

CITY OF MAUSTON, WISCONSIN

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORTS**

Year Ended December 31, 2011

Johnson Block & Company, Inc.
Certified Public Accountants
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CITY OF MAUSTON, WISCONSIN

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Certified Public Accountants

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INDEPENDENT AUDITOR'S 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, each major fund and the aggregate remaining fund information of the City of Mauston, Wisconsin, as of and for the year ended December 31, 2011, 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 \$1,038,048 as of June 30, 2011 and total revenues of \$680,282 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 and the report of the other auditors provide 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 unit, each major fund and the aggregate remaining fund information of the City of Mauston, Wisconsin, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2012 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.



As discussed in Note 1.B. to the basic financial statements, the City of Mauston, Wisconsin, implemented the provisions of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" as of January 1, 2011 and Governmental Accounting Standards Board Statement No. 61, "The Financial Reporting Entity: Omnibus" as of January 1, 2011.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented 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 other 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.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Viroqua, Wisconsin
September 24, 2012

BASIC FINANCIAL STATEMENTS

CITY OF MAUSTON, WISCONSIN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
As of December 31, 2011

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Housing Authority June 30, 2011*
Assets				
Current assets:				
Cash and investments	\$ 1,994,765	\$ 3,401,316	\$ 5,396,081	\$ 216,336
Receivables:				
Customer	430,350	242,803	673,153	-
Taxes	2,855,748	-	2,855,748	-
Special assessments	362,686	34,025	396,711	-
Other	-	131,253	131,253	2,280
Due from other governments	661,519	87,365	748,884	1,017
Inventories and prepaid items	336	28,454	28,790	15,971
Total current assets	<u>6,305,404</u>	<u>3,925,216</u>	<u>10,230,620</u>	<u>235,604</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	537,280	1,111,902	1,649,182	82,896
Economic development loans receivable	696,579	-	696,579	-
Capital assets:				
Land	2,005,815	435,440	2,441,255	261,819
Construction in progress	602,723	-	602,723	-
Other capital assets, net of depreciation	9,467,408	20,334,171	29,801,579	457,729
Internal balances	(1,598,159)	1,598,159	-	-
Due from State of Wisconsin	-	810,387	810,387	-
Unamortized debt issuance expense	114,233	88,604	202,837	-
Total noncurrent assets	<u>11,825,879</u>	<u>24,378,663</u>	<u>36,204,542</u>	<u>802,444</u>
Total assets	<u>\$ 18,131,283</u>	<u>\$ 28,303,879</u>	<u>\$ 46,435,162</u>	<u>\$ 1,038,048</u>

*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, 2011

	Primary Government			Housing Authority June 30, 2011*
	Governmental Activities	Business- Type Activities	Total	
Liabilities				
Current liabilities				
(payable from current assets):				
Accounts payable	\$ 197,981	\$ 158,481	\$ 356,462	\$ 5,947
Accrued liabilities:				
Interest	41,897	-	41,897	-
Other	13,354	19,070	32,424	-
Due to other governments	744	-	744	10,416
Deferred revenue	3,679,142	-	3,679,142	357
Total current liabilities				
(payable from current assets)	<u>3,933,118</u>	<u>177,551</u>	<u>4,110,669</u>	<u>16,720</u>
Current liabilities				
(payable from restricted assets):				
Current portion of long-term obligations	-	321,531	321,531	-
Accrued interest payable	-	62,730	62,730	-
Tenant deposits	-	-	-	11,519
Total current liabilities				
(payable from restricted assets)	<u>-</u>	<u>384,261</u>	<u>384,261</u>	<u>11,519</u>
Total current liabilities	<u>3,933,118</u>	<u>561,812</u>	<u>4,494,930</u>	<u>28,239</u>
Noncurrent liabilities:				
Due within one year	586,620	-	586,620	-
Due in more than one year	5,172,075	11,061,071	16,233,146	-
Total noncurrent liabilities	<u>5,758,695</u>	<u>11,061,071</u>	<u>16,819,766</u>	<u>-</u>
Total liabilities	<u>9,691,813</u>	<u>11,622,883</u>	<u>21,314,696</u>	<u>28,239</u>
Net Assets				
Invested in capital assets, net of related debt	5,862,787	9,387,009	15,249,796	719,548
Restricted for:				
Special purposes	1,225,214	1,049,172	2,274,386	71,377
Unrestricted	1,351,469	6,244,815	7,596,284	218,884
Total net assets	<u>8,439,470</u>	<u>16,680,996</u>	<u>25,120,466</u>	<u>1,009,809</u>
Total liabilities and net assets	<u>\$ 18,131,283</u>	<u>\$ 28,303,879</u>	<u>\$ 46,435,162</u>	<u>\$ 1,038,048</u>

*Fiscal year-end of the component unit.

See accompanying notes to financial statements.

CITY OF MAUSTON, WISCONSIN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contri- butions	Capital Grants and Contri- butions	Primary Government			Component Unit
					Gov't. Activities	Business- Type Activities	Total	Housing Authority, Year Ended June 30, 2011*
Governmental activities:								
General government	\$ 590,185	\$ 76,820	\$ 72,683	\$ -	\$ (440,682)	\$ -	\$ (440,682)	\$ -
Public safety	1,405,646	201,999	19,072	34,902	(1,149,673)	-	(1,149,673)	-
Public works	1,633,914	163,667	1,109,981	-	(360,266)	-	(360,266)	-
Culture and recreation	841,338	62,429	191,716	-	(587,193)	-	(587,193)	-
Conservation and development	537,087	-	343,408	-	(193,679)	-	(193,679)	-
Interest and fiscal charges	301,453	-	-	-	(301,453)	-	(301,453)	-
Total governmental activities	5,309,623	504,915	1,736,860	34,902	(3,032,946)	-	(3,032,946)	-
Business-type activities:								
Water	751,526	885,009	-	138,922	-	272,405	272,405	-
Sewer	1,216,299	1,141,798	-	302,815	-	228,314	228,314	-
Total business-type activities	1,967,825	2,026,807	-	441,737	-	500,719	500,719	-
Total primary government	\$ 7,277,448	\$ 2,531,722	\$ 1,736,860	\$ 476,639	(3,032,946)	500,719	(2,532,227)	-
Component unit:								
Housing Authority	\$ 717,689	\$ 153,825	\$ -	\$ 519,022	-	-	-	(44,842)
Total component unit	\$ 717,689	\$ 153,825	\$ -	\$ 519,022	-	-	-	(44,842)
General revenues:								
Property taxes								
General purpose					1,354,995	-	1,354,995	-
Debt service					287,153	-	287,153	-
Tax incremental financing districts					1,222,080	-	1,222,080	-
Other taxes					147,732	-	147,732	-
State and federal aids not restricted to specific functions:								
State shared taxes					1,127,511	-	1,127,511	-
Interest and investment earnings					85,201	121,428	206,629	1,986
Miscellaneous					62,002	-	62,002	5,449
Sale of capital assets					56,673	-	56,673	-
Transfers:								
Tax equivalent					80,715	(80,715)	-	-
Municipal contribution					(916,423)	916,423	-	-
Total general revenues and transfers					3,507,639	957,136	4,464,775	7,435
Change in net assets					474,693	1,457,855	1,932,548	(37,407)
Net assets - beginning of year					7,964,777	15,223,141	23,187,918	1,047,216
Net assets - end of year					\$ 8,439,470	\$ 16,680,996	\$ 25,120,466	\$ 1,009,809

*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, 2011
With Comparative Totals for December 31, 2010**

	Major Funds				2011	2010
	General	TIF Districts	Capital Projects Fund	Nonmajor Funds	Total Gov't. Funds	Totals (Memorandum Only)
ASSETS						
Cash and cash equivalents	\$ 1,116,208	\$ 613,298	\$ -	\$ 265,259	\$ 1,994,765	\$ 3,332,221
Receivables:						
Taxes	1,657,126	1,184,589	-	-	2,841,715	2,867,186
Special assessments	165,913	196,773	-	-	362,686	488,679
Customer accounts	49,570	351,464	-	29,316	430,350	191,202
Loans	-	-	-	696,579	696,579	619,398
Due from other funds	866,963	-	-	-	866,963	380,055
Due from other governments	115,295	-	529,569	16,655	661,519	403,600
Advances due from other funds	1,145,027	-	-	-	1,145,027	1,145,027
Prepays	336	-	-	-	336	-
Restricted assets:						
Cash and cash equivalents	80,189	-	-	457,091	537,280	506,847
Total assets	\$ 5,196,627	\$ 2,346,124	\$ 529,569	\$ 1,464,900	\$ 9,537,220	\$ 9,934,215
LIABILITIES						
Accounts payable	\$ 51,031	\$ 122,678	\$ 9,342	\$ 14,930	\$ 197,981	\$ 82,618
Accrued liabilities and expenses	13,354	-	-	-	13,354	32,348
Due to other funds	-	56,394	785,530	25,039	866,963	380,055
Due to other governments	-	-	-	744	744	561
Deferred revenues	1,839,534	1,732,824	106,784	-	3,679,142	3,387,246
Advance due to Mauston RDA	-	-	-	-	-	905,000
Advances due to other funds	608,159	2,135,027	-	-	2,743,186	2,743,186
Total liabilities	2,512,078	4,046,923	901,656	40,713	7,501,370	7,531,014
FUND EQUITY						
Fund balance:						
Nonspendable	1,153,363	-	-	-	1,153,363	1,149,027
Restricted	80,189	237,698	-	1,425,329	1,743,216	1,126,245
Assigned	372,087	-	-	-	372,087	98,091
Unassigned (deficit)	1,078,910	(1,938,497)	(372,087)	(1,142)	(1,232,816)	29,838
Total fund equity	2,684,549	(1,700,799)	(372,087)	1,424,187	2,035,850	2,403,201
Total liabilities and fund equity	\$ 5,196,627	\$ 2,346,124	\$ 529,569	\$ 1,464,900	\$ 9,537,220	\$ 9,934,215

See accompanying notes to financial statements.

CITY OF MAUSTON, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2011

	2011 Total Gov't. Funds
Total fund balances from prior page	<u>\$ 2,035,850</u>
 <i>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:</i>	
Taxes from municipal utilities are recognized as revenues as they are received in the fund statements.	
Property tax equivalents receivable	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	\$15,665,422
Governmental accumulated depreciation	<u>(3,589,476)</u> 12,075,946
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	(4,825,000)
Unamortized debt discounts	114,233
Accrued interest on general obligation debt	(41,897)
Vested employee benefits	(110,486)
Unfunded retirement liability	(43,209)
RDA debt	<u>(780,000)</u> <u>(5,686,359)</u>
 Total net assets - governmental activities	 <u><u>\$ 8,439,470</u></u>

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, 2011
With Comparative Totals for Year Ended December 31, 2010

	Major Funds					2011 Totals	2010 Totals (Memorandum Only)
	General	TIF Districts	Debt Service	Capital Projects	Nonmajor Funds		
Revenues:							
Property taxes	\$ 1,354,995	\$ 1,222,080	\$ 287,153	\$ -	\$ -	\$ 2,864,228	\$ 2,553,564
Other local sources	272,432	104,054	-	-	102,466	478,952	540,530
Intergovernmental	1,654,119	8,610	-	427,084	568,814	2,658,627	2,719,555
Licenses and permits	51,398	-	-	-	-	51,398	62,755
Penalties and forfeitures	27,790	-	-	-	-	27,790	26,359
Public charges for services	351,915	-	-	-	45,033	396,948	355,472
Interest	43,510	21,105	-	-	14,545	79,160	107,813
Miscellaneous general revenues	63,621	-	-	-	23,342	86,963	95,315
Total revenues	3,819,780	1,355,849	287,153	427,084	754,200	6,644,066	6,461,363
Expenditures:							
Current:							
General government	555,962	-	-	-	-	555,962	557,179
Public safety	1,315,030	-	-	-	5,890	1,320,920	1,289,215
Public works	902,253	-	-	-	-	902,253	788,544
Culture and recreation	232,254	-	-	-	523,307	755,561	678,774
Conservation and development	49,404	116,873	-	-	363,518	529,795	1,062,530
Capital outlay	-	798,887	-	810,630	87,930	1,697,447	555,273
Debt service:							
Principal retirement	-	855,000	1,185,000	-	-	2,040,000	552,840
Interest and fiscal charges	-	177,576	127,153	-	-	304,729	288,155
Total expenditures	3,054,903	1,948,336	1,312,153	810,630	980,645	8,106,667	5,772,510
Excess (deficiency) of revenues over expenditures	764,877	(592,487)	(1,025,000)	(383,546)	(226,445)	(1,462,601)	688,853
Other financing sources (uses):							
Sale of municipal property	56,673	-	-	-	-	56,673	1,200
Proceeds of long-term debt	-	1,615,000	2,125,000	-	-	3,740,000	-
Payment to refunded bond escrow agent	-	(1,590,000)	(1,100,000)	-	-	(2,690,000)	-
Contribution to utility	-	(916,423)	-	-	-	(916,423)	-
Transfers in (out)	(447,344)	-	-	109,550	337,794	-	-
Total other financing sources (uses)	(390,671)	(891,423)	1,025,000	109,550	337,794	190,250	1,200
Excess (deficiency) of revenues over expenditures and other sources (uses)	374,206	(1,483,910)	-	(273,996)	111,349	(1,272,351)	690,053
Fund balance (deficit), January 1	2,310,343	(1,121,889)	-	(98,091)	1,312,838	2,403,201	1,336,642
Prior period adjustment	-	905,000	-	-	-	905,000	-
Fund balance (deficit), January 1, restated	2,310,343	(216,889)	-	(98,091)	1,312,838	3,308,201	1,713,148
Fund balance (deficit), December 31	\$ 2,684,549	\$ (1,700,799)	\$ -	\$ (372,087)	\$ 1,424,187	\$ 2,035,850	\$ 2,403,201

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, 2011**

Net change in fund balances - total governmental funds \$ (1,272,351)

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	\$ 1,697,447	
Capital asset additions not included in capital outlays	(558,548)	
Depreciation expense reported in the Statement of Activities	(346,166)	
Amount by which capital outlays are greater (less) than depreciation in the current period:		792,733

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.

Compensated absences paid in current year	1,657	
Compensated absences earned in current year	(29,581)	
Amounts paid are greater (less) than amounts earned by:		(27,924)

Debt incurred in governmental funds is reported as an other financing source, but is reported as an increase in outstanding long-term debt in the statement of net assets, and does not affect the statement of activities. (3,740,000)

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: 4,730,000

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 having no affect on the Governmental Fund Balance Sheet.

The value of capital assets disposed of during the year was	(89,469)	
The amount of depreciation recapture for the year was	78,428	
The difference in the value of assets net of recaptured depreciation creates a gain (loss) of:		(11,041)

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	304,729	
The amount of interest accrued during the current period	(323,861)	
Interest paid is greater (less) than interest accrued by:		(19,132)

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	22,408	
Debt issue costs paid is greater (less) than costs recognized by:		22,408

Change in net assets - governmental activities \$ 474,693

**CITY OF MAUSTON, WISCONSIN
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 As of December 31, 2011
 With Comparative Totals for December 31, 2010**

	Major Funds		2011 Totals	2010 Totals
	Water Utility	Sewer Fund		(Memorandum Only)
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 1,024,392	\$ 2,376,924	\$ 3,401,316	\$ 3,515,891
Receivables:				
Customer accounts	84,896	157,907	242,803	253,073
Special assessments	-	34,025	34,025	30,736
Other	35,875	95,378	131,253	-
Materials and supplies	24,347	-	24,347	23,967
Prepayments	2,053	2,054	4,107	4,104
Current portion of due from State of Wisconsin for treatment plant assessment	-	87,365	87,365	84,011
Total current assets	<u>1,171,563</u>	<u>2,753,653</u>	<u>3,925,216</u>	<u>3,911,782</u>
Restricted assets:				
Cash and cash equivalents	243,558	868,344	1,111,902	1,121,949
Total restricted assets	<u>243,558</u>	<u>868,344</u>	<u>1,111,902</u>	<u>1,121,949</u>
Property, plant and equipment:				
Land	7,256	428,184	435,440	435,440
Utility plant being depreciated	11,036,217	16,412,076	27,448,293	25,968,145
Accumulated depreciation	(2,152,741)	(4,961,381)	(7,114,122)	(6,546,879)
Net property, plant and equipment	<u>8,890,732</u>	<u>11,878,879</u>	<u>20,769,611</u>	<u>19,856,706</u>
Other assets and debits:				
Due from State of Wisconsin for treatment plant assessment	-	810,387	810,387	897,752
Advances to other funds	530,000	1,068,159	1,598,159	1,598,159
Unamortized debt discount	42,350	46,254	88,604	88,937
Total other assets and debits	<u>572,350</u>	<u>1,924,800</u>	<u>2,497,150</u>	<u>2,584,848</u>
Total assets	<u>\$ 10,878,203</u>	<u>\$ 17,425,676</u>	<u>\$ 28,303,879</u>	<u>\$ 27,475,285</u>

See accompanying notes to financial statements.

**CITY OF MAUSTON, WISCONSIN
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
As of December 31, 2011
With Comparative Totals for December 31, 2010**

	Major Funds		2011 Totals	2010 Totals (Memorandum Only)
	Water Utility	Sewer Fund		
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities				
(payable from current assets):				
Accounts payable	\$ 37,342	\$ 121,139	\$ 158,481	\$ 450,143
Accrued liabilities and expenses	16,345	2,725	19,070	23,441
Total current liabilities (payable from current assets)	53,687	123,864	177,551	473,584
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	80,113	206,418	286,531	276,504
Accrued interest payable	14,682	48,048	62,730	82,874
Total current liabilities (payable from restricted assets)	109,795	274,466	384,261	394,378
Long-term liabilities:				
General obligation debt	275,000	340,000	615,000	650,000
Mortgage revenue bonds	3,309,994	7,136,077	10,446,071	10,734,182
Total long-term liabilities	3,584,994	7,476,077	11,061,071	11,384,182
Total liabilities	3,748,476	7,874,407	11,622,883	12,252,144
Net assets:				
Invested in capital assets, net of related debt	5,210,625	4,176,384	9,387,009	8,161,020
Restricted for special purposes	228,876	820,296	1,049,172	1,039,075
Unrestricted	1,690,226	4,554,589	6,244,815	6,023,046
Total net assets	7,129,727	9,551,269	16,680,996	15,223,141
Total liabilities and net assets	\$ 10,878,203	\$ 17,425,676	\$ 28,303,879	\$ 27,475,285

See accompanying notes to financial statements.

CITY OF MAUSTON, WISCONSIN
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2011
With Comparative Totals for Year Ended December 31, 2010

	Major Funds		2011 Totals	2010 Totals (Memorandum Only)
	Water Utility	Sewer Fund		
Operating revenues:				
Sales of water	\$ 856,813	\$ -	\$ 856,813	\$ 846,676
Sewerage service fees	-	1,098,725	1,098,725	1,040,966
Other operating revenues	28,196	43,073	71,269	59,713
Total operating revenues	<u>885,009</u>	<u>1,141,798</u>	<u>2,026,807</u>	<u>1,947,355</u>
Operating expenses:				
Operation and maintenance	381,085	495,770	876,855	1,016,345
Depreciation	217,049	400,899	617,948	574,337
Taxes	6,136	14,775	20,911	22,138
Total operating expenses	<u>604,270</u>	<u>911,444</u>	<u>1,515,714</u>	<u>1,612,820</u>
Operating income (loss)	<u>280,739</u>	<u>230,354</u>	<u>511,093</u>	<u>334,535</u>
Nonoperating revenues (expenses):				
Interest income	22,374	99,054	121,428	142,217
Interest on long-term debt	(142,765)	(300,014)	(442,779)	(374,725)
Amortization of debt discount	(4,491)	(4,841)	(9,332)	(13,395)
Total nonoperating revenues (expenses)	<u>(124,882)</u>	<u>(205,801)</u>	<u>(330,683)</u>	<u>(245,903)</u>
Net income (loss) before capital contributions and transfers	155,857	24,553	180,410	88,632
Capital contributions	138,922	302,815	441,737	34,614
Transfers - municipal contribution	586,114	330,309	916,423	-
Transfers - tax equivalent	<u>(80,715)</u>	<u>-</u>	<u>(80,715)</u>	<u>(80,715)</u>
Change in net assets	800,178	657,677	1,457,855	42,531
Net assets, January 1	6,329,549	8,893,592	15,223,141	15,180,610
Net assets, December 31	<u>\$ 7,129,727</u>	<u>\$ 9,551,269</u>	<u>\$ 16,680,996</u>	<u>\$ 15,223,141</u>

See accompanying notes to financial statements.

**CITY OF MAUSTON, WISCONSIN
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Year Ended December 31, 2011
 With Comparative Totals for Year Ended December 31, 2010**

	Major Funds		2011 Totals	2010 Totals (Memorandum Only)
	Water Utility	Sewer Fund		
Cash flows from operating activities:				
Cash received from customers	\$ 642,989	\$ 1,141,508	\$ 1,784,497	\$ 1,687,449
Cash received from (paid to) other funds	256,727	(24,803)	231,924	231,924
Cash paid to suppliers for goods and services	(404,731)	(655,162)	(1,059,893)	(738,749)
Cash payments to employees for services	(121,461)	(123,231)	(244,692)	(267,948)
Cash paid to other governments	(6,136)	(14,775)	(20,911)	(22,138)
Net cash provided (used) by operating activities	367,388	323,537	690,925	890,538
Cash flows from non-capital and related financing activities:				
Transfer to other funds - tax equivalent	(80,715)	-	(80,715)	(80,715)
Net cash provided (used) by non-capital and related financing activities	(80,715)	-	(80,715)	(80,715)
Cash flows from capital and related financing activities:				
Proceeds of long-term debt	-	-	-	3,353,500
Proceeds of short-term debt	-	-	-	2,669,409
Principal paid on long-term debt	(90,816)	(222,268)	(313,084)	(425,195)
Principal paid on short-term debt	-	-	-	(3,295,000)
Capital contributions	106,982	209,665	316,647	120
Interest paid	(138,026)	(323,296)	(461,322)	(353,934)
Bond issue costs paid	(4,700)	(5,900)	(10,600)	(76,500)
Plant additions	(215,092)	(256,820)	(471,912)	(2,177,863)
Cost of removal of plant retirement	-	-	-	(2,550)
Net cash provided (used) by capital and related financing activities	(341,652)	(598,619)	(940,271)	(308,013)
Cash flows from investing activities:				
Collection of long-term receivable	-	84,011	84,011	80,796
Interest income	22,374	99,054	121,428	142,217
Net cash provided (used) by investing activities	22,374	183,065	205,439	223,013
Net increase (decrease) in cash and cash equivalents	(32,605)	(92,017)	(124,622)	724,823
Cash and cash equivalents, January 1	1,300,555	3,337,285	4,637,840	3,913,017
Cash and cash equivalents, December 31	\$ 1,267,950	\$ 3,245,268	\$ 4,513,218	\$ 4,637,840

See accompanying notes to financial statements.

**CITY OF MAUSTON, WISCONSIN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011
With Comparative Totals for Year Ended December 31, 2010**

	Major Funds		2011 Totals	2010 Totals
	Water Utility	Sewer Fund		(Memorandum Only)
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$ 280,739	\$ 230,354	\$ 511,093	\$ 334,535
Noncash items included in income:				
Depreciation	217,049	400,899	617,948	574,337
Depreciation charged to other accounts	12,699	(12,699)	-	-
(Increase) decrease in current assets:				
Accounts receivable	1,106	2,999	4,105	(33,793)
Special assessments receivable	-	(3,289)	(3,289)	16,766
Materials and supplies inventories	(381)	-	(381)	2,388
Prepayments	-	-	-	(210)
Increase (decrease) in current liabilities:				
Accounts payable	(141,133)	(293,047)	(434,180)	(12,196)
Accrued liabilities and expenses	(2,691)	(1,680)	(4,371)	8,711
Net cash flows from operating activities	\$ 367,388	\$ 323,537	\$ 690,925	\$ 890,538
Supplementary schedule:				
Noncash capital and related financing transactions:				
Accounts receivable	\$ (31,940)	\$ (93,150)	\$ (125,090)	\$ -
Special assessments receivable	-	-	-	(34,494)
Plant additions	(618,054)	(440,887)	(1,058,941)	(454,764)
Customer contributions	31,940	93,150	125,090	34,494
Accounts payable	31,940	110,578	142,518	436,767
Municipal contributions	586,114	330,309	916,423	-
Proceeds of long-term debt	-	-	-	3,616,500
Principal paid on long-term debt	-	-	-	(3,616,500)
Interest capitalized	-	-	-	17,997
	\$ -	\$ -	\$ -	\$ -
Reconciliation of cash and cash equivalents to the Statement of Net Assets:				
Cash and cash equivalents - Statement of Net Assets	\$ 1,024,392	\$ 2,376,924	\$ 3,401,316	\$ 3,515,891
Restricted cash and cash equivalents - Statement of Net Assets	243,558	868,344	1,111,902	1,121,949
Cash and cash equivalents - end of year	\$ 1,267,950	\$ 3,245,268	\$ 4,513,218	\$ 4,637,840

See accompanying notes to financial statements.

CITY OF MAUSTON, WISCONSIN
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
As of December 31, 2011
With Comparative Totals for December 31, 2010

	Tax Agency Fund	Expendable Trust Fund - Library	2011 Total Fiduciary	2010 Totals (Memorandum Only)
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,468,866	\$ -	\$ 1,468,866	\$ 1,696,966
Taxes receivable	2,222,261	-	2,222,261	1,933,937
Restricted cash and cash equivalents	-	623,297	623,297	611,614
Total assets	<u>\$ 3,691,127</u>	<u>\$ 623,297</u>	<u>\$ 4,314,424</u>	<u>\$ 4,242,517</u>
<u>LIABILITIES</u>				
Due to other governments	\$ 3,691,127	\$ -	\$ 3,691,127	\$ 3,630,903
Total liabilities	<u>3,691,127</u>	<u>-</u>	<u>3,691,127</u>	<u>3,630,903</u>
<u>NET ASSETS</u>				
Net assets	-	623,297	623,297	611,614
Total liabilities and net assets	<u>\$ 3,691,127</u>	<u>\$ 623,297</u>	<u>\$ 4,314,424</u>	<u>\$ 4,242,517</u>

See accompanying notes to financial statements.

**CITY OF MAUSTON, WISCONSIN
FIDUCIARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2011
With Comparative Totals for Year Ended December 31, 2010**

	2011 Expendable Trust Fund - Library	2010 Totals (Memorandum Only)
	<u> </u>	<u> </u>
Revenues:		
Interest income	\$ 11,683	\$ 13,639
Total revenues	<u>11,683</u>	<u>13,639</u>
Expenses:	<u>-</u>	<u>-</u>
Change in net assets	11,683	13,639
Net assets, January 1	<u>611,614</u>	<u>597,975</u>
Net assets, December 31	<u><u>\$ 623,297</u></u>	<u><u>\$ 611,614</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF MAUSTON, WISCONSIN
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December 31, 2011

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CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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 as a discretely presented component unit.

The City has also included the financial statements of the Mauston Redevelopment Authority as a component unit. It is blended with the City's TIF District Funds.

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.

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

Change in Accounting Principle

The City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" in the current year. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which those funds can be spent. While the classifications of fund balance in the City's various governmental funds were revised, the implementation of this standard had no effect on total fund balance. For detailed information on fund balances of governmental funds, see Note 3.K.

The City also implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus" in the current year. GASB 61 improves the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units). In addition, the Statement amends the criteria for blending, such as reporting component units as if they were a part of the primary government. The amendment to the criteria for blending will help ensure that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and will clarify which component units have that characteristic.

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 and enterprise 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.

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

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 City's primary operating fund and is always classified as a major fund. It is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for and report the specific revenue sources comprising a substantial portion of the fund's resources on an ongoing basis that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Debt Service Fund – The Debt Service Fund is used to account for and report the financial resources that are restricted, committed or assigned to expenditure for principal and interest.

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays (other than those financed by proprietary funds and trust funds).

The City reports the following major governmental funds:

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

The City reports the following nonmajor governmental funds:

Room Tax Fund	Wisconsin Development Fund
Library Fund	Community Development Block Grant Fund
Shared Ride Taxi Fund	Other Grant Funds
Cemetery Fund	Airport 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

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

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.

The proprietary funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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.

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING (Continued)

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 – 2011 tax roll:

Lien date and levy date	December, 2011
Tax bills mailed	December, 2011
Payment in full or first installment due	January 31, 2012
Second installment due	July 31, 2012

Delinquent real estate taxes as of July 31 are paid in full by the County, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the 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.

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING (Continued)

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.

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.

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. CAPITAL ASSETS (Continued)

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. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

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

J. 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, 2011 are determined on the basis of current salary rates and include salary related payments.

K. 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, 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.

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. LONG-TERM OBLIGATIONS (Continued)

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.

L. 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.

M. 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.

N. 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.

O. EQUITY CLASSIFICATIONS

Government-Wide Statements

Equity is reported 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.

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. EQUITY CLASSIFICATIONS (Continued)

Government-Wide Statements (Continued)

- 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.

Fund Statements

Governmental fund equity is reported as fund balance and is classified as follows:

- a. Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – amounts with externally imposed constraints placed on the use of resources by constitution, external resource providers, or through enabling legislation.
- c. Committed – amounts that can only be spent for specific purposes pursuant to constraints imposed by formal action by the City Council. A formal resolution by the City Council is required to establish, modify, or rescind a fund balance commitment.
- d. Assigned – amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has designated the Administrator as the official authorized to assign amounts to a specific purpose.
- e. Unassigned – the residual classification for the General Fund representing amounts not restricted, committed, or assigned to specific purposes.

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

P. 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.

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. SUMMARIZED COMPARATIVE INFORMATION

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

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.

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:			
Public works	\$ 867,904	\$ 902,253	\$ (34,349)
Culture and recreation	218,471	232,254	(13,783)
Debt Service Fund:			
Debt service:			
Principal retirement	160,000	1,185,000	(1,025,000)

Excess expenditures over appropriations were financed with excess revenues over budgeted amounts and proceeds of long-term debt.

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

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

C. DEFICIT BALANCES

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

Fund	Amount	Reason
Tax Incremental Financing District No. 2	\$ 1,882,103	Unrecovered costs
Environmental Remediation TIF District No. 1	56,394	Unrecovered costs
Capital Projects Fund	372,087	Excess expenses over appropriations
Cemetery Fund	1,142	Unrecovered costs

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.

Number of Customers

The utilities served the following number of customers at December 31, 2011:

	Water	Sewer
Residential	1,206	1,218
Commercial	225	219
Industrial	16	16
Public authority	33	34
Totals	<u>1,480</u>	<u>1,487</u>

Insurance Coverage

The utilities were covered under the following insurance at December 31, 2011:

Company	Type	Coverage	Expiration Date
Aegis Corporation - Community Insurance Corporation	General liability	\$ 5,000,000	7/1/2012
Hartford Steam Boiler Inspection & Insurance Company	Boiler & Machinery	\$ 50,000,000	7/1/2012
Local Government Property Insurance Fund	Property	Replacement Cost	8/15/2012

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

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

D. BOND COVENANT DISCLOSURE (Continued)

Debt Coverage

2011 required and actual coverage factors are as follows:

<u>Actual Defined Earnings</u>	<u>Water</u>	<u>Sewer</u>
Change in net assets	\$ 800,178	\$ 657,677
Plus:		
Interest expense	142,765	300,014
Depreciation	217,049	400,899
Amortization	4,491	4,841
Tax equivalent	80,715	-
Less:		
Capital and municipal contributions	(725,036)	(633,124)
Interest received from State of Wisconsin	-	(41,272)
Income available for debt service	<u>\$ 520,162</u>	<u>\$ 689,035</u>
Annual debt service requirements	\$ 117,702	\$ 650,792
Less: Debt service reimbursed by State of Wisconsin	-	(124,901)
Net annual debt service requirements	<u>\$ 117,702</u>	<u>\$ 525,891</u>
2011 calculated coverage ratio	4.42	1.31
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.

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

A. CASH AND INVESTMENTS (Continued)

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.

The carrying amount of the City's cash and investments totaled \$9,137,429 on December 31, 2011 and is summarized below:

Deposits with financial institutions	\$ 9,137,429
	\$ 9,137,429

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Assets:

Cash and investments	\$ 5,396,083
Restricted cash and investments	1,649,183
Fiduciary funds:	
Agency Fund	1,468,866
Expendable Trust Fund	623,297
	\$ 9,137,429

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, 2011, \$8,832,029 of the City's deposits with financial institutions totaling \$9,364,798 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	8,832,029
Total	\$ 8,832,029

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

A. CASH AND INVESTMENTS (Continued)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and \$250,000 for non-interest bearing accounts. As of January 1, 2011 through December 31, 2012, non-interest bearing accounts are fully insured under the Dodd Frank Act. 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.

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, nonmajor and fiduciary funds in the aggregate are as follows:

	General	TIF Districts	Nonmajor Funds	Total Governmental	Fiduciary Tax Agency Fund
Total receivables	\$ 1,872,609	\$ 1,732,826	\$ 725,895	\$ 4,331,330	\$ 2,222,261
Amounts not expected to be collected within one year	\$ 137,397	\$ 181,126	\$ 682,527	\$ 1,001,050	\$ -

Special assessments, delinquent special assessments, and economic development loan receivables are not expected to be collected within one year. Due from other governments of \$529,569 is expected to be paid within one year.

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

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 \$897,752.

The anticipated recoveries of the receivable are as follows:

<u>Year</u>		
2012	\$	87,365
2013		90,865
2014		94,518
2015		98,331
2016		102,309
2017 - 2020		424,364
	\$	<u>897,752</u>

D. LOANS RECEIVABLE

The balance of \$696,579 loans receivable is comprised of the following at December 31, 2011:

Wisconsin Development Fund	\$	647,811
Community Development Block Grant Fund		48,768
	\$	<u>696,579</u>

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%. Cash totaling \$12,265 has accumulated from repayments and may be used for future loan disbursements.

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 \$304,845 has accumulated from loan repayments and transfers from the urban development action grant and may be used for future loan disbursements.

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

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, 2011:

	General Fund	Nonmajor Funds	Fidiciary Funds
Revolving loan fund deposits	\$ -	\$ 317,110	\$ -
Parkland dedication	73,521	-	-
Jaws of life vehicle fund	6,668	-	-
Library fund	-	139,981	623,297
Total restricted cash	<u>\$ 80,189</u>	<u>\$ 457,091</u>	<u>\$ 623,297</u>

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, 2011, the replacement fund balance was \$401,927.

At December 31, 2011, enterprise fund restricted cash consisted of the following:

	Water	Sewer
Bond reserve accounts	\$ 170,009	\$ 392,840
Depreciation and equipment	73,549	73,577
Equipment replacement fund	-	401,927
Total restricted cash	<u>\$ 243,558</u>	<u>\$ 868,344</u>

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

F. CAPITAL ASSETS

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

	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 1,907,630	\$ 98,185	\$ -	\$ 2,005,815
Construction in progress	10,831	602,723	10,831	602,723
Total capital assets not being depreciated	<u>1,918,461</u>	<u>700,908</u>	<u>10,831</u>	<u>2,608,538</u>
Capital assets being depreciated:				
Land improvements	437,141	-	-	437,141
Buildings and improvements	6,026,220	10,831	-	6,037,051
Machinery and equipment	2,950,008	37,068	89,469	2,897,607
Infrastructure	3,284,162	400,923	-	3,685,085
Total capital assets being depreciated	<u>12,697,531</u>	<u>448,822</u>	<u>89,469</u>	<u>13,056,884</u>
Less: accumulated depreciation:				
Land improvements	(326,758)	(8,313)	-	(335,071)
Buildings and improvements	(997,154)	(99,863)	-	(1,097,017)
Machinery and equipment	(1,704,018)	(161,562)	(78,428)	(1,787,152)
Infrastructure	(293,808)	(76,428)	-	(370,236)
Total accumulated depreciation	<u>(3,321,738)</u>	<u>(346,166)</u>	<u>(78,428)</u>	<u>(3,589,476)</u>
Net capital assets	<u>\$ 11,294,254</u>	<u>\$ 803,564</u>	<u>\$ 21,872</u>	<u>\$ 12,075,946</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	\$ 30,402
Public safety	64,610
Public works	166,914
Culture and recreation	80,586
Conservation and development	3,654
Total governmental activities depreciation expense	<u>\$ 346,166</u>

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

F. CAPITAL ASSETS (Continued)

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

Water	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011
Capital assets not being depreciated:				
Land and land rights	\$ 7,256	\$ -	\$ -	\$ 7,256
Construction in progress	-	385,228	-	385,228
Total capital assets not being depreciated	<u>7,256</u>	<u>385,228</u>	<u>-</u>	<u>392,484</u>
Capital assets being depreciated:				
Source of supply	263,777	-	-	263,777
Pumping	355,104	-	-	355,104
Transmission and distribution	9,146,231	376,592	3,250	9,519,573
General	456,814	71,327	15,606	512,535
Total capital assets being depreciated	<u>10,221,926</u>	<u>447,919</u>	<u>18,856</u>	<u>10,650,989</u>
Total capital assets	<u>\$ 10,229,182</u>	<u>\$ 833,147</u>	<u>\$ 18,856</u>	<u>\$ 11,043,473</u>
Sewer				
Capital assets not being depreciated:				
Land and land rights	\$ 428,184	\$ -	\$ -	\$ 428,184
Construction in progress	-	381,494	-	381,494
Total capital assets not being depreciated	<u>428,184</u>	<u>381,494</u>	<u>-</u>	<u>809,678</u>
Capital assets being depreciated:				
Collecting system	10,991,516	244,886	16,250	11,220,152
Treatment and disposal	4,428,966	-	-	4,428,966
General	325,737	71,327	15,600	381,464
Total capital assets being depreciated	<u>15,746,219</u>	<u>316,213</u>	<u>31,850</u>	<u>16,030,582</u>
Total capital assets	<u>\$ 16,174,403</u>	<u>\$ 697,707</u>	<u>\$ 31,850</u>	<u>\$ 16,840,260</u>

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

Fund	Depreciation Rate	Balance 1/1/2011	2011				Balance 12/31/2011
			2011 Depreciation Expense	2011 Meter Reading Allocation	2011 Retirements and Removals		
Water	1.3% - 20.0%	\$ 1,941,848	\$ 217,049	\$ 12,699	\$ 18,855	\$ 2,152,741	
Sewer	1.3% - 10.0%	4,605,031	400,899	(12,699)	31,850	4,961,381	
		<u>\$ 6,546,879</u>	<u>\$ 617,948</u>	<u>\$ -</u>	<u>\$ 50,705</u>	<u>\$ 7,114,122</u>	

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

G. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund transfers in the fund statements:

Transfer from:	Transfer to:	Purpose:	Amount
General Fund	Capital Projects Fund	City's share of projects	\$ 109,550
		City's share of police	
General Fund	Other Grants Fund	radio grant	17,294
General Fund	Library Fund	Annual appropriation	310,000
General Fund	Share Ride Taxi Fund	City's share of project	10,500

The following is a schedule of interfund transfers in the government-wide statements:

Transfer from:	Transfer to:	Purpose:	Amount
Water Utility	General Fund	Tax equivalent	\$ 80,715
TIF Districts	Water Utility & Sewer Fund	Capital contributions	916,423

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	\$ 866,963	\$ -
Environmental Remediation TIF District No. 1	-	56,394
Capital Projects Fund	-	785,530
Room Tax Fund	-	11,978
Community Development Block Grant Fund	-	9,087
Other Grant Funds	-	2,832
Cemetery Fund	-	1,142
Totals	\$ 866,963	\$ 866,963

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

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.

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	\$ -	\$ 2,838,756	\$ 2,838,756
Special assessments not yet due	362,686	-	362,686
Developer assessments not yet earned	-	19,453	19,453
Grant revenue	458,247	-	458,247
Total deferred revenue for governmental funds	<u>\$ 820,933</u>	<u>\$ 2,858,209</u>	<u>\$ 3,679,142</u>

I. LONG-TERM OBLIGATIONS

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

	Balance 1/1/2011	Increases	Decreases	Balance 12/31/2011	Amounts Due Within One Year
Governmental Activities					
Bonds and notes payable:					
General obligation debt	\$ 5,690,000	\$3,740,000	\$4,605,000	\$ 4,825,000	\$ 460,000
Mauston RDA bonds	905,000	-	125,000	780,000	125,000
Total bonds and notes payable	<u>6,595,000</u>	<u>3,740,000</u>	<u>4,730,000</u>	<u>5,605,000</u>	<u>585,000</u>
Other liabilities:					
Vested employee benefits	84,031	26,455	-	110,486	-
Unfunded retirement liability	41,740	3,126	1,657	43,209	1,620
Advance payable to Utilities	1,598,159	-	-	1,598,159	-
Total other liabilities	<u>1,723,930</u>	<u>29,581</u>	<u>1,657</u>	<u>1,751,854</u>	<u>1,620</u>
Total governmental activities - long-term liabilities	<u>\$ 8,318,930</u>	<u>\$3,769,581</u>	<u>\$4,731,657</u>	<u>\$ 7,356,854</u>	<u>\$ 586,620</u>
Business-Type Activities					
Bonds and notes payable:					
General obligation debt	\$ 685,000	\$ 650,000	\$ 685,000	\$ 650,000	\$ 35,000
Revenue bonds	11,010,686	-	278,084	10,732,602	286,531
Total business-type activities - long-term liabilities	<u>\$11,695,686</u>	<u>\$ 650,000</u>	<u>\$ 963,084</u>	<u>\$11,382,602</u>	<u>\$ 321,531</u>

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

I. LONG-TERM OBLIGATIONS (Continued)

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, 2011 was \$10,720,025. Total general obligation debt outstanding at year end was \$5,475,000.

Governmental activities debt at December 31, 2011 consists of the following individual issues:

	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/2011
Long-term Obligations					
Promissory notes	11/19/2009	6/1/2019	1.20% - 3.75%	\$ 1,415,000	\$ 1,085,000
Refunding bonds *	7/6/2011	6/1/2025	0.80% - 3.50%	3,740,000	3,740,000
Mauston RDA bonds	9/13/2005	12/1/2022	3.40% - 5.50%	1,295,000	780,000
Total governmental activities - long-term debt					<u>\$ 5,605,000</u>

* The original indebtedness is only the general and TIF portion of the \$4,390,000 general obligation refunding bonds.

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Long-term Debt	
	Principal	Interest
2012	\$ 460,000	\$ 133,874
2013	505,000	97,408
2014	520,000	89,422
2015	525,000	80,070
2016	545,000	69,038
2017 - 2021	1,950,000	203,974
2022 - 2025	320,000	25,942
Totals	<u>\$ 4,825,000</u>	<u>\$ 699,728</u>

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

I. LONG-TERM OBLIGATIONS (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
2012	\$ 125,000	\$ 36,120
2013	130,000	30,808
2014	50,000	25,087
2015	50,000	22,838
2016	50,000	20,587
2017 - 2021	305,000	63,623
2022	70,000	3,500
Totals	<u>\$ 780,000</u>	<u>\$ 202,563</u>

Enterprise funds debt at December 31, 2011 consists of the following individual issues:

	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/2011
Enterprise Funds					
Water refunding bonds	6/15/2010	12/1/2030	4.850%	\$ 1,680,000	\$ 1,630,000
Water revenue bonds	7/15/2008	5/1/2048	4.125%	722,200	655,207
Water revenue bonds	12/16/2010	12/1/2050	3.000%	1,121,000	1,104,900
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	1,540,090
Sewer revenue bonds	7/15/2008	5/1/2039	4.125%	2,000,000	1,664,705
Sewer revenue bonds	12/16/2010	12/1/2050	3.000%	2,174,000	2,142,700
General obligation debt *	7/6/2011	6/1/2025	0.8% - 3.5%	650,000	650,000
Total enterprise funds - long-term debt					<u>\$ 11,382,602</u>

* The original indebtedness is only the enterprise portion of the \$4,390,000 general obligation refunding bonds.

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

I. LONG-TERM OBLIGATIONS (Continued)

Debt service requirements to maturity are as follows:

Years	Business-Type Activities	
	Principal	Interest
2012	\$ 321,531	\$ 454,423
2013	355,894	435,285
2014	375,804	421,303
2015	390,977	406,527
2016	401,528	390,944
2017 - 2021	2,162,923	1,698,411
2022 - 2026	2,205,250	1,246,554
2027 - 2031	2,121,940	742,371
2032 - 2036	965,271	441,799
2037 - 2041	886,358	261,203
2042 - 2046	663,825	134,186
2047 - 2050	531,301	36,485
Totals	<u>\$ 11,382,602</u>	<u>\$ 6,669,491</u>

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).

Defeased Debt

General Obligation Refunding Bonds, Series 2011 were issued on July 6, 2011, in the amount of \$4,390,000 to provide for a current refunding of the General Obligation Promissory Notes, Series 2005A, originally issued in the aggregate principal amount of \$3,085,000, and an advance refunding of the General Obligation Refunding Bonds, Series 2002, originally issued in the aggregate principal amount of \$3,785,000. The new bonds bear interest from .80% to 3.50% and are due in annual installments ranging from \$130,000 to \$435,000 through June 1, 2025. The new issue will reduce debt service payments for the City by \$211,383 with an economic gain of \$351,448.

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

J. GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental activities net assets reported on the Government-Wide Statement of Net Assets at December 31, 2011 includes the following:

Invested in capital assets, net of related debt:	
Land	\$ 2,005,815
Construction in progress	602,723
Other capital assets, net of accumulated depreciation	9,467,408
Less: related long-term debt outstanding	<u>(6,213,159)</u>
Total invested in capital assets	<u>5,862,787</u>
Restricted for special purposes:	
Revolving Loan Fund	1,005,044
Library donations restricted for capital expansion	139,981
Donations/contributions restricted as to use	<u>80,189</u>
Total restricted for special purposes	<u>1,225,214</u>
Unrestricted	<u>1,351,469</u>
Total governmental activities net assets	<u><u>\$ 8,439,470</u></u>

K. GOVERNMENTAL FUND BALANCES

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

Nonspendable

General Fund:	
Advances to TIF	\$ 1,145,027
County and local streets	8,000
Prepays	<u>336</u>
Total nonspendable fund balance	<u>1,153,363</u>

Restricted

General Fund:	
Parkland dedication, Jaws of Life, and Economic Development	80,189
TIF District No. 3	237,698
Nonmajor funds:	
Wisconsin Development Fund	660,518
Community Development Block Grant Fund	344,526
Room Tax Fund	14,137
Library Fund	395,986
Shared Ride Taxi Fund	7,693
Other Grant Funds	270
Airport Fund	<u>2,199</u>
Total restricted fund balance	<u>1,743,216</u>

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

K. GOVERNMENTAL FUND BALANCES (Continued)

Assigned

General Fund:	
Capital projects	\$ 372,087
Total assigned fund balance	372,087

Unassigned

General Fund	1,078,910
TIF District No. 2	(1,882,103)
Environmental Remediation TIF District No. 1	(56,394)
Capital Projects Fund	(372,087)
Nonmajor fund:	
Cemetery Fund	(1,142)
Total unassigned (deficit)	(1,232,816)
Total governmental fund balances	\$ 2,035,850

L. 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 hired previous to July 1, 2011 are required to work at least 600 hours a year to be eligible to participate in the WRS. Covered employees are required by statute to contribute 5.8% of their salary (5.8% for protective occupations with Social Security) to the plan. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Employees hired after July 1, 2011 are required to work at least 1200 hours and the employee is expected to be employed for at least one year from the date of hire. Once the employer sets the expectation that the employee will work the applicable required amount of hours or more, the employee is enrolled in the WRS and isn't required to work the minimum amount of hours every year to remain eligible.

The payroll for City of Mauston employees covered by the WRS for the year ended December 31, 2011 was \$1,368,285; the City's total payroll was \$1,551,510. The total required contribution for the year ended December 31, 2011 was \$173,222, which consisted of \$90,818, or 6.6% of payroll from the employer and \$82,404, or 6.0% of payroll from employees. The City pays for 100% of the employee contributions. Total contributions for the years ending December 31, 2010 and 2009 were \$159,498 and \$158,045, respectively.

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

L. EMPLOYEES RETIREMENT SYSTEM (Continued)

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 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. Employees who initially become WRS members on or after July 1, 2011, are not eligible for WRS retirement annuity or lump sum retirement benefits until they have five years of creditable service.

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, 2011, was \$43,209. 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.

M. 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.

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

M. STATUS OF TAX INCREMENTAL FINANCING DISTRICTS (Continued)

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	\$ 2,957,029	\$ 4,907,755
Special assessments	924,019	1,111,026
Intergovernmental	383,729	44,265
Proceeds on long-term debt	4,220,000	8,545,000
Sale of property	814,000	32,200
Interest income	219,737	270,778
Contribution from TIF District 3	410,294	-
Total revenues	\$ 9,928,808	\$ 14,911,024
Expenditures:		
Project costs	\$ 7,384,298	\$ 5,072,407
Repayment of long-term debt	3,410,000	7,115,000
Administration	87,513	69,949
Contribution to TIF District 2	-	410,294
Interest and fiscal charges	1,482,641	2,018,666
Total expenditures	\$ 12,364,452	\$ 14,686,316

Current valuations of the Districts are as follows:

	TID No. 2	TID No. 3
Valuations:		
Current value	\$ 19,434,500	\$ 31,547,300
Base	2,684,900	9,184,500
Increment	\$ 16,749,600	\$ 22,362,800

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.

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

M. STATUS OF TAX INCREMENTAL FINANCING DISTRICTS (Continued)

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 \$56,394 through December 31, 2011.

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.

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.

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 4. OTHER INFORMATION (Continued)

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, 2011 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.

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 \$85,151.

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4. OTHER INFORMATION (Continued)

D. 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 2011. 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, 2011 is unavailable. The transactions of the airport are not reflected in these financial statements.

E. PRIOR PERIOD ADJUSTMENT

The effect of the City recording a prior period adjustment due to a change in accounting principle resulted in the restatement of the City's fund balance as of January 1, 2011.

	TIF District #2
Total fund equity as previously reported	\$ (2,012,880)
Change in reporting of redevelopment authority (RDA) advance payable:	
Advance revenue bonds reported as proceeds instead of debt liability	905,000
Fund equity as restated	\$ (1,107,880)

F. SUBSEQUENT EVENTS

The City has entered into a number of construction contracts related to Highway 82, Mansion Street, Attewell Detention Basin, and West Side Industrial Park Detention Basin projects. The City has received a CDBG-EAP grant to help fund the Attewell Detention Basin and an MSIP grant to help fund the Mansion Street projects.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF MAUSTON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2011
With Comparative Actual Totals for Year Ended December 31, 2010

	2011		Variance - Favorable (Unfavorable)	2010
	Original and Final Budget	Actual		Actual Totals (Memorandum Only)
Revenues:				
Property taxes	\$ 1,354,995	\$ 1,354,995	\$ -	\$ 1,252,851
Other local sources	126,865	272,432	145,567	223,675
Intergovernmental	1,660,781	1,654,119	(6,662)	1,677,606
Licenses and permits	49,140	51,398	2,258	62,755
Penalties and forfeitures	29,000	27,790	(1,210)	26,359
Public charges for services	300,278	351,915	51,637	330,659
Interest	40,500	43,510	3,010	44,972
Miscellaneous general revenues	38,230	63,621	25,391	45,370
Total revenues	<u>3,599,789</u>	<u>3,819,780</u>	<u>219,991</u>	<u>3,664,247</u>
Expenditures:				
Current:				
General government	671,791	555,962	115,829	557,179
Public safety	1,328,101	1,315,030	13,071	1,283,371
Public works	867,904	902,253	(34,349)	788,544
Culture and recreation	218,471	232,254	(13,783)	199,177
Conservation and development	63,500	49,404	14,096	70,567
Capital outlay	13,000	-	13,000	-
Total expenditures	<u>3,162,767</u>	<u>3,054,903</u>	<u>107,864</u>	<u>2,898,838</u>
Excess (deficiency) of revenues over expenditures	<u>437,022</u>	<u>764,877</u>	<u>327,855</u>	<u>765,409</u>
Other financing sources (uses):				
Sale of city property	-	56,673	56,673	1,200
Transfers in (out)	(430,050)	(447,344)	(17,294)	(576,022)
Total other financing sources (uses)	<u>(430,050)</u>	<u>(390,671)</u>	<u>39,379</u>	<u>(574,822)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>6,972</u>	<u>374,206</u>	<u>367,234</u>	<u>190,587</u>
Fund balance, January 1	2,310,343	2,310,343	-	2,185,956
Prior period adjustment	-	-	-	(66,200)
Fund balance, January 1, restated	<u>2,310,343</u>	<u>2,310,343</u>	<u>-</u>	<u>2,119,756</u>
Fund balance, December 31	<u>\$ 2,317,315</u>	<u>\$ 2,684,549</u>	<u>\$ 367,234</u>	<u>\$ 2,310,343</u>

OTHER SUPPLEMENTAL INFORMATION

CITY OF MAUSTON, WISCONSIN
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
For the Year Ended December 31, 2011
With Comparative Actual Totals for Year Ended December 31, 2010

	2011			Variance with Final Budget Favorable - (Unfavorable)	2010 Actual Totals (Memorandum Only)
	Budget Amounts		Actual		
	Original	Final			
Taxes and special assessments:					
Taxes:					
General property taxes	\$ 1,354,995	\$ 1,354,995	\$ 1,354,995	\$ -	\$ 1,252,851
Mobile home parking permit fees/taxes	31,750	31,750	33,650	1,900	31,746
Taxes from utilities	80,715	80,715	80,715	-	80,715
Payment in lieu of taxes	11,400	11,400	11,616	216	22,902
Interest on delinquent property taxes	500	500	96	(404)	98
Total taxes	1,479,360	1,479,360	1,481,072	1,712	1,388,312
Special assessments:					
Sidewalks, curbs and gutters	-	-	140,410	140,410	82,731
Interest	2,500	2,500	5,945	3,445	5,483
Total special assessments	2,500	2,500	146,355	143,855	88,214
Total taxes and special assessments	1,481,860	1,481,860	1,627,427	145,567	1,476,526
Intergovernmental:					
State aid:					
Shared taxes	1,126,574	1,126,574	1,127,511	937	1,124,801
Fire insurance	7,025	7,025	7,375	350	7,053
Highway and CDBG grant	361,989	361,989	361,989	-	379,882
Connecting streets	63,385	63,385	63,120	(265)	62,462
Law enforcement training	2,000	2,000	1,260	(740)	2,340
Recycling	20,608	20,608	13,324	(7,284)	20,608
Miscellaneous	6,950	6,950	6,857	(93)	7,645
Total state aid	1,588,531	1,588,531	1,581,436	(7,095)	1,604,791
Other aids:					
Municipal services	72,250	72,250	72,683	433	72,815
Total other aids	72,250	72,250	72,683	433	72,815
Total intergovernmental	1,660,781	1,660,781	1,654,119	(6,662)	1,677,606

**CITY OF MAUSTON, WISCONSIN
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
(CONTINUED)
For the Year Ended December 31, 2011
With Comparative Actual Totals for Year Ended December 31, 2010**

	2011			Variance with Final Budget Favorable - (Unfavorable)	2010 Actual Totals (Memorandum Only)
	Budget Amounts		Actual		
	Original	Final			
Licenses and permits:					
Liquor and malt beverage license	\$ 6,840	\$ 6,840	\$ 6,949	\$ 109	\$ 5,714
Operators	4,040	4,040	3,570	(470)	5,500
Animal licenses	150	150	132	(18)	153
Other permits licenses	900	900	821	(79)	451
Cable TV	25,710	25,710	24,965	(745)	25,526
Building	10,000	10,000	1,457	(8,543)	23,836
Zoning	1,500	1,500	13,504	12,004	1,575
Total licenses and permits	49,140	49,140	51,398	2,258	62,755
Penalties and forfeitures:					
Court penalties and cost	19,000	19,000	17,585	(1,415)	17,669
Parking violations	10,000	10,000	10,205	205	8,690
Total penalties and forfeitures	29,000	29,000	27,790	(1,210)	26,359
Public charges for services:					
Fire protection	108,633	108,633	139,112	30,479	127,810
Law enforcement fees	500	500	2,389	1,889	439
School police liaison	33,000	33,000	32,576	(424)	32,856
Public works services	11,000	11,000	3,280	(7,720)	9,180
Refuse collection	132,345	132,345	160,387	28,042	145,503
Recreational income	12,000	12,000	11,765	(235)	12,571
Grave digging	2,800	2,800	2,000	(800)	2,300
Car wash	-	-	406	406	-
Total public charges for services	300,278	300,278	351,915	51,637	330,659
Interest:					
Interest on investments	40,500	40,500	43,510	3,010	44,972
Miscellaneous general revenues:					
Rent on buildings	12,000	12,000	25,554	13,554	18,320
Rent of fairgrounds	1,500	1,500	3,225	1,725	1,585
Jaws of life vehicle fund	325	325	563	238	375
Parkland dedication revenues	-	-	-	-	12,000
Miscellaneous revenues	24,405	24,405	34,279	9,874	13,090
Total miscellaneous general revenues	38,230	38,230	63,621	25,391	45,370
Total revenues	\$ 3,599,789	\$ 3,599,789	\$ 3,819,780	\$ 219,991	\$ 3,664,247

CITY OF MAUSTON, WISCONSIN
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended December 31, 2011
With Comparative Actual Totals for Year Ended December 31, 2010

	2011		Actual	Variance with	2010
	Budget Amounts			Final Budget	Actual Totals
	Original	Final		Favorable - (Unfavorable)	(Memorandum Only)
General government:					
Policy and administration	\$ 403,517	\$ 403,517	\$ 388,927	\$ 14,590	\$ 385,667
Planning and zoning	83,512	83,512	75,896	7,616	89,909
Municipal building and equipment	46,800	46,800	52,447	(5,647)	50,054
Legal services	9,120	9,120	5,117	4,003	4,198
Property and liability insurance	12,060	12,060	12,084	(24)	8,831
Telephone and fax	7,000	7,000	6,392	608	5,839
Contingency	109,782	109,782	15,099	94,683	12,681
Total general government	671,791	671,791	555,962	115,829	557,179
Public safety:					
Police:					
Wages and benefits	789,089	789,089	772,053	17,036	766,939
Equipment repair and maintenance	41,443	41,443	53,524	(12,081)	47,436
Insurance	31,378	31,378	31,380	(2)	25,974
School safety	29,038	29,038	27,245	1,793	22,787
Telephone and fax	6,180	6,180	6,113	67	5,980
Parking enforcement	1,800	1,800	547	1,253	578
Miscellaneous	20,940	20,940	13,985	6,955	9,796
Total police	919,868	919,868	904,847	15,021	879,490
Fire:					
Hydrant rental	231,924	231,924	231,924	-	231,924
Wages and benefits and maintenance	84,550	84,550	73,927	10,623	75,480
Insurance	23,500	23,500	36,385	(12,885)	35,210
Utilities	22,548	22,548	22,593	(45)	19,740
Utilities	14,950	14,950	13,694	1,256	10,642
Office supplies expense	3,630	3,630	1,599	2,031	3,322
Jaws of life program expense	-	-	1,757	(1,757)	446
Extinguisher testing	300	300	294	6	286
Total fire	381,402	381,402	382,173	(771)	377,050
Other:					
Ambulance	26,831	26,831	28,010	(1,179)	26,831
Total other	26,831	26,831	28,010	(1,179)	26,831
Total public safety	1,328,101	1,328,101	1,315,030	13,071	1,283,371

**CITY OF MAUSTON, WISCONSIN
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
(CONTINUED)**

**For the Year Ended December 31, 2011
With Comparative Actual Totals for Year Ended December 31, 2010**

	2011			Variance with Final Budget Favorable - (Unfavorable)	2010 Actual Totals (Memorandum Only)
	Budget Amounts		Actual		
	Original	Final			
Public works:					
Wages and benefits	\$ 354,806	\$ 354,806	\$ 363,433	\$ (8,627)	\$ 254,927
Street construction and maintenance	118,100	118,100	121,450	(3,350)	117,449
Waste collection	132,345	132,345	140,840	(8,495)	135,740
Snow and ice removal	56,950	56,950	33,328	23,622	73,183
Street lighting and installation	82,250	82,250	95,804	(13,554)	83,704
Vehicle repair and maintenance	39,500	39,500	53,125	(13,625)	41,125
Insurance	25,853	25,853	25,904	(51)	20,779
Gasoline	17,000	17,000	17,974	(974)	10,982
Shop utilities	18,000	18,000	19,791	(1,791)	21,960
Trees and brush	4,000	4,000	4,611	(611)	7,305
Office supplies expense	6,850	6,850	10,275	(3,425)	8,573
Shop repair and maintenance	4,000	4,000	7,740	(3,740)	2,430
Street signs and markings	8,250	8,250	7,978	272	10,387
Total public works	<u>867,904</u>	<u>867,904</u>	<u>902,253</u>	<u>(34,349)</u>	<u>788,544</u>
Culture and recreation:					
Summer recreation:					
Sports events and programs	80,163	80,163	101,798	(21,635)	72,207
Wages and benefits	40,000	40,000	33,265	6,735	34,274
Building utility and repair	6,500	6,500	6,263	237	6,298
Supplies and expense	550	550	465	85	518
Cemetery	21,468	21,468	22,000	(532)	18,100
PEG channel	69,790	69,790	68,463	1,327	67,780
Total culture and recreation	<u>218,471</u>	<u>218,471</u>	<u>232,254</u>	<u>(13,783)</u>	<u>199,177</u>

**CITY OF MAUSTON, WISCONSIN
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
(CONTINUED)
For the Year Ended December 31, 2011
With Comparative Actual Totals for Year Ended December 31, 2010**

	2011		Actual	Variance with Final Budget Favorable - (Unfavorable)	2010 Actual Totals (Memorandum Only)
	Budget Amounts				
	Original	Final			
Conservation and development:					
Economic development:					
Greater Area Development Corp.	\$ 30,000	\$ 30,000	\$ 11,520	\$ 18,480	\$ 20,000
Airport	15,000	15,000	15,000	-	25,951
Environmental remediation	18,500	18,500	22,884	(4,384)	24,616
Total conservation and development	<u>63,500</u>	<u>63,500</u>	<u>49,404</u>	<u>14,096</u>	<u>70,567</u>
Capital outlay:					
Public safety:					
Fire department	13,000	13,000	-	13,000	-
Total public safety	<u>13,000</u>	<u>13,000</u>	<u>-</u>	<u>13,000</u>	<u>-</u>
Total capital outlay	<u>13,000</u>	<u>13,000</u>	<u>-</u>	<u>13,000</u>	<u>-</u>
Total expenditures	<u>\$ 3,162,767</u>	<u>\$ 3,162,767</u>	<u>\$ 3,054,903</u>	<u>\$ 107,864</u>	<u>\$ 2,898,838</u>

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, 2011
With Comparative Actual Totals for Year Ended December 31, 2010

	2011		Variance Favorable - (Unfavorable)	2010
	Budget	Actual		Actual Totals (Memorandum Only)
Revenues:				
Property taxes	\$ 287,153	\$ 287,153	\$ -	\$ 298,795
Total revenues	<u>287,153</u>	<u>287,153</u>	<u>-</u>	<u>298,795</u>
Expenditures:				
Debt service:				
Principal retirement	160,000	1,185,000	(1,025,000)	217,840
Interest and fiscal charges	127,153	127,153	-	115,522
Total expenditures	<u>287,153</u>	<u>1,312,153</u>	<u>(1,025,000)</u>	<u>333,362</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(1,025,000)</u>	<u>(1,025,000)</u>	<u>(34,567)</u>
Other financing sources (uses):				
Proceeds of long-term debt	-	2,125,000	2,125,000	-
Payment to refunding bond escrow agent	-	(1,100,000)	(1,100,000)	-
Operating transfers in	-	-	-	34,567
Total other financing sources (uses)	<u>-</u>	<u>1,025,000</u>	<u>1,025,000</u>	<u>34,567</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF MAUSTON, WISCONSIN
TAX INCREMENTAL FINANCING DISTRICT FUNDS
COMBINING BALANCE SHEET
As of December 31, 2011
With Comparative Totals for December 31, 2010**

	Tax Incremental Financing District No. 2	Tax Incremental Financing District No. 3	Environmental Remediation TIF District No. 1	2011 Totals	2010 Totals (Memorandum Only)
ASSETS					
Cash and cash equivalents	\$ (109,867)	\$ 723,165	\$ -	\$ 613,298	\$ 1,973,382
Receivables:					
Taxes	507,241	677,348	-	1,184,589	1,222,080
Special assessments	19,434	177,339	-	196,773	304,614
Customer accounts	351,464	-	-	351,464	-
Total assets	\$ 768,272	\$ 1,577,852	\$ -	\$ 2,346,124	\$ 3,500,076
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 106,410	\$ 16,268	\$ -	\$ 122,678	\$ -
Deferred revenues	878,138	854,686	-	1,732,824	1,526,694
Due to other funds	-	-	56,394	56,394	55,244
Advance due to Mauston RDA	-	-	-	-	905,000
Advances due to other funds	1,665,827	469,200	-	2,135,027	2,135,027
Total liabilities	2,650,375	1,340,154	56,394	4,046,923	4,621,965
Fund balance:					
Restricted	-	237,698	-	237,698	946,235
Unassigned (deficit)	(1,882,103)	-	(56,394)	(1,938,497)	(2,068,124)
Total fund balance	(1,882,103)	237,698	(56,394)	(1,700,799)	(1,121,889)
Total liabilities and fund balance	\$ 768,272	\$ 1,577,852	\$ -	\$ 2,346,124	\$ 3,500,076

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, 2011
With Comparative Totals for Year Ended December 31, 2010

	Tax Incremental Financing District No. 2	Tax Incremental Financing District No. 3	Environmental Remediation TIF District No. 1	2011 Totals	2010 Totals (Memorandum Only)
Revenues:					
Property taxes	\$ 488,343	\$ 733,737	\$ -	\$ 1,222,080	\$ 1,001,918
Other local sources	104,054	-	-	104,054	204,891
Intergovernmental	2,516	6,094	-	8,610	6,365
Interest	8,091	13,014	-	21,105	50,915
Total revenues	<u>603,004</u>	<u>752,845</u>	<u>-</u>	<u>1,355,849</u>	<u>1,264,089</u>
Expenditures:					
Current:					
Conservation and development	113,898	1,825	1,150	116,873	241,994
Debt service:					
Principal retirement	195,000	660,000	-	855,000	335,000
Interest and fiscal charges	100,690	76,886	-	177,576	172,633
Capital outlay:					
Conservation and development	505,442	293,445	-	798,887	-
Total expenditures	<u>915,030</u>	<u>1,032,156</u>	<u>1,150</u>	<u>1,948,336</u>	<u>749,627</u>
Excess (deficiency) of revenues over expenditures	<u>(312,026)</u>	<u>(279,311)</u>	<u>(1,150)</u>	<u>(592,487)</u>	<u>514,462</u>
Other financing sources (uses):					
Proceeds of long-term debt	935,000	680,000	-	1,615,000	-
Payment to refunded bond escrow agent	(920,000)	(670,000)	-	(1,590,000)	-
Contribution to municipal utility	(685,207)	(231,216)	-	(916,423)	-
Transfer (to) from other district	208,010	(208,010)	-	-	-
Total other financing sources (uses)	<u>(462,197)</u>	<u>(429,226)</u>	<u>-</u>	<u>(891,423)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(774,223)</u>	<u>(708,537)</u>	<u>(1,150)</u>	<u>(1,483,910)</u>	<u>514,462</u>
Fund balance (deficit), January 1	(2,012,880)	946,235	(55,244)	(1,121,889)	(1,702,551)
Prior period adjustment	905,000	-	-	905,000	66,200
Fund balance (deficit), January 1, restated	<u>(1,107,880)</u>	<u>946,235</u>	<u>(55,244)</u>	<u>(216,889)</u>	<u>(1,636,351)</u>
Fund balance (deficit), December 31	<u>\$ (1,882,103)</u>	<u>\$ 237,698</u>	<u>\$ (56,394)</u>	<u>\$ (1,700,799)</u>	<u>\$ (1,121,889)</u>

**CITY OF MAUSTON, WISCONSIN
NONMAJOR FUNDS
COMBINING BALANCE SHEET
As of December 31, 2011**

With Comparative Totals for December 31, 2010

	Special Revenue Funds										2010 Totals (Memorandum Only)
	Room Tax Fund	Library Fund	Shared Ride Taxi Fund	Wisconsin Development Fund	Community Development Block Grant	Other Grant Funds	Cemetery Fund	Airport Fund	2011 Totals	2010 Totals	
ASSETS											
Cash and cash equivalents	\$ 541	\$ 261,800	\$ 277	\$ 442	\$ -	\$ -	\$ -	\$ 2,199	\$ 265,259	\$ 248,152	
Receivables:											
Accounts	26,214	-	-	-	-	3,102	-	-	29,316	22,217	
Loans	-	-	-	647,811	48,768	-	-	-	696,579	619,398	
Due from other governments	-	-	16,655	-	-	-	-	-	16,655	38,417	
Restricted assets:											
Cash and cash equivalents	-	139,981	-	12,265	304,845	-	-	-	457,091	426,908	
Total assets	\$ 26,755	\$ 401,781	\$ 16,932	\$ 660,518	\$ 353,613	\$ 3,102	\$ -	\$ 2,199	\$ 1,464,900	\$ 1,355,092	
LIABILITIES AND FUND BALANCE											
Liabilities:											
Accounts payable	\$ 640	\$ 5,795	\$ 8,495	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,930	\$ 6,460	
Due to other funds	11,978	-	-	-	9,087	2,832	1,142	-	25,039	35,233	
Due to other governments	-	-	744	-	-	-	-	-	744	561	
Total liabilities	12,618	5,795	9,239	-	9,087	2,832	1,142	-	40,713	42,254	
Fund balance:											
Restricted	14,137	395,986	7,693	660,518	344,526	270	-	2,199	1,425,329	1,316,551	
Unassigned (deficit)	-	-	-	-	-	-	(1,142)	-	(1,142)	(3,713)	
Total fund balance	14,137	395,986	7,693	660,518	344,526	270	(1,142)	2,199	1,424,187	1,312,838	
Total liabilities and fund balance	\$ 26,755	\$ 401,781	\$ 16,932	\$ 660,518	\$ 353,613	\$ 3,102	\$ -	\$ 2,199	\$ 1,464,900	\$ 1,355,092	

CITY OF MAUSTON, WISCONSIN
NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2011
With Comparative Totals for Year Ended December 31, 2010

	Special Revenue Funds										2010
	Room Tax Fund	Library Fund	Shared Ride Taxi Fund	Wisconsin Development Fund	Community Development Block Grant	Other Grant Funds	Cemetery Fund	Airport Fund	2011 Totals	(Memorandum Only)	
Revenues:											
Room tax	\$ 102,466	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102,466	\$ 111,964	
Intergovernmental	-	189,240	140,964	120,500	73,334	44,776	-	-	568,814	627,067	
Public charges for service	-	33,013	-	-	-	-	1,050	10,970	45,033	24,813	
Interest	-	6,585	-	-	7,080	-	880	-	14,545	11,926	
Miscellaneous revenues	10,316	2,476	10,550	-	-	-	-	-	23,342	32,577	
Total revenues	112,782	231,314	151,514	120,500	80,414	44,776	1,930	10,970	754,200	808,347	
Expenditures:											
Current:											
Public safety	-	-	-	-	-	5,890	-	-	5,890	5,844	
Culture and recreation	-	511,464	-	-	-	-	3,072	8,771	523,307	479,597	
Conservation and development	135,697	-	130,931	26,714	70,176	-	-	-	363,518	513,650	
Capital outlay:											
Conservation and development	-	-	35,733	-	-	52,197	-	-	87,930	45,408	
Total expenditures	135,697	511,464	166,664	26,714	70,176	58,087	3,072	8,771	980,645	1,044,499	
Excess (deficiency) of revenues over expenditures	(22,915)	(280,150)	(15,150)	93,786	10,238	(13,311)	(1,142)	2,199	(226,445)	(236,152)	
Other financing sources:											
Transfer (to) from other funds	-	310,000	10,500	-	-	17,294	-	-	337,794	318,781	
Total other financing sources	-	310,000	10,500	-	-	17,294	-	-	337,794	318,781	
Excess (deficiency) of revenues over expenditures and other sources	(22,915)	29,850	(4,650)	93,786	10,238	3,983	(1,142)	2,199	111,349	82,629	
Fund balance, January 1	37,052	366,136	12,343	566,732	334,288	(3,713)	-	-	1,312,838	1,230,209	
Fund balance, December 31	\$ 14,137	\$ 395,986	\$ 7,693	\$ 660,518	\$ 344,526	\$ 270	\$ (1,142)	\$ 2,199	\$ 1,424,187	\$ 1,312,838	

CITY OF MAUSTON, WISCONSIN
WATER UTILITY
DETAILED STATEMENT OF SELECTED OPERATING
REVENUES AND EXPENSES
Year Ended December 31, 2011
With Comparative Totals for Year Ended December 31, 2010

	2011	2010 Totals (Memorandum Only)
Sales of water:		
Residential sales	\$ 290,338	\$ 294,061
Commercial sales	209,716	202,705
Industrial sales	31,897	26,276
Public fire protection	231,924	231,924
Private fire protection	26,504	26,419
Sales to public authority	65,483	64,991
Bulk water sales	951	300
Total sales of water	\$ 856,813	\$ 846,676
Operation and maintenance expenses:		
Maintenance of water source plant	\$ 17,103	\$ 11,266
Power purchased for pumping	50,353	43,073
Chemicals	53,542	33,779
Transmission and distribution labor	7,059	19,414
Transmission and distribution supplies	169	515
Maintenance of mains	5,645	46,414
Maintenance of services	143	10,543
Maintenance of meters	25,833	20,296
Maintenance of hydrants	195	9,480
Maintenance of other plant	11,186	9,451
Meter reading labor	18,683	15,096
Accounting and collecting labor	45,669	36,902
Customer accounts supplies and expense	2,320	1,291
Administrative and general salaries	8,303	38,034
Office supplies and expenses	8,902	10,161
Outside services employed	17,518	7,266
Property insurance	14,127	11,323
Employee pensions and benefits	70,493	73,485
Transportation expenses	18,602	13,525
Regulatory commission expense	1,371	765
Maintenance of general plant	489	1,168
Miscellaneous general expenses	3,380	2,568
Total operation and maintenance expenses	\$ 381,085	\$ 415,815

**CITY OF MAUSTON, WISCONSIN
SEWER FUND
DETAILED STATEMENT OF SELECTED OPERATING
REVENUES AND EXPENSES
Year Ended December 31, 2011
With Comparative Totals for Year Ended December 31, 2010**

	2011	2010 Totals (Memorandum Only)
Sewerage service fees:		
Residential sales	\$ 393,050	\$ 380,278
Sales to industrial customers	61,241	50,635
Commercial and public sales	431,026	410,507
Sales to public authorities	213,408	199,546
Total sewerage service fees	\$ 1,098,725	\$ 1,040,966
Operation and maintenance expenses:		
Supervision and labor	\$ 129,637	\$ 158,859
Power purchased for pumping	107,865	98,106
Operation supplies and expense	8,095	7,713
Transportation expenses	18,800	13,475
Maintenance of sewage collection system	97,894	181,261
Maintenance of treatment plant equipment	3,134	12,767
Maintenance of buildings	5,216	7,952
Office supplies and expenses	15,709	15,103
Outside services employed	9,218	3,186
Property insurance	14,127	11,323
Employee pensions and benefits	69,384	72,658
Regulatory commission expense	3,571	4,742
Miscellaneous general expense	13,120	13,385
Total operation and maintenance expenses	\$ 495,770	\$ 600,530

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

CITY OF MAUSTON, WISCONSIN
SCHEDULE OF EXPENDITURES OF STATE OF WISCONSIN AWARDS
Year Ended December 31, 2011

	State ID Number	Cash/Accrued or (Deferred) Revenue at January 1	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/Accrued or (Deferred) Revenue at December 31
<u>Wisconsin Department of Natural Resources</u>					
Fire suppression grants	370.545	\$ -	\$ 5,764	\$ 5,764	\$ -
Total Wisconsin Department of Natural Resources		-	5,764	5,764	-
<u>Wisconsin Department of Transportation</u>					
State Taxi Assistance	395.104	2,870	53,797	53,772	2,845
Total Wisconsin Department of Transportation		2,870	53,797	53,772	2,845
Total State Awards		\$ 2,870	\$ 59,561	\$ 59,536	\$ 2,845

See notes to schedules of expenditures of awards.

CITY OF MAUSTON, WISCONSIN
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS
Year Ended December 31, 2011

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, each major fund, and the aggregate remaining fund information of the City of Mauston, Wisconsin, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 24, 2012. Our report included an emphasis paragraph describing the implementation of GASB Statements No. 54 and No. 61. 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 \$1,038,048 as of June 30, 2011 and total revenues of \$680,282 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

Management of the City of Mauston, Wisconsin, is responsible for establishing and maintaining effective 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.



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 2011-1 and 2011-2 to be material weaknesses.

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 September 24, 2012.

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.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Viroqua, Wisconsin
September 24, 2012

**INDEPENDENT AUDITOR'S 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, 2011. 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, 2011.



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 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.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Viroqua, Wisconsin
September 24, 2012

**CITY OF MAUSTON, WISCONSIN
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2011**

There were no findings in the previous year.

CITY OF MAUSTON, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Mauston, Wisconsin.
2. Two material weaknesses (2011-1 and 2011-2) were noted in the audit of the financial statements. Management's responses to the weaknesses were not audited, and accordingly, no opinion is expressed on them.

2011-1

Condition: The City has a control deficiency in that overlapping duties are concentrated within a small number of accounting and administrative staff.

Criteria: Internal controls should be in place which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Effect: Failure to properly segregate duties may allow for errors or irregularities to occur and not be detected in a timely manner by employees in the normal course of performing their assigned functions.

Auditor's Recommendation: We recommend that the Common Council take an active part in monitoring matters related to the City of Mauston's operations.

Grantee Response: The City is aware of the lack of segregation of duties issue but is unable to clear the deficiency due to limited resources.

2011-2

Condition: The City has not presented financial records that are free of material misstatement and has not prepared the financial statements and related notes in accordance with generally accepted accounting principles. Due to limited resources, management has decided to accept certain risks relevant to financial reporting and relies on the auditor to assist with the preparation of the City's financial statements.

Criteria: Internal controls over preparation of the financial statements, including footnote disclosures, should be in place to provide reasonable assurance that a misstatement in the financial statements would be prevented or detected.

Effect: Since management relies on the auditor to assist with the preparation of the financial statements, the City's system of internal control may not prevent, detect, or correct misstatements in the financial statements.

**CITY OF MAUSTON, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
For the Year Ended December 31, 2011**

A. SUMMARY OF AUDIT RESULTS (Continued)

2011-2 (Continued)

Auditor's Recommendation: The auditor will continue to work with the City, providing information and training where needed, to make the City's personnel more knowledgeable about its responsibility for the financial statements.

Grantee Response: 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. The City accepts responsibility for the financial statements.

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 Auditor's 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 auditor's 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:

<u>Federal Program ID#</u>	<u>Name</u>
10.781	Rural Development Grants
11.307	Economic Adjustment Assistance
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 Grants, CDBG EAP 08-23 and Economic Adjustment Assistance grants 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 two material weaknesses listed as 2011-1 and 2011-2, no findings were reported.

**CITY OF MAUSTON, WISCONSIN
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (CONTINUED)
 For the Year Ended December 31, 2011**

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 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 Kevin Krysinski, CPA

5. Date of report: September 24, 2012

CITY OF MAUSTON, WISCONSIN
REQUIRED AUDIT COMMUNICATIONS
TO THE MAYOR AND MEMBERS OF
THE COMMON COUNCIL

Year Ended December 31, 2011

CITY OF MAUSTON, WISCONSIN
Year Ended December 31, 2011

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Certified Public Accountants

1315 Bad Axe Court ▲ P.O. Box 271 ▲ Viroqua, Wisconsin 54665 ▲ TEL 608-637-2082 ▲ FAX 608-637-3021

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, 2011 and issued our report thereon dated September 24, 2012. 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 2011 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.

Other Client Information Presented with the Financial Statements

Our responsibility with respect to the supplemental information included with the financial statements is as described in our report thereon dated September 24, 2012.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

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. GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions" was implemented beginning January 1, 2011. The application of existing policies was not changed during 2011. 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, 2011.

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 auditor's 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 auditor's 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 occur in the normal course of our professional relationship and our responses are 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.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Viroqua, Wisconsin
September 24, 2012



Certified Public Accountants

1315 Bad Axe Court ▲ P.O. Box 271 ▲ Viroqua, Wisconsin 54665 ▲ TEL 608-637-2082 ▲ FAX 608-637-3021

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

In planning and performing our audit of the financial statements of the City of Mauston, Wisconsin for the year ended December 31, 2011, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following pages that accompany this letter summarize our comments and suggestions regarding those matters. This letter does not affect our report dated September 24, 2012, on the financial statements of the City of Mauston, Wisconsin.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the City's personnel during the course of our work. In particular, we would like to note the considerable assistance and cooperation provided to us by Nathan Thiel, Cindy Schlicting and the staff.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Viroqua, Wisconsin
September 24, 2012

CITY OF MAUSTON, WISCONSIN
Year Ended December 31, 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 2011 audit, we proposed the following adjustments and reclassifications to your records:

Description of Entry	Financial Statement Impact		
	Increase (Decrease) in Net Income		
	Governmental Activities	Business-Type Activities	
Water Utility		Sewer Fund	
Record/adjust accounts payable and accrued expenses	\$ (227,702)	\$ 3,244	\$ (21,543)
Adjust accrued payroll	-	(2,312)	(2,725)
Adjust hydrant rental	(231,924)	-	-
Record/adjust depreciation expense	-	(217,050)	(400,899)
Record/adjust receivables and revenues	238,261	124,306	137,674
Amortization of debt issuance expense	-	(6,092)	(4,841)
Reclass capital asset activity	595,730	725,036	604,977
Record off the books library activity	18,220	-	-
Record tax roll and settle tax equivalent	2,871,521	(80,715)	28,746

Adjustments and reclassifications (continued) :

Description of Entry	Financial Statement Impact		
	Increase (Decrease) in Net Income		
	Governmental Activities	Business-Type Activities	
Water Utility		Sewer Fund	
Reclass activity recorded to other funds	\$ 100,728	\$ 17,342	\$ -
To record debt issuance expense	(380,000)	-	-
To record public fire protection	-	231,924	-
Record RLF activity maintained by MSA	93,970	-	-
To allocate interest income	(61,224)	18,439	42,785
Reclass interfund transactions	268,955	-	-
Total impact of adjusting audit entries	<u>\$ 3,286,535</u>	<u>\$ 814,122</u>	<u>\$ 384,174</u>

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 2011 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. These entries are discussed with management at our exit conference where the effects are explained. The effect of these passed entries was not considered to be material to the financial statements.

Schedule of Passed (Uncorrected)
Journal Entries Identified in the 2011 Audit
Overstated (Understated)

	Assets	Liabilities	Equity	Net Income
Cash lower than reconciled bank cash	\$ (4,143)	\$ -	\$ (4,143)	\$ (4,143)
Net Difference	<u>\$ (4,143)</u>	<u>\$ -</u>	<u>\$ (4,143)</u>	<u>\$ (4,143)</u>

OTHER COMMENTS ON OPERATIONS AND INTERNAL CONTROL

Account Reconciliations

During the audit, we recommended an excessive number of adjusting journal entries. Substantially all of the entries were to correct bookkeeping errors or to make accruals and other adjustments that should have been made by the accounting staff. We recommend that the City establish a formal monthly closing calendar including the recurring journal entries needed.

Since the purpose of the City Council is to provide oversight and guidance to the City, information about the City's actual results of operations is critical to the Council's ability to make informed decisions. In order to make the financial reports generated by the accounting system as meaningful as possible, the City should reconcile the general ledger accounts for cash, accounts receivable, accounts payable, and payroll liabilities to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate, but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

Timely reconciliations of cash accounts were completed during the year; however, variances were not resolved on a timely basis. We recommend timely reconciliations be performed as close to month end as possible and variances should be investigated. We suggest the staff perform reconciliation procedures in a timely manner and that management monitor the progress and accuracy of such reconciliations. Follow-up with computer software support may be necessary to ensure variances are cleared in a timely manner.

The subsidiary ledger for special assessments is not reconciled to the general ledger. Possible overpayments and underpayments by residents may occur due to misposting of special assessment payments. Reconciliations should be performed monthly so that errors do not accumulate. In addition, working with computer support staff will ensure staff understand how the special assessment reporting module feeds into the general ledger software and ensure timely and accurate reconciliations.

OTHER COMMENTS ON OPERATIONS AND INTERNAL CONTROL (CONTINUED)

Account Reconciliations (Continued)

A reconciliation of accounts receivable (utility, grants, and other accounts receivable) from the general ledger to the accounts receivable detail ledger (subsidiary ledger) should be prepared monthly to verify that the transactions recorded are accurate and that any adjustments or write-offs of accounts receivable have been approved. We recommend that a reconciliation of the detail (subsidiary ledgers) to the accounts receivable control be made at the end of each month and that any reconciling items be investigated and cleared promptly.

Accounting System Design and Implementation

During 2011, the City converted 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 understanding your software capabilities and processing systems (cash receipting, cash reconciliation, check writing). This understanding will allow you to better perform the City's daily accounting transactions and make reconciliation of these transactions easier. The ending result will be accurate City accounting records.

The City has numerous funds to account for the activities of the City. These funds need to be reconciled to ensure only activity required to be reported in the fund is recorded there and the transactions are recorded accurately. The risk management fund that is used to account for health insurance is not being reconciled. Reconciliations needs to be performed between what is paid for health insurance and what is being allocated to the other funds to ensure over allocation or under allocation of these expenses is not occurring. Consideration may be given to reducing or combining the number of funds used to account for the activity of the City to help minimize accounting errors.

It was noted during the audit that interest income was not allocated between funds. Any allocations between funds should be made monthly to make the accounting information as meaningful as possible on a fund by fund basis.

Deficit Fund Balance

At December 31, 2011 the capital projects fund had a deficit fund balance of \$(372,087). Various capital projects were completed or ongoing during 2010 and 2011 but no new debt was issued to finance these projects, and no tax revenue was allocated for capital projects. We recommend the City continue to monitor the fund balance and transfer from other funds to replenish the fund balance, if necessary.

Custodial Credit Risk

Our audit also revealed that, from time to time, the City's deposits with financial institutions exceed available FDIC insurance limits. We recommend consideration be given to obtaining deposit collateral or additional insurance from the affected financial institutions.

CONCLUDING REMARKS

We would like to thank you for allowing us to serve you. 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 to 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.