
LIABILITIES AND NET ASSETS				
Current liabilities (payable from current assets):				
Accounts payable	$ 146,535	$ 303,608	$ 450,143	$ 25,572
Accrued liabilities and expenses	19,036	4,405	23,441	14,730
Revenue anticipation notes	-	-	-	625,591
Total current liabilities (payable from current assets)	165,571	308,013	473,584	665,893
Current liabilities (payable from restricted assets):				
Current portion of general obligation	15,000	20,000	35,000	35,000
Current portion of mortgage revenue bonds	75,617	200,887	276,504	411,695
Accrued interest payable	11,544	71,330	82,874	45,687
Total current liabilities (payable from restricted assets)	102,161	292,217	394,378	492,382
Long-term liabilities:				
General obligation debt	290,000	360,000	650,000	685,000
Mortgage revenue bonds	3,390,306	7,343,876	10,734,182	7,635,686
Total long-term liabilities	3,680,306	7,703,876	11,384,182	8,320,686
Total liabilities	3,948,038	8,304,106	12,252,144	9,478,961
Net assets:				
Invested in capital assets, net of related debt	4,516,411	3,644,609	8,161,020	8,402,894
Restricted for special purposes	228,079	810,996	1,039,075	861,708
Unrestricted	1,585,059	4,437,987	6,023,046	5,916,008
Total net assets	6,329,549	8,893,592	15,223,141	15,180,610
Total liabilities and net assets	$ 10,277,587	$ 17,197,698	$ 27,475,285	$ 24,659,571

See accompanying notes to financial statements.

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CITY OF MAUSTON, WISCONSIN
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2010
With Comparative Totals for Year Ended December 31, 2009

	Major Funds			
	Water Utility	Sewer Fund	2010 Totals	2009 Totals (Memorandum Only)
Operating revenues:				
Sales of water	$ 846,676	$ -	$ 846,676	$ 841,282
Sewerage service fees	-	1,040,966	1,040,966	1,011,397
Other operating revenues	25,312	34,401	59,713	61,246
Total operating revenues	871,988	1,075,367	1,947,355	1,913,925
Operating expenses:				
Operation and maintenance	415,815	600,530	1,016,345	868,700
Depreciation	188,775	385,562	574,337	547,954
Taxes	12,029	10,109	22,138	20,509
Total operating expenses	616,619	996,201	1,612,820	1,437,163
Operating income (loss)	255,369	79,166	334,535	476,762
Nonoperating revenues (expenses):				
Interest income	24,513	117,704	142,217	115,978
Interest on long-term debt	(120,466)	(254,259)	(374,725)	(386,805)
Amortization of debt discount	(6,676)	(6,719)	(13,395)	(10,020)
Total nonoperating revenues (expenses)	(102,629)	(143,274)	(245,903)	(280,847)
Net income (loss) before capital contributions and transfers	152,740	(64,108)	88,632	195,915
Customer capital contributions	-	34,614	34,614	7,945
Transfers - tax equivalent	(75,667)	(5,048)	(80,715)	(80,715)
Change in net assets	77,073	(34,542)	42,531	123,145
Net assets, January 1	6,252,476	8,928,134	15,180,610	15,057,465
Net assets, December 31	$ 6,329,549	$ 8,893,592	$ 15,223,141	$ 15,180,610

See accompanying notes to financial statements.

CITY OF MAUSTON, WISCONSIN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010
With Comparative Totals for Year Ended December 31, 2009

	Major Funds			2009
	Water Utility	Sewer Fund	2010 Totals	Totals (Memorandum Only)
Cash flows from operating activities:				
Cash received from customers	$ 620,483	$ 1,066,966	$ 1,687,449	$ 1,707,079
Cash received from (paid to) other funds	256,206	(24,282)	231,924	231,924
Cash paid to suppliers for goods and services	(265,863)	(472,886)	(738,749)	(586,353)
Cash payments to employees for services	(139,890)	(128,058)	(267,948)	(267,056)
Cash paid to other governments	(12,029)	(10,109)	(22,138)	(20,509)
Net cash provided (used) by operating activities	458,907	431,631	890,538	1,065,085
Cash flows from non-capital and related financing activities:				
Transfer to other funds - tax equivalent	(75,667)	(5,048)	(80,715)	(80,715)
Net cash provided (used) by non-capital and related financing activities	(75,667)	(5,048)	(80,715)	(80,715)
Cash flows from capital and related financing activities:				
Proceeds of long-term debt	1,149,000	2,204,500	3,353,500	-
Proceeds of short-term debt	1,025,817	1,643,592	2,669,409	625,591
Principal paid on long-term debt	(87,136)	(338,059)	(425,195)	(671,348)
Principal paid on short-term debt	(1,121,000)	(2,174,000)	(3,295,000)	-
Capital contributions	-	120	120	-
Interest paid	(121,219)	(232,715)	(353,934)	(387,656)
Bond issue costs paid	(37,000)	(39,500)	(76,500)	-
Plant additions	(892,078)	(1,285,785)	(2,177,863)	(955,268)
Cost of removal of plant retirement	(2,550)	-	(2,550)	-
Net cash provided (used) by capital and related financing activities	(86,166)	(221,847)	(308,013)	(1,388,681)
Cash flows from investing activities:				
Collection of long-term receivable	-	80,796	80,796	77,716
Long-term advance to General Fund	-	-	-	(54,250)
Interest income	24,513	117,704	142,217	115,978
Net cash provided (used) by investing activities	24,513	198,500	223,013	139,444
Net increase (decrease) in cash and cash equivalents	321,587	403,236	724,823	(264,867)
Cash and cash equivalents, January 1	978,968	2,934,049	3,913,017	4,177,884
Cash and cash equivalents, December 31	$ 1,300,555	$ 3,337,285	$ 4,637,840	$ 3,913,017

See accompanying notes to financial statements.

CITY OF MAUSTON, WISCONSIN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010
With Comparative Totals for Year Ended December 31, 2009

	Major Funds			2009
	Water Utility	Sewer Fund	2010 Totals	Totals (Memorandum Only)
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	$ 255,369	$ 79,166	$ 334,535	$ 476,762
Noncash items included in income:				
Depreciation	188,775	385,562	574,337	547,954
Depreciation charged to other accounts	12,425	(12,425)	-	-
(Increase) decrease in current assets:				
Accounts receivable	(8,626)	(25,167)	(33,793)	21,111
Special assessments receivable	-	16,766	16,766	14,894
Materials and supplies inventories	2,388	-	2,388	(341)
Prepayments	(104)	(106)	(210)	(37)
Increase (decrease) in current liabilities:				
Accounts payable	4,053	(16,249)	(12,196)	13,086
Accrued liabilities and expenses	4,627	4,084	8,711	(8,344)
Net cash flows from operating activities	$ 458,907	$ 431,631	$ 890,538	$ 1,065,085
Supplementary schedule:				
Noncash capital and related financing transactions:				
Special assessments receivable	$ -	$ (34,494)	$ (34,494)	$ -
Due from other governments	-	-	-	(4,945)
Plant additions	(146,935)	(307,829)	(454,764)	(3,000)
Customer contributions	-	34,494	34,494	7,945
Accounts payable	142,482	294,285	436,767	-
Proceeds of long-term debt	1,652,000	1,964,500	3,616,500	-
Principal paid on long-term debt	(1,652,000)	(1,964,500)	(3,616,500)	-
Interest capitalized	4,453	13,544	17,997	-
	$ -	$ -	$ -	$ -
Reconciliation of cash and cash equivalents to the Statement of Net Assets:				
Cash and cash equivalents - Statement of Net Assets	$ 1,060,932	$ 2,454,959	$ 3,515,891	$ 3,005,622
Restricted cash and cash equivalents - Statement of Net Assets	239,623	882,326	1,121,949	907,395
Cash and cash equivalents - end of year	$ 1,300,555	$ 3,337,285	$ 4,637,840	$ 3,913,017

See accompanying notes to financial statements.

CITY OF MAUSTON, WISCONSIN
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
As of December 31, 2010
With Comparative Totals for December 31, 2009

	Tax Agency Fund	Expendable Trust Fund - Library	2010 Total Fiduciary	2009 Totals (Memorandum Only)
ASSETS				
Cash and cash equivalents	$ 1,696,966	$ -	$ 1,696,966	$ 1,310,794
Taxes receivable	1,933,937	-	1,933,937	2,269,009
Restricted cash and cash equivalents	-	611,614	611,614	597,975
Total assets	$ 3,630,903	$ 611,614	$ 4,242,517	$ 4,177,778
LIABILITIES				
Due to other governments	$ 3,630,903	$ -	$ 3,630,903	$ 3,579,803
Total liabilities	3,630,903	-	3,630,903	3,579,803
NET ASSETS				
Net assets	-	611,614	611,614	597,975
Total liabilities and net assets	$ 3,630,903	$ 611,614	$ 4,242,517	$ 4,177,778

See accompanying notes to financial statements.

EXHIBIT X

CITY OF MAUSTON, WISCONSIN
FIDUCIARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2010
With Comparative Totals for Year Ended December 31, 2009

	2010 Expendable Trust Fund - Library	2009 Totals (Memorandum Only)
Revenues:		
Interest income	$ 13,639	$ 18,837
Total revenues	13,639	18,837
Expenses:	-	-
Change in net assets	13,639	18,837
Net assets, January 1	597,975	579,138
Net assets, December 31	$ 611,614	$ 597,975

See accompanying notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

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CITY OF MAUSTON, WISCONSIN
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December 31, 2010

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Mauston conform to generally accepted accounting principles as applicable to governmental units.

A. REPORTING ENTITY

This report includes all of the funds of the City of Mauston. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based upon the above criteria, the City has included the financial statements of the Housing Authority of the City of Mauston and the Mauston Redevelopment Authority as discretely presented component units.

B. BASIS OF FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

Fund Financial Statements

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

Funds are organized as major funds or nonmajor funds within the governmental and fiduciary statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and

b. Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

c. In addition, any other governmental fund that the City believes is particularly important to financial statement users may be reported as a major fund.

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following governmental funds:

General Fund – The General Fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

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

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

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

Governmental Funds (Continued)

The City reports the following major governmental funds:

General Fund
Debt Service Fund
Tax Incremental Financing District Funds
Capital Projects Fund

The City reports the following nonmajor governmental funds:

Room Tax Fund
Library Fund
Shared Ride Taxi Fund
Other Grant Funds
Wisconsin Development Fund
Community Development Block Grant Fund
Environmental Remediation Fund

Proprietary Funds

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow.

The City reports the following major proprietary funds:

Water Utility – Accounts for providing water service
Sewer Fund – Accounts for providing sewer service

Fiduciary Funds (Not included in Government-Wide Statements)

Agency Fund – The Agency Fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The City's Tax Agency Fund accounts for the transactions pertaining to the City's tax appropriation.

Expendable Trust Fund – The City's expendable trust fund accounts for transactions pertaining to donated library resources.

C. BASIS OF ACCOUNTING

The government-wide financial statements and fund financial statements for the proprietary funds are presented 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 recognized at the time the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Unbilled receivables are recorded as revenues when services are provided.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING (Continued)

The proprietary funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989. The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility and the Sewer Fund are charges to customers for providing service to the City's residents and businesses. Operating expenses for proprietary funds include the cost of providing these services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., 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 90 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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

The City's property taxes are levied on or before December 31 on the equalized valuation as of the prior January 1 for all general property located in the City. The taxes are due and payable in the following year. Property taxes are recorded in the year levied as taxes receivable and deferred revenues. Property taxes are recognized in the appropriate fund as revenues in the succeeding year when they are collected and available to finance services.

The aggregate amount of property taxes to be levied for City purposes is determined according to provisions of Chapter 120 of the Wisconsin Statutes. Property taxes levied by the City are certified to local taxing districts for collection. Property taxes attach as an enforceable lien as of January 1. Taxes are levied in December on the assessed value as of the prior January 1.

Property tax calendar – 2010 tax roll:

Lien date and levy date	December, 2010
Tax bills mailed	December, 2010
Payment in full or first installment due	January 31, 2011
Second installment due	July 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING (Continued)

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 ha been made for the 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.

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

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, 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.

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

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

D. MEASUREMENT FOCUS

On the Government-Wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are included as liabilities in the government-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. CASH AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

Restricted Assets

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

F. INVENTORIES AND PREPAID ITEMS

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Enterprise funds inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction, 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.

G. CAPITAL ASSETS

Government-Wide Statements
In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than $1,500 for general capital assets and $5,000 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 fixed assets are recorded at their estimated fair value at the date of donation.

As allowed by the Governmental Accounting Standards Board, the City has chosen not to retroactively capitalize its infrastructure assets. Therefore, infrastructure assets have been capitalized starting January 1, 2004.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. CAPITAL ASSETS (Continued)

Government-Wide Statements (Continued)
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 used capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. There was no interest 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 of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land improvements	30 years
Infrastructure	30 - 50 years
Buildings and improvements	15 - 75 years
Machinery and equipment	5 - 25 years
Utility system	7 - 100 years

Fund Financial Statements
In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in enterprise fund operations are accounted for the same as in the government-wide statements.

H. INTERFUND RECEIVABLES AND PAYABLES

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". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

I. BUDGETS

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 1.C.

J. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. COMPENSATED ABSENCES AND OTHER EMPLOYEE BENEFIT AMOUNTS

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, enterprise, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2010 are determined on the basis of current salary rates and include salary related payments.

L. LONG-TERM OBLIGATIONS

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable, capital leases, unfunded retirement liability, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

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

M. OTHER ASSETS

In governmental funds, debt issuance costs are recognized in the current period. For the government-wide financial statements, governmental activity debt issuance costs are amortized over the life of the debt issue.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. CLAIMS AND JUDGMENTS

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statement. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year end.

O. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. EQUITY CLASSIFICATIONS

Government-Wide Statements

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

a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.

b. Restricted net assets – Consists of new assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. EQUITY CLASSIFICATIONS (Continued)

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved and unreserved, with unreserved further split between designated and undesignated. Reserved fund balances represent amounts not available for appropriation or is legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative management plans that are subject to change. Undesignated fund balance amounts represent amounts available for use in future periods.

Q. BASIS FOR EXISTING RATES – PROPRIETARY FUNDS

Water Utility

Current water rates were approved by the PSCW on July 16, 2008 and placed into effect by the Water Utility in August 2008. The rates are designed to provide a 6.00% return on rate base.

Sewer Fund

Current sewer rates were approved in April 2010 and placed into effect by the Sewer Fund in June 2010.

R. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 30, 2011, which is the date the financial statements were available to be issued.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.

Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds with a tax levy. A budget has been adopted for the General Fund and the Debt Service Fund.

The budgeted amounts presented include any amendments made during the year. The Common Council may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by two-thirds of the Common Council. There were no supplemental appropriations during the year. 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.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

The City controls expenditures at the department level. Some individual funds experienced expenditures which exceeded appropriations as follows:

Fund	Budgeted Expenditures	Actual Expenditures	Expenditures Over Appropriations
General Fund:			
Current:			
General government	$ 550,582	$ 557,179	$ (6,597)
Conservation and development	58,500	70,567	(12,067)
Debt Service Fund:			
Principal retirement	185,000	217,840	(32,840)
Interest and fiscal charges	113,795	115,522	(1,727)

Excess expenditures over appropriations were financed with excess revenues over budgeted amounts and transfers from other funds.

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. As of December 31, 2010, the following funds held deficit balances:

Fund	Amount	Reason
Tax Incremental Financing District No. 2	$ 2,012,880	Unrecovered costs
Environmental Remediation TIF District No. 1	55,244	Unrecovered costs
Capital Projects Fund	98,091	Excess expenses over appropriations
Other Grant Funds	3,713	Additional costs not funded by grants

D. BOND COVENANT DISCLOSURE

As part of the 2000, 2008 and 2010 Water and Sewer Revenue Bond resolutions, certain information is required to be disclosed.

Compliance with Funding Requirements

The utilities are in compliance with combined bond funding requirements.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

D. BOND COVENANT DISCLOSURE (Continued)

Number of Customers

The utilities served the following number of customers at December 31, 2010:

	Water	Sewer
Residential	1,238	1,252
Commercial	222	223
Industrial	17	21
Public authority	35	35
Totals	1,512	1,531

Insurance Coverage

The utilities were covered under the following insurance at December 31, 2010:

Company	Type	Coverage	Expiration Date
Aegis Corporation - Community Insurance Corporation	General liability	$ 5,000,000	7/1/2011
Hartford Steam Boiler Inspection & Insurance Company	Boiler & Machinery	$ 50,000,000	7/1/2011
Local Government Property Insurance Fund	Property	Replacement Cost	8/15/2011

Debt Coverage

2010 required and actual coverage factors are as follows:

Actual Defined Earnings	Water	Sewer
Change in net assets	$ 77,073	$ (34,542)
Plus:		
Interest expense	120,466	254,259
Depreciation	188,775	385,562
Amortization	6,676	6,719
Tax equivalent	75,667	5,048
Less:		
Interest received from State of Wisconsin	-	(44,864)
Income available for debt service	$ 468,657	$ 572,182

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

D. BOND COVENANT DISCLOSURE (Continued)

Debt Coverage (Continued)

	Water	Sewer
Annual debt service requirements	$ 244,833	$ 573,288
Less: Debt service reimbursed by State of Wisconsin	-	(125,282)
Net annual debt service requirements	$ 244,833	$ 448,006
2010 calculated coverage ratio	1.91	1.28
Required coverage ratio	1.00	1.10

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

Investment of City funds is restricted by State Statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in the State of Wisconsin, if the time deposits mature in not more than three years.

2. 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, local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.

3. Bonds or securities issued or guaranteed by the federal government.

4. The Local Government Investment Pool.

5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.

6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.

7. Repurchase agreements with public depositories, with certain conditions.

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

A. CASH AND INVESTMENTS (Continued)

The carrying amount of the City's cash and investments totaled $10,785,488 on December 31, 2010 and is summarized below:

Deposits with financial institutions	$ 10,785,488
	$ 10,785,488
Reconciliation to the basic financial statements:	
Government-Wide Statement of Net Assets:	
Cash and investments	$ 8,476,908
Fiduciary funds:	
Expendable Trust Fund	611,614
Agency Fund	1,696,966
	$ 10,785,488

Deposits and investments of the City are subject to various risks. Following is a discussion of the specific risks and the City's policy related to the risk.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure the City's deposits may not be returned to it. The City evaluates custodial credit risk through periodic monitoring of the financial condition of financial institutions where deposits are held. Formal written custodial risk policies have not been adopted by the City. As of December 31, 2010, $10,461,549 of the City's deposits with financial institutions totaling $10,775,243 was exposed to custodial credit risk as follows. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

Uninsured and uncollateralized	$ -
Uninsured and collateralized with securities held by pledging financial institutions	10,461,549
Total	$ 10,461,549

Deposits are also insured by the State Deposit Guarantee Fund in the amount of $400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual organizations. This coverage has not been considered in computing the above amounts.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Wisconsin State Statute limits the maturity of commercial paper and corporate bonds to not more than seven years. The City has no investments of this type at year end.

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

A. CASH AND INVESTMENTS (Continued)

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin Statute limits investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The City has no investments of this type at year end.

Concentration of Credit Risk – The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. The City had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments.

B. RECEIVABLES

Receivables as of year end for the government's individual major and nonmajor funds in the aggregate are as follows:

	General	TIF Districts	Nonmajor Funds	Total
Total receivables	$ 1,998,156	$ 1,526,694	$ 641,615	$ 4,166,465
Amounts not expected to be collected within one year	$ 169,000	$ 181,126	$ 604,398	$ 954,524

Special assessments, delinquent special assessments, and economic development loan receivables are not expected to be collected within one year.

C. DUE FROM STATE OF WISCONSIN – PROPRIETARY FUNDS

The State of Wisconsin Building Commission and the City of Mauston Sewer Fund entered into a special assessment agreement for the State's share of the Sewer Fund's expansion of its wastewater treatment plant. The State has committed to pay 56% of the costs of the treatment plant which resulted in an original amount due from the State of $1,615,535. Payments are being made to the Sewer Fund in annual installments equal to 56% of the annual principal and interest payments of the Clean Water Fund loan dated September 27, 2000. The amount receivable from the State of Wisconsin at the end of the year totaled $981,763.

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

C. DUE FROM STATE OF WISCONSIN – PROPRIETARY FUNDS (Continued)

The anticipated recoveries of the receivable are as follows:

Year		
2011	$	84,011
2012		87,365
2013		90,865
2014		94,518
2015		98,331
2016 - 2020		526,673
	$	981,763

D. LOANS RECEIVABLE

The balance of $619,398 loans receivable is comprised of the following at December 31, 2010:

Wisconsin Development Fund	$	556,579
Community Development Block Grant Fund		62,819
	$	619,398

Wisconsin Development Fund Grants
The City participates in "Home Loan Rehabilitation Projects" which are administered through the Mauston Community Betterment Program and Wisconsin Development Fund. Funding originated from Community Development Block Grants and Wisconsin Development Fund Grants, and revolving loans are available to assist low income residents to afford safe and sanitary housing, including improvements to the housing. Repayment periods vary, but generally monthly payments are required for a number of years. Interest rates on the loans vary from 0% (deferred) to 2.5%.

Community Development Block Grant
In prior years, the City participated in the Community Development Block Grant program. The program has loaned funds to local businesses at a 4% interest rate. Cash totaling $283,936 has accumulated from loan repayments and transfers from the urban development action grant and may be used for future loan disbursements.

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

E. RESTRICTED ASSETS

The City's governmental and fiduciary funds reported the following restricted assets at December 31, 2010:

	General Fund	Nonmajor Funds	Fidiciary Funds
Revolving loan fund deposits	$ -	$ 293,463	$ -
Parkland dedication	72,278	-	-
Jaws of life vehicle fund	7,661	-	-
Library fund	-	133,445	611,614
Total restricted cash	$ 79,939	$ 426,908	$ 611,614

In the Sewer Enterprise Fund, restricted assets represent cash reserved in accordance with utility revenue bond ordinances and can only be used in the following ways:

Bond Reserve Accounts – Payments from the accounts may be made only to prevent default in the event the monies in the bond principal and interest accounts are insufficient to make payments when due.

Bond Depreciation and Replacement Account – Payments from the account may be made for making emergency replacements, repairs and additions to the City's combined waterworks and sewerage system if other funds are not available. The Sewer Fund is required to deposit funds annually in the plant replacement fund to satisfy terms of the user charge ordinance. At December 31, 2010, the replacement fund balance was $423,445.

At December 31, 2010, enterprise fund restricted cash consisted of the following:

	Water	Sewer
Bond reserve accounts	$ 167,262	$ 386,493
Depreciation and equipment	72,361	72,388
Equipment replacement fund	-	423,445
Total restricted cash	$ 239,623	$ 882,326

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

F. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2010 was as follows:

	Balance 1/1/2010	Additions	Deletions	Balance 12/31/2010
Governmental activities				
Capital assets not being depreciated:				
Land	$ 1,907,630	$ -	$ -	$ 1,907,630
Construction in progress	-	10,831	-	10,831
Total capital assets not being depreciated	1,907,630	10,831	-	1,918,461
Capital assets being depreciated:				
Land improvements	437,141	-	-	437,141
Buildings and improvements	5,992,234	33,986	-	6,026,220
Machinery and equipment	2,932,057	66,440	48,489	2,950,008
Infrastructure	2,856,804	427,358	-	3,284,162
Total capital assets being depreciated	12,218,236	527,784	48,489	12,697,531
Less: accumulated depreciation:				
Land improvements	(318,445)	(8,313)	-	(326,758)
Buildings and improvements	(898,302)	(98,852)	-	(997,154)
Machinery and equipment	(1,588,712)	(158,631)	(43,325)	(1,704,018)
Infrastructure	(226,152)	(67,656)	-	(293,808)
Total accumulated depreciation	(3,031,611)	(333,452)	(43,325)	(3,321,738)
Net capital assets	$ 11,094,255	$ 205,163	$ 5,164	$ 11,294,254

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	$ 28,763
Public safety	62,662
Public works	158,707
Culture and recreation	79,665
Conservation and development	3,655
Total governmental activities depreciation expense	$ 333,452

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

F. CAPITAL ASSETS (Continued)

Capital asset activity for enterprise funds for the year ended December 31, 2010 was as follows:

	Balance 1/1/2010	Additions	Deletions	Balance 12/31/2010
Water				
Capital assets not being depreciated:				
Land and land rights	$ 7,256	$ -	$ -	$ 7,256
Construction in progress	17,187	-	17,187	-
Total capital assets not being depreciated	24,443	-	17,187	7,256
Capital assets being depreciated:				
Source of supply	263,777	-	-	263,777
Pumping	355,104	-	-	355,104
Transmission and distribution	8,161,250	1,030,055	45,074	9,146,231
General	430,669	26,145	-	456,814
Total capital assets being depreciated	9,210,800	1,056,200	45,074	10,221,926
Total capital assets	$ 9,235,243	$ 1,056,200	$ 62,261	$ 10,229,182
Sewer				
Capital assets not being depreciated:				
Land and land rights	$ 428,184	$ -	$ -	$ 428,184
Construction in progress	17,187	-	17,187	-
Total capital assets not being depreciated	445,371	-	17,187	428,184
Capital assets being depreciated:				
Collecting system	9,416,013	1,608,301	32,798	10,991,516
Treatment and disposal	4,428,966	-	-	4,428,966
General	323,237	2,500	-	325,737
Total capital assets being depreciated	14,168,216	1,610,801	32,798	15,746,219
Total capital assets	$ 14,613,587	$ 1,610,801	$ 49,985	$ 16,174,403

A summary of depreciation rates and accumulated depreciation for Water and Sewer follows:

Fund	Depreciation Rate	Balance 1/1/2010	2010 Depreciation Expense	2010 Meter Reading Allocation	2010 Retirements and Removals	Balance 12/31/2010
Water	1.3% - 20.0%	$ 1,788,272	$ 188,775	$ 12,425	$ 47,624	$ 1,941,848
Sewer	1.3% - 10.0%	4,264,692	385,562	(12,425)	32,798	4,605,031
		$ 6,052,964	$ 574,337	$ -	$ 80,422	$ 6,546,879

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

G. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund transfers:

Transfer from:	Transfer to:	Purpose:	Amount
General Fund	Capital Projects Fund	City's share of projects	$ 257,241
Capital Projects Fund	Debt Service Fund	Capital lease payment	34,567
General Fund	Other Grants Fund	City's share of project	80
General Fund	Library Fund	Annual appropriation	310,000
General Fund	Share Ride Taxi Fund	Annual appropriation	8,701

The following is a schedule of interfund advances:

	Advances To Other Funds	Advances From Other Funds
General Fund	$ 1,145,027	$ 608,159
Tax Incremental Financing Districts:		
TIF District No. 2	-	1,665,827
TIF District No. 3	-	469,200
Water Utility	530,000	-
Sewer Fund	1,068,159	-
Totals	$ 2,743,186	$ 2,743,186

The following is a schedule of interfund receivables/payables anticipated to be settled within one year:

	Due From Other Funds	Due To Other Funds
General Fund	$ 380,055	$ -
Environmental Remediation TIF District No. 1	-	55,244
Capital Projects Fund	-	289,578
Shared Ride Taxi Fund	-	19,053
Community Development Block Grant Fund	-	12,467
Other Grant Funds	-	3,713
Totals	$ 380,055	$ 380,055

H. DEFERRED REVENUES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

H. DEFERRED REVENUES (Continued)

At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Property taxes receivable	$ -	$ 2,864,228	$ 2,864,228
Special assessments not yet due	503,565	-	503,565
Developer assessments not yet earned	-	19,453	19,453
Total deferred revenue for governmental funds	$ 503,565	$ 2,883,681	$ 3,387,246

I. SHORT-TERM DEBT

The Water Utility and Sewer Fund issued interim financing during 2009 and 2010 to temporarily finance utility upgrades in anticipation of the issuance of the 2010 Rural Development mortgage revenue bonds. A summary of the activity for the year ended December 31, 2010 was as follows:

Issue	Issue Date	Balance 1/1/2010	Increases	Decreases	Balance 12/31/2010	Interest Paid
G.O. Promissory Notes	6/23/2009	$ 625,591	$ 274,409	$ 900,000	$ -	$ 5,286
G.O. Promissory Notes	3/9/2010	-	919,000	919,000	-	9,128
Municipal Tax and Revenue Anticipation Bonds - Water	4/27/2010	-	782,000	782,000	-	2,017
Municipal Tax and Revenue Anticipation Bonds - Sewer	4/27/2010	-	694,000	694,000	-	1,566
		$ 625,591	$ 2,669,409	$ 3,295,000	$ -	$ 17,997

J. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2010 was as follows:

	Balance 1/1/2010	Increases	Decreases	Balance 12/31/2010	Amounts Due Within One Year
Governmental Activities					
Bonds and notes payable:					
General obligation debt	$ 6,210,000	$ -	$ 520,000	$ 5,690,000	$ 520,000
Total bonds and notes payable	6,210,000	-	520,000	5,690,000	520,000

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

J. LONG-TERM OBLIGATIONS (Continued)

	Balance 1/1/2010	Increases	Decreases	Balance 12/31/2010	Amounts Due Within One Year
Governmental Activities (Continued)					
Other liabilities:					
Capital lease	$ 32,840	$ -	$ 32,840	$ -	$ -
Vested employee benefits	79,396	4,635	-	84,031	-
Unfunded retirement liability	40,318	3,020	1,598	41,740	1,620
Advance payable to Mauston RDA	1,030,000	-	125,000	905,000	125,000
Advance payable to Utilities	1,598,159	-	-	1,598,159	-
Total other liabilities	2,780,713	7,655	159,438	2,628,930	126,620
Total governmental activities - long-term liabilities	$ 8,990,713	$ 7,655	$ 679,438	$ 8,318,930	$ 646,620
Business-Type Activities					
Bonds and notes payable:					
General obligation debt	$ 720,000	$ -	$ 35,000	$ 685,000	$ 35,000
Revenue bonds	8,047,381	6,970,000	4,006,695	11,010,686	276,504
Total business-type activities - long-term liabilities	$ 8,767,381	$ 6,970,000	$ 4,041,695	$ 11,695,686	$ 311,504

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. Enterprise funds general obligation debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2010 was $10,921,445. Total general obligation debt outstanding at year end was $6,375,000.

Governmental activities debt at December 31, 2010 consists of the following:

	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/2010
General Obligation Debt					
Promissory notes	9/13/2005	12/1/2014	2.95% - 4.35%	$ 2,260,000	$ 1,535,000
Promissory notes	11/19/2009	6/1/2019	1.20% - 3.75%	1,415,000	1,255,000
Refunding bonds	12/17/2002	12/1/2021	3.00% - 4.90%	3,785,000	2,900,000
Total governmental activities - long-term debt					$ 5,690,000

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

J. LONG-TERM OBLIGATIONS (Continued)

Debt service requirements to maturity are as follows:

Years	Governmental Activities Long-term Debt	
	Principal	Interest
2011	$ 520,000	$ 226,020
2012	535,000	209,030
2013	560,000	190,438
2014	590,000	170,203
2015	1,380,000	127,485
2016 - 2020	1,770,000	304,366
2021	335,000	16,415
Totals	$ 5,690,000	$ 1,243,957

Enterprise funds debt at December 31, 2010 consists of the following:

	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/2010
Enterprise Funds					
Water refunding bonds	6/15/2010	12/1/2030	4.850%	$ 1,680,000	$ 1,680,000
Water revenue bonds	7/15/2008	5/1/2048	4.125%	722,200	664,923
Water revenue bonds	12/16/2010	12/1/2050	3.000%	1,121,000	1,121,000
Sewer refunding bonds	6/15/2010	5/1/2030	4.850%	1,995,000	1,995,000
Sewer revenue bonds	9/27/2000	5/1/2020	4.359%	2,904,892	1,677,502
Sewer revenue bonds	7/15/2008	5/1/2039	4.125%	2,000,000	1,698,261
Sewer revenue bonds	12/16/2010	12/1/2050	3.000%	2,174,000	2,174,000
General obligation debt	9/13/2005	6/1/2015	2.95% - 4.35%	825,000	685,000
Total enterprise funds - long-term debt					$ 11,695,686

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

J. LONG-TERM OBLIGATIONS (Continued)

Debt service requirements to maturity are as follows:

Years	Business-Type Activities	
	Principal	Interest
2011	$ 311,504	$ 506,617
2012	321,531	461,144
2013	350,894	447,028
2014	365,804	431,993
2015	890,976	404,416
2016 - 2020	1,938,320	1,727,819
2021 - 2025	1,906,533	1,315,071
2026 - 2030	2,388,600	844,182
2031 - 2035	931,280	475,834
2036 - 2040	956,299	295,077
2041 - 2045	679,445	155,839
2046 - 2050	654,500	55,204
Totals	$ 11,695,686	$ 7,120,224

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The City believes it is in compliance with all significant limitations and restrictions (see Note 2.D).

K. GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental activities net assets reported on the Government-Wide Statement of Net Assets at December 31, 2010 includes the following:

Invested in capital assets, net of related debt:	
Land	$ 1,907,630
Construction in progress	10,831
Other capital assets, net of accumulated depreciation	9,375,793
Less: related long-term debt outstanding	(6,298,159)
Total invested in capital assets	4,996,095
Restricted for special purposes:	
Revolving Loan Fund	901,020
Library donations restricted for capital expansion	133,445
Donations/contributions restricted as to use	79,939
Total restricted for special purposes	1,114,404
Unrestricted	1,854,278
Total governmental activities net assets	$ 7,964,777

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

L. GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2010 include the following:

Reserved	
General Fund:	
Reserved for advances to TIF	$ 1,145,027
Reserved for county and local streets	4,000
Nonmajor funds:	
Wisconsin Development Fund	
Reserved for loans	556,579
Community Development Block Grant Fund	
Reserved for loans	62,819
Total reserved	1,768,425
Unreserved - Designated	
General Fund:	
Parkland dedication, Jaws of Life, and Economic Development	79,939
TIF District No. 2	(2,012,880)
TIF District No. 3	946,235
Environmental Remediation TIF District No. 1	(55,244)
Capital Projects Fund	(98,091)
Nonmajor funds:	
Designated for subsequent years expenditures	
Room Tax Fund	37,052
Library Fund	366,136
Shared Ride Taxi Fund	12,343
Wisconsin Development Fund	10,153
Community Development Block Grant Fund	271,469
Other Grant Funds	(3,713)
Unreserved - Undesignated	
General Fund	1,081,377
Total unreserved	634,776
Total governmental fund balances	$ 2,403,201

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

M. EMPLOYEES RETIREMENT SYSTEM

All eligible City of Mauston employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit public employee retirement system. All permanent employees expected to work at least 600 hours a year are eligible to participate in the WRS. Covered employees are required by statute to contribute 6.2% of their salary (5.5% for protective occupations with Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for City of Mauston employees covered by the WRS for the year ended December 31, 2010 was $1,322,307; the City's total payroll was $1,512,178. The total required contribution for the year ended December 31, 2010 was $159,498, which consisted of $80,324, or 6.1% of payroll from the employer and $79,174, or 6.0% of payroll from employees. Total contributions for the years ending December 31, 2009 and 2008 were $158,045 and $148,225, respectively.

Employees who retire at or after age 65 (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. Protective occupation employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment 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 are immediately vested.

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

The pension related debt for the City as of December 31, 2010, was $41,740. This liability was determined in accordance with provisions of GASB Statement 27 regarding pension-related debt. Depending on actuarial assumptions, this estimate can vary significantly. This liability is considered an actuarial liability and is reported on the Statement of Net Assets.

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

N. STATUS OF TAX INCREMENTAL FINANCING DISTRICTS

Summary Description

The City has created Tax Incremental Financing Districts (TIF Districts or TID) in accordance with Section 66.1105 of the Wisconsin Statutes. The purpose of that section is to allow a municipality to recover development and improvements costs in a designated area from the property taxes generated on the increased value of the property after creation of the district. The tax on the increased value is called a tax increment.

Generally, the statutes provide that no project costs may be expended later than seven years after the creation date of the district. The statutes further allow the municipality to collect tax increments for sixteen years after the last project expenditure is made or until the net project cost of the district has been recovered, whichever occurs first. The 1995-97 state budget act changed these timeframes for districts created prior to October 1, 1995. The budget act extended the project expenditure period for these districts from seven years to ten years. Also, the budget act established a maximum life of twenty-seven years on these districts. Project costs uncollected at the dissolution date are absorbed by the municipality.

The State has enacted several changes relating to tax incremental financing districts in 2004. One of these changes extends the expenditure period for all current and future districts, effective October 1, 2004, to five years prior to the termination of the district's unextended maximum life. For those districts that have reached the end of its expenditure period prior to October 1, 2004, it allows a municipality to expend additional project costs included in the project plan beginning October 1, 2004.

The City has created Tax Incremental Financing Districts No. 2 and 3 effective October 4, 1995. A summary of the cumulative status is as follows:

	TID No. 2	TID No. 3
Revenues:		
Taxes	$ 2,468,686	$ 4,174,018
Special assessments	819,965	1,111,026
Intergovernmental	29,749	38,171
Proceeds on long-term debt	3,285,000	7,865,000
Sale of property	814,000	32,200
Interest income	211,646	270,750
Contribution from TIF District 3	202,285	-
Total revenues	$ 7,831,331	$ 13,491,165
Expenditures:		
Project costs	$ 6,081,902	$ 4,547,741
Repayment of long-term debt	2,295,000	5,785,000
Administration	85,358	68,123
Contribution to TIF District 2	-	202,285
Interest and fiscal charges	1,381,951	1,941,781
Total expenditures	$ 9,844,211	$ 12,544,930

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

N. STATUS OF TAX INCREMENTAL FINANCING DISTRICTS (Continued)

	TID No. 2	TID No. 3
Valuations:		
Current value	$ 19,200,100	$ 34,003,300
Base	2,684,900	9,184,500
Increment	$ 16,515,200	$ 24,818,800

Advances of $1,145,027 have been recorded in the General Fund, $530,000 in the Water Utility, and $460,000 in the Sewer Fund to reflect costs advanced on behalf of the Districts.

The intent of the City is to recover the above amounts from future TID surplus funds, if any, prior to termination of the respective TIDs. Unless terminated by the City prior thereto, each TID has a statutory termination year of 2022.

The City amended the project plan for TID No. 3 to allow the allocation of positive tax increment to TID No. 2 in five annual installments beginning in 2010.

On November 10, 2009, the City Council confirmed Resolution 2009-23, which approved the creation of Environmental Remediation TIF District No. 1. The District has been created to assist in the financing of environmental remediation costs incurred inside the District. In accordance with State Statutes, the District was able to capture eligible costs occurring in previous years. These costs, totaled $55,244 through December 31, 2010.

NOTE 4. OTHER INFORMATION

A. COMMITMENTS AND CONTINGENCIES

The City participates in a number of Federal and State assisted grant programs, which are subject to financial and compliance audits and review by grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City officials believe such disallowances, if any, will be immaterial.

The City has entered into various commitments and contracts involving infrastructure improvements, environmental remediation and other capital projects. Funding for these projects has been obtained from grants, loans and internal funds of the municipality.

The City's Tax Incremental Financing Districts have various commitments to developers for pay as you go projects. The City's obligation is limited to tax incremental revenues collected or eligible project costs over varying time frames. Since the commitments are based upon tax increments, any payments due developers have been recorded in the financial statements on a pay as you go basis.

NOTE 4. OTHER INFORMATION (Continued)

A. COMMITMENTS AND CONTINGENCIES (Continued)

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 Attorneys 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.

Funding for the operating budget of the City comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the City. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the City.

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 insurance coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

C. COMPONENT UNIT - HOUSING AUTHORITY OF THE CITY OF MAUSTON

The component unit column in the combined financial statements includes the financial data as of June 30, 2010 of the City's component unit, the Housing Authority of the City of Mauston. It is reported in a separate column to emphasize that it is legally separate from the City. The Housing Authority was organized to provide housing for low income families and elderly who cannot afford standard private housing. The Housing Authority is governed by an appointed Board of Commissioners who employ an executive director. The Housing Authority receives annual contributions (subsidies) for the purpose of maintaining the low income character of the program.

A summary of the component unit's more significant policies are as follows:

Investments
Investments are stated at fair market value.

Income Taxes
The Housing Authority is exempt from income taxes.

NOTE 4. OTHER INFORMATION (Continued)

C. COMPONENT UNIT - HOUSING AUTHORITY OF THE CITY OF MAUSTON (Continued)

Land, Structures and Equipment
Expenditures for fixed are capitalized at cost if the useful life is over 1 year and cost exceeds $500. Depreciation is provided on a straight-line basis over the estimated useful lives as follows:

Buildings	40 years
Equipment	5-10 years
Improvements	15 years

Current year depreciation expense is $80,151.

D. COMPONENT UNIT – MAUSTON REDEVELOPMENT AUTHORITY (RDA)

This report contains the Mauston Redevelopment Authority (RDA), which is included as a component unit. Financial information is presented as a discrete column in the statement of net assets.

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

a. Basis of Accounting/Measurement Focus:

The Mauston Redevelopment Authority follows the modified accrual basis of accounting.

b. Advance to City of Mauston TIF District No. 2:

The Mauston Redevelopment Authority has extended an advance to the City of Mauston TIF District No. 2 to provide financing for project expenditures. The advance is equal to and at the same terms of the 2005 Redevelopment Revenue Bonds disclosed below.

c. Redevelopment Revenue Bonds:

	Balance 1/1/2010	Additions	Deletions	Balance 12/31/2010	Amounts Due Within One Year
2005 Redevelopment Revenue Bonds dated September 13, 2005. Interest payments due semi-annually June 1 and December 1 through 2022 at rates varying from 3.4% - 5.0%. Principal payments vary and are due annually on December 1 through 2022.	$ 1,030,000	$ -	$ 125,000	$ 905,000	$ 125,000

NOTE 4. OTHER INFORMATION (Continued)

D. COMPONENT UNIT – MAUSTON REDEVELOPMENT AUTHORITY (RDA) (Continued)

The City of Mauston TIF District No. 2 has pledged tax increment revenues to the Mauston Redevelopment Authority for payment of the debt service of the Redevelopment Revenue Bonds.

Years	Principal	Interest
2011	$ 125,000	$ 41,245
2012	125,000	36,120
2013	130,000	30,808
2014	50,000	25,087
2015	50,000	22,838
2016 - 2020	290,000	77,460
2021 - 2022	135,000	10,250
Totals	$ 905,000	$ 243,808

E. JOINT VENTURE

The City of Mauston and the City of New Lisbon jointly operate the local airport, which is called the New Lisbon/Mauston Airport and provides airport service. The communities share in the operation of the district equally. 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 $15,000 to the airport for 2010. The City believes that the airport will continue to provide services in the future at similar rates.

Audited summary financial information of the airport as of December 31, 2010 is unavailable. The transactions of the airport are not reflected in these financial statements.

F. PRIOR PERIOD ADJUSTMENT (RESTATEMENT OF BEGINNING FUND BALANCE)

A reclassification of beginning fund balance from Tax Incremental Financing District No. 3 and the General Fund to Tax Incremental Financing District No. 2 was identified during analysis of the Districts' accumulated activity. The net effect of the prior period adjustment resulted in an increase in Tax Incremental Financing District No. 2's beginning fund balance of $469,200 and a reduction in Tax Incremental Financing District No. 3 and General Fund's fund balance of $403,000 and $66,200, respectively. Since the funds are combined in the governmental activities column of the government-wide statements, no restatement of beginning net assets is necessary.

G. SUBSEQUENT EVENTS

On June 14, 2011, the City Council authorized the issuance and sale of General Obligation Refunding Bonds totaling $4,430,000 for the refunding of the 2002 and 2005 General Obligation Bonds and Notes. The new bonds will be dated July 6, 2011, and have principal and interest payments due semiannually through 2025 at rates varying from 0.8% to 3.5%.

SUPPLEMENTAL INFORMATION

CITY OF MAUSTON, WISCONSIN
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
For the Year Ended December 31, 2010
With Comparative Actual Totals for Year Ended December 31, 2009

	2010			Variance with Final Budget Favorable - (Unfavorable)	2009 Actual Totals (Memorandum Only)
	Budget Amounts				
	Original	Final	Actual		
Taxes and special assessments:					
Taxes:					
General property taxes	$ 1,252,866	$ 1,252,866	$ 1,252,851	$ (15)	$ 1,250,281
Mobile home parking permit fees/taxes	31,750	31,750	31,746	(4)	30,791
Taxes from utilities	80,715	80,715	80,715	-	80,715
Payment in lieu of taxes	11,000	11,000	22,902	11,902	11,039
Interest on delinquent property taxes	500	500	98	(402)	727
Total taxes	1,376,831	1,376,831	1,388,312	11,481	1,373,553
Special assessments:					
Sidewalks, curbs and gutters	-	-	82,731	82,731	67,511
Interest	3,500	3,500	5,483	1,983	7,451
Total special assessments	3,500	3,500	88,214	84,714	74,962
Total taxes and special assessments	1,380,331	1,380,331	1,476,526	96,195	1,448,515
Intergovernmental:					
State aid:					
Shared taxes	1,125,492	1,125,492	1,124,801	(691)	1,071,342
Fire insurance	7,000	7,000	7,053	53	7,003
Highway and CDBG grant	381,041	381,041	379,882	(1,159)	424,416
Connecting streets	62,580	62,580	62,462	(118)	63,957
Law enforcement training	2,000	2,000	2,340	340	-
Recycling	21,759	21,759	20,608	(1,151)	19,587
DNR fire prevention	-	-	-	-	4,150
Miscellaneous	8,031	8,031	7,645	(386)	37,847
Total state aid	1,607,903	1,607,903	1,604,791	(3,112)	1,628,302
Other aids:					
Municipal services	72,083	72,083	72,815	732	79,938
Total other aids	72,083	72,083	72,815	732	79,938
Total intergovernmental	1,679,986	1,679,986	1,677,606	(2,380)	1,708,240

CITY OF MAUSTON, WISCONSIN
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
(CONTINUED)
For the Year Ended December 31, 2010
With Comparative Actual Totals for Year Ended December 31, 2009

	2010			Variance with Final Budget Favorable - (Unfavorable)	2009 Actual Totals (Memorandum Only)
	Budget Amounts				
	Original	Final	Actual		
Licenses and permits:					
Liquor and malt beverage license	$ 7,600	$ 7,600	$ 5,714	$ (1,886)	$ 6,892
Operators	4,225	4,225	5,500	1,275	4,318
Animal licenses	525	525	153	(372)	146
Other permits licenses	900	900	451	(449)	941
Cable TV	27,425	27,425	25,526	(1,899)	25,729
Building	10,000	10,000	23,836	13,836	23,199
Zoning	1,500	1,500	1,575	75	1,555
Total licenses and permits	52,175	52,175	62,755	10,580	62,780
Penalties and forfeitures:					
Court penalties and cost	19,500	19,500	17,669	(1,831)	18,607
Parking violations	12,000	12,000	8,690	(3,310)	9,600
Total penalties and forfeitures	31,500	31,500	26,359	(5,141)	28,207
Public charges for services:					
Fire protection	113,146	113,146	127,810	14,664	142,411
Law enforcement fees	750	750	439	(311)	693
School police liaison	31,647	31,647	32,856	1,209	-
Public works services	11,000	11,000	9,180	(1,820)	5,685
Refuse collection	129,750	129,750	145,503	15,753	139,292
Recreational income	500	500	12,571	12,071	12,258
Grave digging	2,500	2,500	2,300	(200)	3,200
Total public charges for services	289,293	289,293	330,659	41,366	303,539
Interest:					
Interest on investments	18,900	18,900	44,972	26,072	40,382
Miscellaneous general revenues:					
Rent on buildings	11,000	11,000	18,320	7,320	11,548
Rent of fairgrounds	1,200	1,200	1,585	385	1,460
Jaws of life vehicle fund	1,000	1,000	375	(625)	325
Insurance recoveries	4,000	4,000	-	(4,000)	3,284
Parkland dedication revenues	-	-	12,000	12,000	-
Miscellaneous revenues	6,325	6,325	13,090	6,765	9,027
Total miscellaneous general revenues	23,525	23,525	45,370	21,845	25,644
Total revenues	$ 3,475,710	$ 3,475,710	$ 3,664,247	$ 188,537	$ 3,617,307

CITY OF MAUSTON, WISCONSIN
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended December 31, 2010
With Comparative Actual Totals for Year Ended December 31, 2009

	2010			Variance with Final Budget Favorable - (Unfavorable)	2009 Actual Totals (Memorandum Only)
	Budget Amounts				
	Original	Final	Actual		
General government:					
Policy and administration	$ 382,558	$ 382,558	$ 385,667	$ (3,109)	$ 349,314
Planning and zoning	84,272	84,272	89,909	(5,637)	86,562
Municipal building and equipment	44,600	44,600	50,054	(5,454)	47,650
Legal services	11,615	11,615	4,198	7,417	7,505
Property and liability insurance	8,831	8,831	8,831	-	9,700
Telephone and fax	7,600	7,600	5,839	1,761	6,574
Contingency	11,106	11,106	12,681	(1,575)	25,191
Total general government	550,582	550,582	557,179	(6,597)	532,496
Public safety:					
Police:					
Wages and benefits	776,319	776,319	766,939	9,380	706,908
Equipment repair and maintenance	44,700	44,700	47,436	(2,736)	38,783
Insurance	25,974	25,974	25,974	-	28,679
School safety	28,812	28,812	22,787	6,025	22,298
Telephone and fax	6,000	6,000	5,980	20	5,862
Parking enforcement	1,800	1,800	578	1,222	670
Miscellaneous	22,515	22,515	9,796	12,719	9,298
Total police	906,120	906,120	879,490	26,630	812,498
Fire:					
Hydrant rental	231,924	231,924	231,924	-	231,924
Wages and benefits	91,150	91,150	75,480	15,670	95,565
and maintenance	35,000	35,000	35,210	(210)	33,653
Insurance	19,740	19,740	19,740	-	20,100
Utilities	15,000	15,000	10,642	4,358	11,075
Office supplies expense	3,760	3,760	3,322	438	2,707
Jaws of life program expense	-	-	446	(446)	1,614
Extinguisher testing	300	300	286	14	56
Total fire	396,874	396,874	377,050	19,824	396,694
Other:					
Ambulance	27,000	27,000	26,831	169	26,831
Total other	27,000	27,000	26,831	169	26,831
Total public safety	1,329,994	1,329,994	1,283,371	46,623	1,236,023

CITY OF MAUSTON, WISCONSIN
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
(CONTINUED)
For the Year Ended December 31, 2010
With Comparative Actual Totals for Year Ended December 31, 2009

	2010			Variance with Final Budget Favorable - (Unfavorable)	2009 Actual Totals (Memorandum Only)
	Budget Amounts				
	Original	Final	Actual		
Public works:					
Wages and benefits	$ 254,535	$ 254,535	$ 254,927	$ (392)	$ 232,061
Street construction and maintenance	141,779	141,779	117,449	24,330	207,738
Waste collection	129,750	129,750	135,740	(5,990)	134,627
Snow and ice removal	76,310	76,310	73,183	3,127	61,269
Street lighting and installation	79,886	79,886	83,704	(3,818)	84,819
Vehicle repair and maintenance	37,000	37,000	41,125	(4,125)	51,422
Insurance	20,779	20,779	20,779	-	23,380
Gasoline	18,000	18,000	10,982	7,018	8,850
Shop utilities	17,750	17,750	21,960	(4,210)	15,251
Trees and brush	5,000	5,000	7,305	(2,305)	11,602
Office supplies expense	12,660	12,660	8,573	4,087	7,972
Shop repair and maintenance	4,000	4,000	2,430	1,570	2,209
Street signs and markings	9,526	9,526	10,387	(861)	8,722
Total public works	806,975	806,975	788,544	18,431	849,922
Culture and recreation:					
Summer recreation:					
Sports events and programs	109,640	109,640	72,207	37,433	114,212
Wages and benefits	39,650	39,650	34,274	5,376	36,188
Building utility and repair	6,500	6,500	6,298	202	6,434
Supplies and expense	500	500	518	(18)	440
Cemetery	18,100	18,100	18,100	-	17,100
PEG channel	67,573	67,573	67,780	(207)	57,701
Total culture and recreation	241,963	241,963	199,177	42,786	232,075

CITY OF MAUSTON, WISCONSIN
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
(CONTINUED)
For the Year Ended December 31, 2010
With Comparative Actual Totals for Year Ended December 31, 2009

	2010			Variance with Final Budget Favorable - (Unfavorable)	2009 Actual Totals (Memorandum Only)
	Budget Amounts				
	Original	Final	Actual		
Conservation and development:					
Economic development:					
Greater Area Development Corp.	$ 20,000	$ 20,000	$ 20,000	$ -	$ 40,000
Airport	10,000	10,000	25,951	(15,951)	(814)
Environmental remediation	28,500	28,500	24,616	3,884	48,349
Total conservation and development	58,500	58,500	70,567	(12,067)	87,535
Capital outlay:					
Public safety:					
Police	-	-	-	-	26,400
Total public safety	-	-	-	-	26,400
Public works:					
Street construction	-	-	-	-	54,251
Equipment and machinery	-	-	-	-	23,345
Total public works	-	-	-	-	77,596
Total capital outlay	-	-	-	-	103,996
Total expenditures	$ 2,988,014	$ 2,988,014	$ 2,898,838	$ 89,176	$ 3,042,047

CITY OF MAUSTON, WISCONSIN
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2010
With Comparative Actual Totals for Year Ended December 31, 2009

	2010			2009
	Budget	Actual	Variance Favorable - (Unfavorable)	Actual Totals (Memorandum Only)
Revenues:				
Property taxes	$ 298,795	$ 298,795	$ -	$ 257,880
Total revenues	298,795	298,795	-	257,880
Expenditures:				
Debt service:				
Principal retirement	185,000	217,840	(32,840)	181,290
Interest and fiscal charges	113,795	115,522	(1,727)	111,055
Total expenditures	298,795	333,362	(34,567)	292,345
Excess (deficiency) of revenues over expenditures	-	(34,567)	(34,567)	(34,465)
Other financing sources (uses):				
Proceeds of long-term debt	-	-	-	985,000
Principal retirement	-	-	-	(985,000)
Operating transfers in	-	34,567	34,567	34,465
Total other financing sources (uses)	-	34,567	34,567	34,465
Excess (deficiency) of revenues over expenditures and other sources (uses)	-	-	-	-
Fund balance, January 1	-	-	-	-
Fund balance, December 31	$ -	$ -	$ -	$ -

CITY OF MAUSTON, WISCONSIN
TAX INCREMENTAL FINANCING DISTRICT FUNDS
COMBINING BALANCE SHEET
As of December 31, 2010
With Comparative Totals for December 31, 2009

	Tax Incremental Financing District No. 2	Tax Incremental Financing District No. 3	Environmental Remediation TIF District No. 1	2010 Totals	2009 Totals (Memorandum Only)
ASSETS					
Cash and cash equivalents	$ 557,947	$ 1,415,435	$ -	$ 1,973,382	$ 1,512,570
Receivables:					
Taxes	488,343	733,737	-	1,222,080	1,001,918
Special assessments	123,488	181,126	-	304,614	509,505
Customer accounts	-	-	-	-	4,075
Total assets	$ 1,169,778	$ 2,330,298	$ -	$ 3,500,076	$ 3,028,068
LIABILITIES AND FUND BALANCE					
Liabilities:					
Deferred revenues	$ 611,831	$ 914,863	$ -	$ 1,526,694	$ 1,511,423
Due to other funds	-	-	55,244	55,244	54,169
Advance due to Mauston RDA	905,000	-	-	905,000	1,030,000
Advances due to other funds	1,665,827	469,200	-	2,135,027	2,135,027
Total liabilities	3,182,658	1,384,063	55,244	4,621,965	4,730,619
Fund balance:					
Unreserved (deficit):					
Designated for subsequent years' expenditures	(2,012,880)	946,235	(55,244)	(1,121,889)	(1,702,551)
Total fund balance	(2,012,880)	946,235	(55,244)	(1,121,889)	(1,702,551)
Total liabilities and fund balance	$ 1,169,778	$ 2,330,298	$ -	$ 3,500,076	$ 3,028,068

CITY OF MAUSTON, WISCONSIN
TAX INCREMENTAL FINANCING DISTRICT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2010
With Comparative Totals for Year Ended December 31, 2009

	Tax Incremental Financing District No. 2	Tax Incremental Financing District No. 3	Environmental Remediation TIF District No. 1	2010 Totals	2009 Totals (Memorandum Only)
Revenues:					
Property taxes	$ 442,848	$ 559,070	$ -	$ 1,001,918	$ 915,464
Other local sources	204,891	-	-	204,891	70,367
Intergovernmental	1,458	4,907	-	6,365	3,203
Interest	23,681	27,234	-	50,915	32,022
Total revenues	672,878	591,211	-	1,264,089	1,021,056
Expenditures:					
Current:					
Conservation and development	237,147	3,772	1,075	241,994	131,698
Debt service:					
Principal retirement	65,000	270,000	-	335,000	357,500
Interest and fiscal charges	92,865	79,768	-	172,633	217,533
Total expenditures	395,012	353,540	1,075	749,627	706,731
Excess (deficiency) of revenues over expenditures	277,866	237,671	(1,075)	514,462	314,325
Other financing sources (uses):					
Transfer (to) from other district	202,285	(202,285)	-	-	-
Total other financing sources (uses)	202,285	(202,285)	-	-	-
Excess (deficiency) of revenues over expenditures and other sources (uses)	480,151	35,386	(1,075)	514,462	314,325
Fund balance (deficit), January 1	(2,962,231)	1,313,849	(54,169)	(1,702,551)	(2,016,876)
Prior period adjustment	469,200	(403,000)	-	66,200	-
Fund balance (deficit), January 1, restated	(2,493,031)	910,849	(54,169)	(1,636,351)	(2,016,876)
Fund balance (deficit), December 31	$ (2,012,880)	$ 946,235	$ (55,244)	$ (1,121,889)	$ (1,702,551)

CITY OF MAUSTON, WISCONSIN
NONMAJOR FUNDS
COMBINING BALANCE SHEET
As of December 31, 2010
With Comparative Totals for December 31, 2009

	Special Revenue Funds							
	Room Tax Fund	Library Fund	Shared Ride Taxi Fund	Wisconsin Development Fund	Community Development Block Grant	Other Grant Funds	2010 Totals	2009 Totals (Memorandum Only)
ASSETS								
Cash and cash equivalents	$ 14,835	$ 232,691	$ -	$ 626	$ -	$ -	$ 248,152	$ 302,433
Receivables:								
Customer accounts	22,217	-	-	-	-	-	22,217	24,357
Loans	-	-	-	556,579	62,819	-	619,398	552,589
Due from other governments	-	-	38,417	-	-	-	38,417	27,298
Restricted assets:								
Cash and cash equivalents	-	133,445	-	9,527	283,936	-	426,908	417,155
Total assets	$ 37,052	$ 366,136	$ 38,417	$ 566,732	$ 346,755	$ -	$ 1,355,092	$ 1,323,832
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accounts payable	$ -	$ -	$ 6,460	$ -	$ -	$ -	$ 6,460	$ 72,562
Due to other funds	-	-	19,053	-	12,467	3,713	35,233	11,810
Due to other governments	-	-	561	-	-	-	561	9,251
Total liabilities	-	-	26,074	-	12,467	3,713	42,254	93,623
Fund balance:								
Reserved for loans	-	-	-	556,579	62,819	-	619,398	552,589
Unreserved:								
Designated for subsequent years' expenditures	37,052	366,136	12,343	10,153	271,469	(3,713)	693,440	677,620
Total fund balance	37,052	366,136	12,343	566,732	334,288	(3,713)	1,312,838	1,230,209
Total liabilities and fund balance	$ 37,052	$ 366,136	$ 38,417	$ 566,732	$ 346,755	$ -	$ 1,355,092	$ 1,323,832

CITY OF MAUSTON, WISCONSIN
NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2010
With Comparative Totals for Year Ended December 31, 2009

	Special Revenue Funds						Capital Projects Fund		
	Room Tax Fund	Library Fund	Shared Ride Taxi Fund	Wisconsin Development Fund	Community Development Block Grant	Other Grant Funds	Environmental Remediation	2010 Totals	2009 Totals (Memorandum Only)
Revenues:									
Room tax	$ 111,964	$ -	$ -	$ -	$ -	$ -	$ -	$ 111,964	$ 113,169
Intergovernmental	-	184,686	125,937	137,000	136,087	36,628	6,729	627,067	643,828
Public charges for service	-	24,813	-	-	-	-	-	24,813	21,740
Interest	-	3,168	-	523	8,235	-	-	11,926	11,194
Miscellaneous revenues	25,402	7,175	-	-	-	-	-	32,577	51,966
Total revenues	137,366	219,842	125,937	137,523	144,322	36,628	6,729	808,347	841,897
Expenditures:									
Current:									
Public safety	-	-	-	-	-	5,844	-	5,844	-
Culture and recreation	-	479,597	-	-	-	-	-	479,597	475,533
Conservation and development	163,171	-	122,295	56,097	165,358	-	6,729	513,650	636,288
Capital outlay:									
Conservation and development	10,831	-	-	-	-	34,577	-	45,408	76,615
Total expenditures	174,002	479,597	122,295	56,097	165,358	40,421	6,729	1,044,499	1,188,436
Excess (deficiency) of revenues over expenditures	(36,636)	(259,755)	3,642	81,426	(21,036)	(3,793)	-	(236,152)	(346,539)
Other financing sources:									
Transfer (to) from other funds	-	310,000	8,701	-	-	80	-	318,781	327,092
Total other financing sources	-	310,000	8,701	-	-	80	-	318,781	327,092
Excess (deficiency) of revenues over expenditures and other sources	(36,636)	50,245	12,343	81,426	(21,036)	(3,713)	-	82,629	(19,447)
Fund balance, January 1	73,688	315,891	-	485,306	355,324	-	-	1,230,209	1,249,656
Fund balance, December 31	$ 37,052	$ 366,136	$ 12,343	$ 566,732	$ 334,288	$ (3,713)	$ -	$ 1,312,838	$ 1,230,209

CITY OF MAUSTON, WISCONSIN
WATER UTILITY
DETAILED STATEMENT OF SELECTED OPERATING
REVENUES AND EXPENSES
Year Ended December 31, 2010
With Comparative Totals for Year Ended December 31, 2009

	2010	2009 Totals (Memorandum Only)
Sales of water:		
Residential sales	$ 294,061	$ 295,828
Commercial sales	202,705	202,502
Industrial sales	26,276	24,001
Public fire protection	231,924	231,924
Private fire protection	26,419	24,731
Sales to public authority	64,991	60,812
Bulk water sales	300	1,484
Total sales of water	$ 846,676	$ 841,282
Operation and maintenance expenses:		
Maintenance of water source plant	$ 11,266	$ 4,218
Power purchased for pumping	43,073	33,462
Chemicals	33,779	46,065
Transmission and distribution labor	19,414	17,301
Transmission and distribution supplies	515	597
Maintenance of mains	46,414	43,188
Maintenance of services	10,543	15,073
Maintenance of meters	20,296	16,099
Maintenance of hydrants	9,480	8,252
Maintenance of other plant	9,451	7,838
Meter reading labor	15,096	12,392
Accounting and collecting labor	36,902	29,487
Customer accounts supplies and expense	1,291	2,180
Administrative and general salaries	38,034	32,574
Office supplies and expenses	10,161	9,477
Outside services employed	7,266	13,984
Property insurance	11,323	12,481
Employee pensions and benefits	73,485	67,918
Transportation expenses	13,525	8,515
Regulatory commission expense	765	752
Maintenance of general plant	1,168	1,103
Miscellaneous general expenses	2,568	1,774
Total operation and maintenance expenses	$ 415,815	$ 384,730

CITY OF MAUSTON, WISCONSIN
SEWER FUND
DETAILED STATEMENT OF SELECTED OPERATING
REVENUES AND EXPENSES
Year Ended December 31, 2010
With Comparative Totals for Year Ended December 31, 2009

	2010	2009 Totals (Memorandum Only)
Sewerage service fees:		
Residential sales	$ 380,278	$ 370,468
Sales to industrial customers	50,635	46,964
Commercial and public sales	410,507	402,505
Sales to public authorities	199,546	191,460
Total sewerage service fees	$ 1,040,966	$ 1,011,397
Operation and maintenance expenses:		
Supervision and labor	$ 158,859	$ 118,672
Power purchased for pumping	98,106	87,746
Operation supplies and expense	7,713	12,051
Transportation expenses	13,475	8,480
Maintenance of sewage collection system	181,261	104,346
Maintenance of treatment plant equipment	12,767	12,756
Maintenance of buildings	7,952	7,442
Office supplies and expenses	15,103	33,503
Outside services employed	3,186	9,626
Property insurance	11,323	12,481
Employee pensions and benefits	72,658	59,030
Regulatory commission expense	4,742	6,603
Miscellaneous general expense	13,385	11,234
Total operation and maintenance expenses	$ 600,530	$ 483,970

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REPORTS AND SCHEDULES ISSUED UNDER CIRCULAR A-133 AND GOVERNMENT AUDITING STANDARDS

CITY OF MAUSTON, WISCONSIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2010

Administering Agency/Pass-Through Agency/ Award Description	Federal CFDA Number		Loan or Grant Award	Cash/Accrued or (Deferred) Revenue at January 1	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/Accrued or (Deferred) Revenue at December 31
U.S. Department of Agriculture:							
Rural Development loans:							
Water Utility - R1	10.781	(1)(2)	$ 339,000	$ -	$ 243,817	$ 243,817	$ -
Water Utility - R2	10.781	(1)(2)	782,000	-	782,000	782,000	-
Sewer Fund - R1	10.781	(1)(2)	1,480,000	-	949,592	949,592	-
Sewer Fund - R2	10.781	(1)(2)	694,000	-	694,000	694,000	-
Total U.S. Department of Agriculture				-	2,669,409	2,669,409	-
U.S. Department of Housing and Urban Development:							
Passed through Wisconsin Department of Commerce							
CDBG grant - Entitlement Grants (Contract NSP 09-16)	14.218		308,672	-	126,917	136,087	9,170
CDBG grant - Contract #H 09-11	14.228		300,000	-	137,000	137,000	-
CDBG EAP 08-23	14.219	(2)	1,571,000	-	127,000	430,685	303,685
Total U.S. Department of Housing and Urban Development				-	390,917	703,772	312,855
U.S. Department of Transportation:							
Passed through Wisconsin Department of Transportation							
Public transportation transit aids	20.509			27,299	57,923	65,611	34,987
Capital assistance programs	20.513			-	34,497	34,497	-
Total U.S. Department of Transportation				27,299	92,420	100,108	34,987
U.S. Environmental Protection Agency:							
Passed through Wisconsin Department of Natural Resources							
Leaking Underground Storage Tank (LUST)	66.805		220,000	142,548	149,277	6,729	-
Total U.S. Environmental Protection Agency				142,548	149,277	6,729	-
Total Federal Awards				$ 169,847	$ 3,302,023	$ 3,480,018	$ 347,842

Notes:

(1) Status of Rural Development loans:

	Date of Issue	Approved Commitment	1/1/2010 Balance	Loan Draws	Principal Retirement	12/31/2010 Balance
Water Utility - R1	12/16/2010	$ 339,000	$ 95,183	$ 243,817	$ -	$ 339,000
Water Utility - R2	12/16/2010	782,000	-	782,000	-	782,000
Sewer Fund - R1	12/16/2010	1,480,000	530,408	949,592	-	1,480,000
Sewer Fund - R2	12/16/2010	694,000	-	694,000	-	694,000
			$ 625,591	$ 2,669,409	$ -	$ 3,295,000

(2) Tested as Major Program

See notes to schedules of expenditures of awards.

CITY OF MAUSTON, WISCONSIN
SCHEDULE OF EXPENDITURES OF STATE OF WISCONSIN AWARDS
Year Ended December 31, 2010

	State ID Number	Loan or Grant Award	Cash/Accrued or (Deferred) Revenue at January 1	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/Accrued or (Deferred) Revenue at December 31
Wisconsin Department of Natural Resources						
Brownfield Site Assessment Grant (SAG-353)	370.687	$ 100,000	$ 1,036	$ 1,198	$ 162	$ -
Total Wisconsin Department of Natural Resources			1,036	1,198	162	-
Wisconsin Department of Transportation						
State Taxi Assistance	395.104	100,000	(9,251)	48,204	60,325	2,870
Total Wisconsin Department of Transportation			(9,251)	48,204	60,325	2,870
Total State Awards			$ (8,215)	$ 49,402	$ 60,487	$ 2,870

See notes to schedules of expenditures of awards.

CITY OF MAUSTON, WISCONSIN
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS
Year Ended December 31, 2010

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State of Wisconsin Awards include all of the grant activity of the City of Mauston, Wisconsin and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2. FEDERAL AND STATE AGENCIES

The City's oversight agencies for the audit are the U.S. Department of Agriculture's Rural Development Agency and the State of Wisconsin Department of Administration.

NOTE 3. OTHER

The Schedule of Expenditures of Federal Awards contains additional footnotes specific to the loan and grant programs.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mayor and Members of
the Common Council
City of Mauston, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, the Mauston Redevelopment Authority aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mauston, Wisconsin, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2011. 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. We did not audit the financial statements of the Housing Authority of the City of Mauston which statements reflect total assets of $1,073,908 as of June 30, 2010 and total revenues of $789,377 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Mauston, is based on the report of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Mauston, Wisconsin's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mauston, Wisconsin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Mauston, Wisconsin's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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Internal Control Over Financial Reporting (continued)

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2010-1, 2010-2 and 2010-3 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2010-4 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mauston, Wisconsin's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to the management of the City of Mauston, Wisconsin, in separate correspondence dated June 30, 2011.

The City of Mauston, Wisconsin's response to the deficiencies identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Mauston, Wisconsin's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Common Council of the City of Mauston, Wisconsin, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Vig & Associates LLC

June 30, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mayor and Members of
the Common Council
City of Mauston, Wisconsin

Compliance

We have audited the City of Mauston, Wisconsin's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement, and the State Single Audit Guidelines issued by the Wisconsin Department of Administration (DOA) that could have a direct and material effect on each of the City of Mauston, Wisconsin's major federal and state programs for the year ended December 31, 2010. The City of Mauston, Wisconsin's major federal and state programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the City of Mauston, Wisconsin's management. Our responsibility is to express an opinion on the City of Mauston, Wisconsin's compliance based on our audit.

We conducted our audit of compliance 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; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and the State Single Audit Guidelines issued by the Wisconsin Department of Administration (DOA). Those standards, OMB Circular A-133, and the State Single Audit Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City of Mauston, Wisconsin's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Mauston, Wisconsin's compliance with those requirements.

In our opinion, the City of Mauston, Wisconsin complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2010.

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Internal Control Over Compliance

The management of the City of Mauston, Wisconsin is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the City of Mauston, Wisconsin's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Mauston, Wisconsin's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the members of the Common Council, management, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Vig & Associates LLC

June 30, 2011

CITY OF MAUSTON, WISCONSIN
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2010

There were no findings in the previous year.

CITY OF MAUSTON, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Mauston, Wisconsin.

2. Three material weaknesses *(2010-1, 2010-2 and 2010-3)* and one significant deficiency *(2010-4)* were noted in the audit of the financial statements. Management's responses to the deficiencies were not audited, and accordingly, no opinion is expressed on them.

   2010-1 - The City has a control deficiency in that overlapping duties are concentrated within a small number of accounting and administrative staff. This situation is not unusual and it is a control deficiency shared with entities of similar size because ideal segregation of duties and responsibilities may not be practical from a cost benefit standpoint.

   2010-2 - The City has established controls over most routine transactions involving cash receipts, cash disbursements, billing and receivables, and payroll. Controls over non-routine transactions of a complex nature may not be effective to ensure that they are properly recorded in the financial statements. In addition, controls over routine and non-routine transactions may be concentrated in personnel responsible for reconciling general ledger accounts and preparing general journal entries. Controls could be enhanced by involving other financial personnel or management in the approval of all reconciliations and journal entries.

   Management response to 2010-1 & 2010-2 – *The City is aware of the lack of segregation of duties issues but is unable to clear the deficiency due to limited resources.*

   2010-3 - The City has identified general fraud risks and the implication of those risks to its business; however, they have yet to develop a formal antifraud program with stated control processes.

   Management response to 2010-3 - *Although many fraud risks have been identified, a formal antifraud program with stated control processes has not yet been developed. The City is evaluating this matter further.*

A. SUMMARY OF AUDIT RESULTS (Continued)

2010-4 - Like other entities of similar size, the City requires the assistance of the auditor to draft financial statements and disclosures that comply with technical standards.

Management response to 2010-4 - *Due to the technical nature of preparing the financial statements, the City has requested the assistance of the auditor to draft the financial statements and the required disclosures. Due to limited resources, the City does not anticipate the need for this assistance to change in the foreseeable future.*

3. No instances of noncompliance material to the financial statements were disclosed during the audit.

4. No significant deficiencies relative to the audit of major federal and state programs were disclosed in the Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.

5. The auditors' report on compliance for the major federal and state awards programs expresses an unqualified opinion.

6. There were no audit findings relative to major federal and state awards programs.

7. The programs tested as major programs included:

Federal Program ID#	Name
10.781	Rural Development Loans
14.219	CDBG EAP 08-23

8. The dollar threshold used to distinguish between Type A and Type B programs was $300,000. The Rural Development Loan Program and CDBG EAP 08-23 were identified as Type A programs.

9. The City of Mauston, Wisconsin was not determined to be a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Other than the three material weaknesses and one significant deficiency listed as 2010-1 through 2010-4, no findings were reported.

CITY OF MAUSTON, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
For the Year Ended December 31, 2010

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

There were no findings and questioned costs required to be reported under Circular A-133.

D. FINDINGS AND QUESTIONED COSTS – STATE PROGRAMS

There were no findings and questioned costs required to be reported under Circular A-133 or State Single Audit Guidelines.

E. OTHER ISSUES

1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? No

2. Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned costs, material weakness, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the State Single Audit Guidelines:

Department of Corrections	N/A
Department of Health Services	N/A
Department of Workforce Development	N/A
Department of Commerce	No
Department of Natural Resources	No
Department of Transportation	No
Department of Administration	No

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes
An Audit Communication Letter was submitted to the oversight body

4. Name and signature of partner

Victoria L. Anderson

5. Date of report: June 30, 2011