

CITY OF MAUSTON, WISCONSIN

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

Year Ended December 31, 2012

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CITY OF MAUSTON, WISCONSIN

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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, 2012, and the related notes to the financial statements, which collectively comprise the City of Mauston, Wisconsin's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Mauston, Wisconsin, as of December 31, 2012, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City of Mauston, Wisconsin adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, for the year ended December 31, 2012. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Other Matters (Continued)

Other Information

The prior year summarized information has been derived from the City's 2011 financial statements, and, in our report dated September 24, 2012, we expressed unqualified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mauston, Wisconsin's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements.

The other supplementary information and the schedules of expenditures of awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2013 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 in considering the City of Mauston, Wisconsin's internal control over financial reporting and compliance.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Viroqua, Wisconsin
September 20, 2013

BASIC FINANCIAL STATEMENTS

**City of Mauston
Mauston, Wisconsin**

**Statement of Net Position
December 31, 2012**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 2,006,718	\$ 4,389,306	\$ 6,396,024
Receivables	5,739,157	285,747	6,024,904
Internal balances	(1,598,159)	1,598,159	-
Due from other governmental agencies	28,194	810,387	838,581
Inventories	-	24,347	24,347
Other assets	60,932	4,107	65,039
Capital assets:			
Land and construction in progress	2,718,543	435,440	3,153,983
Other capital assets, net of depreciation	12,492,290	20,812,035	33,304,325
Net capital assets	<u>15,210,833</u>	<u>21,247,475</u>	<u>36,458,308</u>
Total assets	<u>\$ 21,447,675</u>	<u>\$ 28,359,528</u>	<u>\$ 49,807,203</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 500,125	\$ 10,709	\$ 510,834
Accrued interest payable	18,223	82,767	100,990
Long-term liabilities			
Due within one year	635,000	355,894	990,894
Due in more than one year	4,907,355	10,669,024	15,576,379
Total liabilities	<u>6,060,703</u>	<u>11,118,394</u>	<u>17,179,097</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,624,440</u>	<u>-</u>	<u>3,624,440</u>
NET POSITION			
Net investment in capital assets	9,222,453	10,222,557	19,445,010
Restricted	1,533,141	1,359,487	2,892,628
Unrestricted	1,006,938	5,659,090	6,666,028
Total net position	<u>11,762,532</u>	<u>17,241,134</u>	<u>29,003,666</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 21,447,675</u>	<u>\$ 28,359,528</u>	<u>\$ 49,807,203</u>

See accompanying notes to the basic financial statements.

**City of Mauston
Mauston, Wisconsin**

**Statement of Activities
For the Year Ended December 31, 2012**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 759,170	\$ 100,726	\$ -	\$ -	\$ (658,444)	\$ -	\$ (658,444)
Public Safety	1,354,255	170,762	19,564	284,577	(879,352)	-	(879,352)
Public Works	1,281,380	158,648	-	2,278,719	1,155,987	-	1,155,987
Health, Welfare and Sanitation	22,000	1,600	-	-	(20,400)	-	(20,400)
Culture and Recreation	706,616	38,059	180,040	-	(488,517)	-	(488,517)
Conservation and Development	275,826	-	119,968	-	(155,858)	-	(155,858)
Interest on Long-Term Debt	212,838	-	-	-	(212,838)	-	(212,838)
Total governmental activities	4,612,085	469,795	319,572	2,563,296	(1,259,422)	-	(1,259,422)
Business-type Activities							
Water	819,189	892,700	-	175,932	-	\$ 249,443	249,443
Sewer	1,229,886	1,163,592	-	278,981	-	212,687	212,687
Total business-type activities	2,049,075	2,056,292	-	454,913	-	462,130	462,130
Total primary government	\$ 6,661,160	\$ 2,526,087	\$ 319,572	\$ 3,018,209	(1,259,422)	462,130	(797,292)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					2,868,507	-	2,868,507
Other taxes					121,910	-	121,910
Grants and contributions not restricted to specific programs					1,507,576	-	1,507,576
Unrestricted investment earnings					25,128	60,201	85,329
Miscellaneous					97,170	-	97,170
Transfers					(37,807)	37,807	-
Total general revenues and transfers					4,582,484	98,008	4,680,492
Change in net position					3,323,062	560,138	3,883,200
Net position - beginning					8,439,470	16,680,996	25,120,466
Net position - ending					\$ 11,762,532	\$ 17,241,134	\$ 29,003,666

See accompanying notes to the basic financial statements.

**City of Mauston
Mauston, Wisconsin
Balance Sheet
Governmental Funds
December 31, 2012
With Comparative Totals for December 31, 2011**

	General Fund	TIF Districts	Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds	2011 Totals (Memorandum Only)
ASSETS						
Cash and Cash Equivalents	\$ 177,277	\$ 949,794	\$ -	\$ 260,842	\$ 1,387,913	\$ 1,994,765
Receivables:						
Taxes	1,652,687	1,195,601	-	-	2,848,288	2,841,715
Delinquent Personal Property Taxes	2,512	-	-	-	2,512	-
Special Assessments	258,659	177,339	-	-	435,998	362,686
Accounts	204,367	-	1,545,399	38,125	1,787,891	430,350
Loans	-	-	-	664,469	664,469	696,579
Due from Other Funds	1,654,835	-	-	-	1,654,835	866,963
Due from Other Governments	28,192	-	-	-	28,192	661,519
Advances Due from Other Funds	895,027	-	-	-	895,027	1,145,027
Prepaid Expenses	-	-	-	-	-	336
Restricted Assets:						
Cash and Cash Equivalents	80,979	-	-	537,824	618,803	537,280
Total Assets	<u>\$ 4,954,535</u>	<u>\$ 2,322,734</u>	<u>\$ 1,545,399</u>	<u>\$ 1,501,260</u>	<u>\$ 10,323,928</u>	<u>\$ 9,537,220</u>
LIABILITIES						
Accounts Payable	\$ 65,302	\$ 190,611	\$ 225,690	\$ 10,661	\$ 492,264	\$ 197,981
Accrued Liabilities	9,725	-	-	-	9,725	13,354
Due to Other Funds	-	216,327	1,404,111	34,397	1,654,835	866,963
Due to Other Governments	-	-	-	-	-	744
Advances Due to Other Funds	608,159	1,885,027	-	-	2,493,186	2,743,186
Total Liabilities	<u>683,186</u>	<u>2,291,965</u>	<u>1,629,801</u>	<u>45,058</u>	<u>4,650,010</u>	<u>3,822,228</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>1,919,628</u>	<u>1,591,994</u>	<u>111,809</u>	<u>-</u>	<u>3,623,431</u>	<u>3,679,142</u>
FUND BALANCE						
Nonspendable	907,027	-	-	-	907,027	1,153,363
Restricted	5,979	70,960	-	1,456,202	1,533,141	1,743,216
Assigned	255,276	-	-	-	255,276	372,087
Unassigned (Deficit)	1,183,439	(1,632,185)	(196,211)	-	(644,957)	(1,232,816)
Total Fund Balance (Deficit)	<u>2,351,721</u>	<u>(1,561,225)</u>	<u>(196,211)</u>	<u>1,456,202</u>	<u>2,050,487</u>	<u>2,035,850</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 4,954,535</u>	<u>\$ 2,322,734</u>	<u>\$ 1,545,399</u>	<u>\$ 1,501,260</u>	<u>\$ 10,323,928</u>	<u>\$ 9,537,220</u>

See accompanying notes to the basic financial statements.

**City of Mauston
Mauston, Wisconsin**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2012**

Total fund balance, governmental funds	\$	2,050,487
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Taxes from municipal utilities are recognized as revenues as they are received in the fund statements.</p>		14,033
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement but are reported in the governmental activities of the Statement of Net Position.</p>		15,210,833
<p>Some liabilities (such as Notes Payable, Bonds Payable and Long-term Compensated Absences) are not due and payable in the current period and are not included in the fund financial statement but are included in the governmental activities of the Statement of Net Position.</p>		
General obligation debt and RDA debt	\$	(5,380,221)
Unamortized debt discounts		47,757
Accrued interest		(18,223)
Vested employee benefits		(117,865)
Unfunded retirement liability		(44,269)
		(5,512,821)
Net Position of Governmental Activities in the Statement of Net Position	\$	11,762,532

See accompanying notes to the basic financial statements.

**City of Mauston
Mauston, Wisconsin**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011**

	General Fund	TIF Districts	Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds	2011 Totals (Memorandum Only)
REVENUES						
Property Taxes	\$ 1,654,168	\$ 1,184,589	\$ -	\$ -	\$ 2,838,757	\$ 2,864,228
Other Taxes	111,666	-	-	120,710	232,376	478,952
Intergovernmental	1,654,504	1,257,334	857,747	325,078	4,094,663	2,658,627
License and Permits	53,720	-	-	-	53,720	51,398
Fines, Forfeits and Penalties	44,771	-	-	-	44,771	27,790
Public Charges for Services	408,534	-	-	30,160	438,694	396,948
Interest Income	22,689	4,962	-	5,519	33,170	79,160
Miscellaneous Income	115,097	15,800	-	9,132	140,029	86,963
Total Revenues	<u>4,065,149</u>	<u>2,462,685</u>	<u>857,747</u>	<u>490,599</u>	<u>7,876,180</u>	<u>6,644,066</u>
EXPENDITURES						
Current:						
General Government	732,916	-	-	-	732,916	555,962
Public Safety	1,263,529	-	-	33,309	1,296,838	1,320,920
Public Works	839,229	-	-	-	839,229	902,253
Health and Human Services	-	-	-	-	-	-
Culture, Recreation and Education	216,584	-	-	454,501	671,085	755,561
Conservation and Development	11,892	6,730	-	239,666	258,288	529,795
Capital Outlay	604,905	2,144,630	918,837	-	3,668,372	1,697,447
Debt Service:						
Principal Repayment	195,000	390,000	-	-	585,000	2,040,000
Interest Expense	72,298	97,738	-	-	170,036	304,729
Total Expenditures	<u>3,936,353</u>	<u>2,639,098</u>	<u>918,837</u>	<u>727,476</u>	<u>8,221,764</u>	<u>8,106,667</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>128,796</u>	<u>(176,413)</u>	<u>(61,090)</u>	<u>(236,877)</u>	<u>(345,584)</u>	<u>(1,462,601)</u>
OTHER FINANCING SOURCES (USES)						
Sale of Municipal Property	-	-	-	-	-	56,673
Proceeds from Long-Term Debt	-	360,221	-	-	360,221	3,740,000
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	(2,690,000)
Contribution to Utility	-	-	-	-	-	(916,423)
Transfers In (Out)	(461,624)	-	192,732	268,892	-	-
Total Other Financing Sources (Uses)	<u>(461,624)</u>	<u>360,221</u>	<u>192,732</u>	<u>268,892</u>	<u>360,221</u>	<u>190,250</u>
Net Change in Fund Balances	<u>(332,828)</u>	<u>183,808</u>	<u>131,642</u>	<u>32,015</u>	<u>14,637</u>	<u>(1,272,351)</u>
Fund Balance (Deficit), January 1	2,684,549	(1,700,799)	(372,087)	1,424,187	2,035,850	2,403,201
Prior Period Adjustment	-	(44,234)	44,234	-	-	905,000
Fund Balance (Deficit), January 1, Restated	<u>2,684,549</u>	<u>(1,745,033)</u>	<u>(327,853)</u>	<u>1,424,187</u>	<u>2,035,850</u>	<u>3,308,201</u>
Fund Balance (Deficit), December 31	<u>\$ 2,351,721</u>	<u>\$ (1,561,225)</u>	<u>\$ (196,211)</u>	<u>\$ 1,456,202</u>	<u>\$ 2,050,487</u>	<u>\$ 2,035,850</u>

See accompanying notes to the basic financial statements.

**City of Mauston
Mauston, Wisconsin**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2012**

Net change in fund balances - total governmental funds:	\$	14,637
 Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital outlay reported in governmental fund statements	\$	3,668,372
Capital asset additions not included in capital outlays		(144,912)
Depreciation expense reported in the statement of activities		<u>(373,745)</u>
Amount by which capital outlays were greater (less) than depreciation in the current period.		3,149,715
 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 Position as a net loss and having no affect on the Governmental Fund Balance Sheet.		
		(14,828)
 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 Position, and does not affect the Statement of Activities.		
		(360,221)
 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 Position and does not affect the Statement of Activities.		
		585,000
 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		1,620
Compensated absences earned in current year		<u>(10,059)</u>
Amounts paid are greater (less) than amounts earned by:		(8,439)
 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		170,036
The amount of interest accrued during the current period		<u>(146,362)</u>
Interest paid is greater (less) than interest accrued by:		23,674
 In governmental funds, discounts on outstanding long-term debt are reported as an expenditure when paid. In the Statement of Activities, discounts are amortized and expensed over the life of the issue.		
The amount of debt discounts paid during the current period		-
The amount of debt discounts recognized during the current period		<u>(66,476)</u>
Debt discounts paid are greater (less) than recognized by:		<u>(66,476)</u>
 Change in net position - governmental activities	 \$	 <u><u>3,323,062</u></u>

See accompanying notes to the basic financial statements.

**City of Mauston
Mauston, Wisconsin
Statement of Net Position
Proprietary Funds
December 31, 2012
With Comparative Totals for December 31, 2011**

	<u>Major Funds</u>			2011 Totals (Memorandum Only)
	<u>Water Utility</u>	<u>Sewer Fund</u>	<u>Total</u>	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 712,530	\$ 2,317,289	\$ 3,029,819	\$ 3,401,316
Receivables				
Special Assessments	-	28,683	28,683	34,025
Accounts	89,945	159,630	249,575	242,803
Other	470	7,019	7,489	131,253
Inventories	24,347	-	24,347	24,347
Prepaid Expenses	2,053	2,054	4,107	4,107
Current portion of Due from State of Wisconsin for				
Treatment Plant Assessment	-	90,865	90,865	87,365
Total Current Assets	<u>829,345</u>	<u>2,605,540</u>	<u>3,434,885</u>	<u>3,925,216</u>
Restricted Assets:				
Restricted Cash and Cash Equivalents	<u>245,393</u>	<u>1,114,094</u>	<u>1,359,487</u>	<u>1,111,902</u>
Total Restricted Assets	<u>245,393</u>	<u>1,114,094</u>	<u>1,359,487</u>	<u>1,111,902</u>
Capital Assets:				
Land	7,256	428,184	435,440	435,440
Utility Plant Being Depreciated	11,717,919	16,806,598	28,524,517	27,448,293
Less Accumulated Depreciation	<u>(2,370,371)</u>	<u>(5,342,111)</u>	<u>(7,712,482)</u>	<u>(7,114,122)</u>
Net Capital Assets	<u>9,354,804</u>	<u>11,892,671</u>	<u>21,247,475</u>	<u>20,769,611</u>
Noncurrent Assets:				
Due from State of Wisconsin for Treatment Plant				
Assessment	-	719,522	719,522	810,387
Advances to Other Funds	<u>530,000</u>	<u>1,068,159</u>	<u>1,598,159</u>	<u>1,598,159</u>
Total Noncurrent Assets	<u>530,000</u>	<u>1,787,681</u>	<u>2,317,681</u>	<u>2,408,546</u>
Total Assets	<u>\$ 10,959,542</u>	<u>\$ 17,399,986</u>	<u>\$ 28,359,528</u>	<u>\$ 28,215,275</u>

See accompanying notes to the basic financial statements.

**City of Mauston
Mauston, Wisconsin
Statement of Net Position
Proprietary Funds
December 31, 2012
With Comparative Totals for December 31, 2011**

	<u>Major Funds</u>			2011 Totals (Memorandum Only)
	Water Utility	Sewer Fund	Total	
LIABILITIES				
Current Liabilities				
(payable from current assets):				
Accounts Payable	\$ 8,044	\$ 2,665	\$ 10,709	\$ 158,481
Accrued Liabilities	19,379	5,447	24,826	19,070
Total Current Liabilities				
(payable from current assets)	<u>27,423</u>	<u>8,112</u>	<u>35,535</u>	<u>177,551</u>
Current Liabilities:				
(payable from restricted assets):				
Accrued Interest Payable	12,986	44,955	57,941	62,730
Current Portion of Long-Term Debt:				
Notes Payable	20,000	20,000	40,000	35,000
Bonds and Loans Payable	80,927	234,967	315,894	286,531
Total Current Liabilities				
(payable from restricted assets)	<u>113,913</u>	<u>299,922</u>	<u>413,835</u>	<u>384,261</u>
Non-Current Liabilities:				
Long-Term Debt				
Notes Payable	255,000	320,000	575,000	615,000
Bonds and Loans Payable	3,193,644	6,900,380	10,094,024	10,357,467
Total Long-Term Debt	<u>3,448,644</u>	<u>7,220,380</u>	<u>10,669,024</u>	<u>10,972,467</u>
Total Liabilities	<u>3,589,980</u>	<u>7,528,414</u>	<u>11,118,394</u>	<u>11,534,279</u>
NET POSITION				
Net Investment in Capital Assets	5,805,233	4,417,324	10,222,557	9,387,009
Restricted	245,393	1,114,094	1,359,487	1,049,172
Unrestricted	1,318,936	4,340,154	5,659,090	6,244,815
Total Net Position	<u>7,369,562</u>	<u>9,871,572</u>	<u>17,241,134</u>	<u>16,680,996</u>
Total Liabilities and Net Position	<u>\$ 10,959,542</u>	<u>\$ 17,399,986</u>	<u>\$ 28,359,528</u>	<u>\$ 28,215,275</u>

See accompanying notes to the basic financial statements.

**City of Mauston
Mauston, Wisconsin**

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011**

	<u>Major Funds</u>			2011 Totals (Memorandum Only)
	Water Utility	Sewer Fund	Total	
OPERATING REVENUES				
Charges for Services	\$ 866,293	\$ 1,112,560	\$ 1,978,853	\$ 1,955,538
Other Operating Revenues	26,407	51,032	77,439	71,269
Total Operating Revenues	<u>892,700</u>	<u>1,163,592</u>	<u>2,056,292</u>	<u>2,026,807</u>
OPERATING EXPENSES				
Operation and Maintenance	368,465	475,241	843,706	876,855
Depreciation	267,753	412,620	680,373	617,948
Taxes	5,494	16,038	21,532	20,911
Total Operating Expenses	<u>641,712</u>	<u>903,899</u>	<u>1,545,611</u>	<u>1,515,714</u>
Operating Income (Loss)	<u>250,988</u>	<u>259,693</u>	<u>510,681</u>	<u>511,093</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and Investment Revenue	5,862	54,339	60,201	121,428
Interest Expense	(135,127)	(279,733)	(414,860)	(442,779)
Amortization Expense	(42,350)	(46,254)	(88,604)	(9,332)
Total Non-Operating Revenues (Expenses)	<u>(171,615)</u>	<u>(271,648)</u>	<u>(443,263)</u>	<u>(330,683)</u>
Income (Loss) Before Transfers and Capital Contributions	79,373	(11,955)	67,418	180,410
Capital Contributions	175,932	278,981	454,913	441,737
Transfers In - Municipal Contribution	65,245	53,277	118,522	916,423
Transfers Out - Tax Equivalent	<u>(80,715)</u>	<u>-</u>	<u>(80,715)</u>	<u>(80,715)</u>
Change in Net Position	239,835	320,303	560,138	1,457,855
Total Net Position - Beginning	<u>7,129,727</u>	<u>9,551,269</u>	<u>16,680,996</u>	<u>15,223,141</u>
Total Net Position - Ending	<u><u>\$ 7,369,562</u></u>	<u><u>\$ 9,871,572</u></u>	<u><u>\$ 17,241,134</u></u>	<u><u>\$ 16,680,996</u></u>

See accompanying notes to the basic financial statements.

**City of Mauston
Mauston, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011**

	<u>Major Funds</u>			2011 Totals (Memorandum Only)
	<u>Water Utility</u>	<u>Sewer Fund</u>	<u>Total</u>	
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers	\$ 691,132	\$ 1,255,570	\$ 1,946,702	\$ 1,784,497
Cash received from (paid to) other funds	244,815	(12,891)	231,924	231,924
Payments to suppliers	(255,584)	(447,874)	(703,458)	(1,059,893)
Payments to employees	(139,145)	(143,119)	(282,264)	(244,692)
Cash paid to other governments	(5,494)	(16,038)	(21,532)	(20,911)
	<u>535,724</u>	<u>635,648</u>	<u>1,171,372</u>	<u>690,925</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Acquisition and construction of plant assets	(679,471)	(360,244)	(1,039,715)	(471,912)
Principal payments on long-term debt	(130,536)	(227,148)	(357,684)	(313,084)
Capital contributions	175,932	278,981	454,913	316,647
Interest paid	(136,823)	(282,826)	(419,649)	(461,322)
Bond issue costs paid	-	-	-	(10,600)
Net cash used by capital and related financing activities	<u>(770,898)</u>	<u>(591,237)</u>	<u>(1,362,135)</u>	<u>(940,271)</u>
<u>Cash Flows From Noncapital and Related Financing Activities:</u>				
Transfer to other funds - tax equivalent	(80,715)	-	(80,715)	(80,715)
Net cash used by noncapital and related financing activities	<u>(80,715)</u>	<u>-</u>	<u>(80,715)</u>	<u>(80,715)</u>
<u>Cash Flows From Investing Activities:</u>				
Collection of long-term receivable	-	87,365	87,365	84,011
Interest income	5,862	54,339	60,201	121,428
Net cash provided by investing activities	<u>5,862</u>	<u>141,704</u>	<u>147,566</u>	<u>205,439</u>
Net increase (decrease) in cash and equivalents	(310,027)	186,115	(123,912)	(124,622)
Cash and equivalents - beginning of year	1,267,950	3,245,268	4,513,218	4,637,840
Cash and equivalents - end of year	<u>\$ 957,923</u>	<u>\$ 3,431,383</u>	<u>\$ 4,389,306</u>	<u>\$ 4,513,218</u>

See accompanying notes to the basic financial statements.

**City of Mauston
Mauston, Wisconsin
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011**

	<u>Major Funds</u>			2011 Totals (Memorandum Only)
	<u>Water Utility</u>	<u>Sewer Fund</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 250,988	\$ 259,693	\$ 510,681	\$ 511,093
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	267,753	412,620	680,373	617,948
Tax equivalent transfer	12,891	(12,891)	-	-
Changes in Assets and Liabilities:				
Customer accounts receivable	(5,049)	(1,723)	(6,772)	4,105
Special assessments receivable	-	5,342	5,342	(3,289)
Other accounts receivable	35,405	88,359	123,764	-
Inventory	-	-	-	(381)
Accounts payable	(29,298)	(118,474)	(147,772)	(434,180)
Accrued liabilities and expenses	3,034	2,722	5,756	(4,371)
Net cash provided (used) by operating activities	<u>\$ 535,724</u>	<u>\$ 635,648</u>	<u>\$ 1,171,372</u>	<u>\$ 690,925</u>
<u>Noncash Activity</u>				
Accounts receivable	\$ -	\$ -	\$ -	\$ (125,090)
Plant additions	(65,245)	(53,277)	(118,522)	(1,058,941)
Customer contributions	-	-	-	125,090
Accounts payable	-	-	-	142,518
Municipal contributions	65,245	53,277	118,522	916,423
Net noncash activity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and cash equivalents - Statement of Net Position	\$ 712,530	\$ 2,317,289	\$ 3,029,819	\$ 3,401,316
Restricted cash and cash equivalents - Statement of Net Position	245,393	1,114,094	1,359,487	1,111,902
Cash and cash equivalents - end of year	<u>\$ 957,923</u>	<u>\$ 3,431,383</u>	<u>\$ 4,389,306</u>	<u>\$ 4,513,218</u>

See accompanying notes to the basic financial statements

**City of Mauston
Mauston, Wisconsin**

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012
With Comparative Totals for December 31, 2011**

	<u>Tax Agency Fund</u>	<u>Expendable Trust Fund - Library</u>	<u>Expendable Trust Fund - Cemetery</u>	<u>Total</u>	<u>2011 Totals (Memorandum Only)</u>
ASSETS					
Cash and Cash Equivalents	\$ 1,843,001	\$ -	\$ -	\$ 1,843,001	\$ 1,654,327
Receivables:					
Taxes Receivable	1,666,063	-	-	1,666,063	2,222,261
Restricted Cash and Cash Equivalents	-	595,913	198,346	794,259	623,297
Total Assets	<u>\$ 3,509,064</u>	<u>\$ 595,913</u>	<u>\$ 198,346</u>	<u>\$ 4,303,323</u>	<u>\$ 4,499,885</u>
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ 836	\$ 836	\$ -
Due to Other Governments	3,509,064	-	-	3,509,064	3,691,127
Total Liabilities	<u>3,509,064</u>	<u>-</u>	<u>836</u>	<u>3,509,900</u>	<u>3,691,127</u>
NET POSITION	<u>-</u>	<u>595,913</u>	<u>197,510</u>	<u>793,423</u>	<u>808,758</u>
Total Liabilities and Net Postion	<u>\$ 3,509,064</u>	<u>\$ 595,913</u>	<u>\$ 198,346</u>	<u>\$ 4,303,323</u>	<u>\$ 4,499,885</u>

See accompanying notes to the basic financial statements.

**City of Mauston
Mauston, Wisconsin**

**Statement of Revenues, Expenses, and Changes in Net Position
Fiduciary Funds
Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011**

	Expendable Trust Fund - Library	Expendable Trust Fund - Cemetery	Total	2011 Totals (Memorandum Only)
REVENUES				
Intergovernmental	\$ -	\$ 22,000	\$ 22,000	\$ -
Public Charges for Services	-	15,749	15,749	-
Interest Income	10,471	4,534	15,005	11,683
Total Revenues	<u>10,471</u>	<u>42,283</u>	<u>52,754</u>	<u>11,683</u>
EXPENSES				
Culture and Recreation	<u>37,855</u>	<u>30,234</u>	<u>68,089</u>	<u>-</u>
Total Expenses	<u>37,855</u>	<u>30,234</u>	<u>68,089</u>	<u>-</u>
Changes in Net Position	(27,384)	12,049	(15,335)	11,683
Net Position - Beginning	623,297	185,461	808,758	797,075
Net Position - Ending	<u>\$ 595,913</u>	<u>\$ 197,510</u>	<u>\$ 793,423</u>	<u>\$ 808,758</u>

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF MAUSTON, WISCONSIN
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December 31, 2012

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CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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.

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

The Housing Authority of the City of Mauston

Effective in 2012, management of the City has determined that the Housing Authority of the City of Mauston (the "Housing Authority") is excluded as a component unit. The Housing Authority is a legally separate organization and appointments to the Housing Authority are approved by the City Council; however, since the City cannot impose its will on the Housing Authority and there is no material benefit to, or burden on, the City, the Housing Authority does not meet the criteria for inclusion in the reporting entity. Financial statements for the Housing Authority may be obtained from:

The Housing Authority of the City of Mauston
208 W. Monroe Street
Mauston, WI 53948

B. BASIS OF FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. 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.

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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, deferred outflow and inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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.

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.

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

Governmental Funds (Continued)

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
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

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 Funds – The City's expendable trust fund accounts for transactions pertaining to donated library and cemetery resources.

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING

Effective January 1, 2012, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, introduced and defined in GASB Concepts Statement No. 4. This Statement amends the net assets reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Effective January 1, 2012, the City also implemented GASB Statement No. 65, *Reporting Items Previously Recognized as Assets and Liabilities*. GASB Statement No. 65 defines deferred outflows and deferred inflows of resources, which are to be separated from assets and liabilities under GASB 63.

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. Deferred outflows of resources represent a consumption of resources that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of resources that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. 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 inflows. 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 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 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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 position.

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 inflows. 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 – 2012 tax roll:

Lien date and levy date	December, 2012
Tax bills mailed	December, 2012
Payment in full or first installment due	January 31, 2013
Second installment due	July 31, 2013

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 inflows. Amounts received prior to the entitlement period are also recorded as deferred inflows.

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

For governmental fund financial statements, deferred inflows arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows 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 deferred inflows are removed from the balance sheet and revenue is recognized.

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING (Continued)

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 Position 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 inflows or nonspendable 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 position.

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.

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

Fund Financial Statements

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

H. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

An allowance for uncollectible accounts of \$59,607 has been recorded in 2012 for delinquent amounts owed from the county.

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, 2012 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.

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.

Debt issuance costs are recognized in the current period in the government-wide, proprietary, and governmental fund financial statements.

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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.

M. 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.

N. EQUITY CLASSIFICATIONS

Government-Wide Statements

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances 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 net investment in capital assets.
- b. Restricted net position – Consists of net positions 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 position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. EQUITY CLASSIFICATIONS (Continued)

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.

O. 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.

P. 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 City’s financial statements for the year ended December 31, 2011, from which the summarized information was derived.

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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.

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:			
General government	\$ 695,501	\$ 732,916	\$ (37,415)
Public safety	1,210,392	1,263,529	(53,137)
Culture, recreation and education	215,226	216,584	(1,358)
Capital outlay	11,500	604,905	(593,405)

Excess expenditures over appropriations were financed with excess revenues over budgeted amounts and repayment of TIF advances.

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. As of December 31, 2012, the following funds held deficit balances:

Fund	Amount	Reason
Tax Incremental Financing District No. 2	\$ 1,575,641	Unrecovered costs
Environmental Remediation TIF District No. 1	56,544	Unrecovered costs
Capital Projects Fund	196,211	Excess expenses over appropriations

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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

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, 2012:

	Water	Sewer
Residential	1,209	1,219
Commercial	224	226
Industrial	17	20
Public authority	39	35
Totals	1,489	1,500

Insurance Coverage

The utilities were covered under the following insurance at December 31, 2012:

Company	Type	Coverage	Expiration Date
Aegis Corporation - Community Insurance Corporation	General liability	\$ 5,000,000	7/1/2013
Hartford Steam Boiler Inspection & Insurance Company	Boiler & Machinery	\$ 50,000,000	7/1/2013
Local Government Property Insurance Fund	Property	Replacement Cost	8/15/2013

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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

D. BOND COVENANT DISCLOSURE (Continued)

Debt Coverage

2012 required and actual coverage factors are as follows:

Actual Defined Earnings	Water	Sewer
Change in net position	\$ 239,835	\$ 320,303
Plus:		
Interest expense	135,127	279,733
Depreciation	267,753	412,620
Amortization	42,350	46,254
Tax equivalent	80,715	-
Less:		
Capital and municipal contributions	65,245	53,277
Interest received from State of Wisconsin	-	(37,537)
Income available for debt service	\$ 831,025	\$ 1,074,650
Annual debt service requirements	\$ 117,249	\$ 655,988
Less: Debt service reimbursed by State of Wisconsin	-	(124,517)
Net annual debt service requirements	\$ 117,249	\$ 531,471
2012 calculated coverage ratio	7.09	2.02
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, 2012**

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 \$9,033,284 on December 31, 2012 and is summarized below:

Deposits with financial institutions	\$ 9,033,284
	\$ 9,033,284
 Reconciliation to the basic financial statements:	
Government-Wide Statement of Net Position:	
Cash and equivalents	\$ 6,396,024
Fiduciary funds:	
Agency Fund	1,843,001
Expendable Trust Funds	794,259
	\$ 9,033,284

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, 2012, \$8,658,989 of the City's deposits with financial institutions totaling \$9,014,957 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 collateralized with securities held by pledging financial institutions	\$ 8,658,989
Total	\$ 8,658,989

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

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 were 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	Capital Projects Fund	Nonmajor Funds	Total Governmental	Fiduciary Tax Agency Fund
Total receivables	\$ 2,118,225	\$ 1,372,940	\$ 1,545,399	\$ 702,594	\$ 5,739,158	\$ 1,666,063
Amounts not expected to be collected within one year	\$ 261,171	\$ 177,339	\$ -	\$ 664,469	\$ 1,102,979	\$ -

Special assessments, delinquent special assessments, and economic development loan receivables are not expected to be collected within one year. Due from other governments of \$28,192 is expected to be paid within one year.

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

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 \$810,387.

The anticipated recoveries of the receivable are as follows:

<u>Year</u>		
2013	\$	90,865
2014		94,518
2015		98,331
2016		102,309
2017		99,401
2018 - 2020		324,963
	\$	<u>810,387</u>

D. LOANS RECEIVABLE

The balance of \$664,469 loans receivable is comprised of the following at December 31, 2012:

Wisconsin Development Fund	\$	630,228
Community Development Block Grant Fund		34,241
	\$	<u>664,469</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 \$23,502 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 \$323,476 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, 2012**

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, 2012:

	General Fund	Nonmajor Funds	Fiduciary Funds
Revolving loan fund deposits	\$ -	\$ 346,978	\$ -
Parkland dedication	74,178	-	-
Jaws of life vehicle fund	6,801	-	-
Library fund	-	190,846	595,913
Cemetery fund	-	-	198,346
Total restricted cash	<u>\$ 80,979</u>	<u>\$ 537,824</u>	<u>\$ 794,259</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, 2012, enterprise fund restricted cash consisted of the following:

	Water	Sewer
Bond reserve accounts	\$ 171,290	\$ 395,799
Depreciation and equipment	74,103	74,132
Equipment replacement fund	-	644,163
Total restricted cash	<u>\$ 245,393</u>	<u>\$ 1,114,094</u>

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

F. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2012 was as follows:

	Balance 1/1/2012	Additions	Deletions	Balance 12/31/2012
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,005,815	\$ -	\$ -	\$ 2,005,815
Construction in progress	602,723	1,176,378	1,066,373	712,728
Total capital assets not being depreciated	<u>2,608,538</u>	<u>1,176,378</u>	<u>1,066,373</u>	<u>2,718,543</u>
Capital assets being depreciated:				
Land improvements	437,141	-	-	437,141
Buildings and improvements	6,037,051	87,790	-	6,124,841
Machinery and equipment	2,897,607	656,194	77,000	3,476,801
Infrastructure	3,685,085	2,669,471	-	6,354,556
Total capital assets being depreciated	<u>13,056,884</u>	<u>3,413,455</u>	<u>77,000</u>	<u>16,393,339</u>
Total capital assets	<u>15,665,422</u>	<u>4,589,833</u>	<u>1,143,373</u>	<u>19,111,882</u>
Less: accumulated depreciation:				
Land improvements	(335,071)	(3,511)	-	(338,582)
Buildings and improvements	(1,097,017)	(102,079)	-	(1,199,096)
Machinery and equipment	(1,787,152)	(158,079)	(62,172)	(1,883,059)
Infrastructure	(370,236)	(110,076)	-	(480,312)
Total accumulated depreciation	<u>(3,589,476)</u>	<u>(373,745)</u>	<u>(62,172)</u>	<u>(3,901,049)</u>
Net capital assets	<u>\$ 12,075,946</u>	<u>\$ 4,216,088</u>	<u>\$ 1,081,201</u>	<u>\$ 15,210,833</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	\$ 24,317
Public safety	71,942
Public works	192,295
Culture and recreation	81,536
Conservation and development	3,655
Total governmental activities depreciation expense	<u>\$ 373,745</u>

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

F. CAPITAL ASSETS (Continued)

Capital asset activity for enterprise funds for the year ended December 31, 2012 was as follows:

	Balance 1/1/2012	Additions	Deletions	Balance 12/31/2012
<u>Water</u>				
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	392,484	-	385,228	7,256
Capital assets being depreciated:				
Source of supply	263,777	-	-	263,777
Pumping	355,104	-	-	355,104
Transmission and distribution	9,519,573	1,068,839	63,014	10,525,398
General	512,535	61,105	-	573,640
Total capital assets being depreciated	10,650,989	1,129,944	63,014	11,717,919
Total capital assets	<u>\$ 11,043,473</u>	<u>\$ 1,129,944</u>	<u>\$ 448,242</u>	<u>\$ 11,725,175</u>
<u>Sewer</u>				
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	809,678	-	381,494	428,184
Capital assets being depreciated:				
Collecting system	11,220,152	616,488	16,000	11,820,640
Treatment and disposal	4,428,966	170,977	2,999	4,596,944
General	381,464	7,550	-	389,014
Total capital assets being depreciated	16,030,582	795,015	18,999	16,806,598
Total capital assets	<u>\$ 16,840,260</u>	<u>\$ 795,015</u>	<u>\$ 400,493</u>	<u>\$ 17,234,782</u>

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

Fund	Depreciation Rate	Balance 1/1/2012	2012			Balance 12/31/2012
			2012 Depreciation Expense	2012 Meter Reading Allocation	2012 Retirements and Removals	
Water	1.3% - 20.0%	\$ 2,152,741	\$ 267,753	\$ 12,891	\$ 63,014	\$ 2,370,371
Sewer	1.3% - 10.0%	4,961,381	412,620	(12,891)	18,999	5,342,111
		<u>\$ 7,114,122</u>	<u>\$ 680,373</u>	<u>\$ -</u>	<u>\$ 82,013</u>	<u>\$ 7,712,482</u>

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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	Library Fund	Annual appropriation	\$ 291,400
General Fund	Share Ride Taxi Fund	City's share of project	13,617
General Fund	Capital Projects Fund	City's share of project	192,732
Room Tax Fund	General Fund	City's share of room tax	36,125

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	\$ 75,234
Sewer Fund	General Fund	Tax equivalent	5,482
General Fund	Water Utility & Sewer Fund	Municipal contributions	118,523

The following is a schedule of interfund advances:

	Advances To Other Funds	Advances From Other Funds
General Fund	\$ 895,027	\$ 608,159
Tax Incremental Financing Districts:		
TIF District No. 2	-	1,415,827
TIF District No. 3	-	469,200
Water Utility	530,000	-
Sewer Fund	1,068,159	-
Totals	\$ 2,493,186	\$ 2,493,186

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	\$ 1,654,835	\$ -
Environmental Remediation TIF District No. 1	-	56,544
TIF District No. 2	-	159,783
Capital Projects Fund	-	1,404,111
Room Tax Fund	-	21,149
Community Development Block Grant Fund	-	10,823
Shared Ride Taxi	-	2,425
Totals	\$ 1,654,835	\$ 1,654,835

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

H. DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows 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 inflows and unearned revenue reported in the governmental funds were as follows:

	General	TIF	Capital Projects
Property taxes receivable	\$ 1,641,516	\$ 1,195,601	\$ -
Special assessments not yet due	258,659	177,339	-
Developer assessments not yet earned	19,453	-	-
Unavailable grant receivable	-	219,054	111,809
Total deferred inflows for governmental funds	<u>\$ 1,919,628</u>	<u>\$ 1,591,994</u>	<u>\$ 111,809</u>

I. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2012 was as follows:

	Balance 1/1/2012	Increases	Decreases	Balance 12/31/2012	Amounts Due Within One Year
Governmental Activities					
Bonds and notes payable:					
General obligation debt	\$ 4,825,000	\$ 360,221	\$ 460,000	\$ 4,725,221	\$ 505,000
Mauston RDA bonds	780,000	-	125,000	655,000	130,000
Total bonds and notes payable	<u>5,605,000</u>	<u>360,221</u>	<u>585,000</u>	<u>5,380,221</u>	<u>635,000</u>
Other liabilities:					
Vested employee benefits	110,486	7,379	-	117,865	-
Unfunded retirement liability	43,209	2,680	1,620	44,269	1,607
Total other liabilities	<u>153,695</u>	<u>10,059</u>	<u>1,620</u>	<u>162,134</u>	<u>1,607</u>
Total governmental activities - long-term liabilities	<u>\$ 5,758,695</u>	<u>\$ 370,280</u>	<u>\$ 586,620</u>	<u>\$ 5,542,355</u>	<u>\$ 636,607</u>
Business-Type Activities					
Bonds and notes payable:					
General obligation debt	\$ 650,000	\$ -	\$ 35,000	\$ 615,000	\$ 40,000
Revenue bonds	10,732,602	-	322,684	10,409,918	315,894
Total business-type activities - long-term liabilities	<u>\$ 11,382,602</u>	<u>\$ -</u>	<u>\$ 357,684</u>	<u>\$ 11,024,918</u>	<u>\$ 355,894</u>

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

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, 2012 was \$10,237,440. Total general obligation debt outstanding at year end was \$5,340,221.

Governmental activities debt at December 31, 2012 consists of the following individual issues:

	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/2012
Long-term Obligations					
Promissory notes	11/19/2009	6/1/2019	1.20% - 3.75%	\$ 1,415,000	\$ 915,000
Refunding bonds *	7/6/2011	6/1/2025	0.80% - 3.50%	3,740,000	3,450,000
Note anticipation bonds	12/27/2012	12/1/2017	1.80%	3,225,000	360,221
Mauston RDA bonds	9/13/2005	12/1/2022	3.40% - 5.50%	1,295,000	655,000
Total governmental activities - long-term debt					<u>\$ 5,380,221</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
	2013	\$ 505,000
2014	520,000	147,473
2015	525,000	138,120
2016	545,000	127,088
2017	750,221	117,294
2018 - 2022	1,635,000	155,235
2023 - 2025	245,000	15,437
Totals	<u>\$ 4,725,221</u>	<u>\$ 851,912</u>

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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
2013	\$ 130,000	\$ 30,808
2014	50,000	25,087
2015	50,000	22,838
2016	50,000	20,587
2017	55,000	18,338
2018 - 2022	320,000	48,785
Totals	<u>\$ 655,000</u>	<u>\$ 166,443</u>

Enterprise funds debt at December 31, 2012 consists of the following individual issues:

	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/2012
Enterprise Funds					
Water refunding bonds	6/15/2010	12/1/2030	4.850%	\$ 1,680,000	\$ 1,575,000
Water revenue bonds	7/15/2008	5/1/2048	4.125%	722,200	644,894
Water revenue bonds	12/16/2010	12/1/2050	3.000%	1,121,000	1,054,677
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	1,396,690
Sewer revenue bonds	7/15/2008	5/1/2039	4.125%	2,000,000	1,630,457
Sewer revenue bonds	12/16/2010	12/1/2050	3.000%	2,174,000	2,113,200
General obligation debt *	7/6/2011	6/1/2025	0.8% - 3.5%	650,000	615,000
Total enterprise funds - long-term debt					<u>\$ 11,024,918</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, 2012

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
2013	\$ 355,894	\$ 435,286
2014	375,804	421,303
2015	390,977	406,527
2016	401,529	390,944
2017	417,575	374,829
2018 - 2022	2,155,897	1,610,476
2023 - 2027	2,254,760	1,149,941
2028 - 2032	1,841,406	654,054
2033 - 2037	1,000,555	406,491
2038 - 2042	813,989	230,359
2043 - 2047	647,255	113,369
2048 - 2050	369,277	20,424
Totals	<u>\$ 11,024,918</u>	<u>\$ 6,214,003</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).

J. GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the Government-Wide Statement of Net Position at December 31, 2012 includes the following:

Net investment in capital assets:	
Land	\$ 2,005,815
Construction in progress	712,728
Other capital assets, net of accumulated depreciation	12,492,290
Less: related long-term debt outstanding	(5,988,380)
Total net investment in capital assets	<u>9,222,453</u>
Restricted for special purposes:	
Revolving Loan Fund	1,000,624
Library donations restricted for capital expansion	448,999
TIF District No. 3	70,960
Donations/contributions restricted as to use	12,558
Total restricted for special purposes	<u>1,533,141</u>
Unrestricted	1,006,938
Total governmental activities net position	<u>\$ 11,762,532</u>

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

K. GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2012 include the following:

Nonspendable	
General Fund:	
Advances to TIF	\$ 895,027
County and local streets	12,000
Total nonspendable fund balance	907,027
Restricted	
General Fund:	
Parkland dedication, Jaws of Life, and Economic Development	5,979
TIF District No. 3	70,960
Nonmajor funds:	
Wisconsin Development Fund	653,730
Community Development Block Grant Fund	346,894
Library Fund	448,999
Other Grant Funds	263
Taxi Fund	6,057
Airport Fund	259
Total restricted fund balance	1,533,141
Assigned	
General Fund:	
K-9	7,406
Undercover fund	12,408
Capital projects	235,462
Total assigned fund balance	255,276
Unassigned (deficit)	
General Fund	1,183,439
TIF District No. 2	(1,575,641)
Environmental Remediation TIF District No. 1	(56,544)
Capital Projects Fund	(196,211)
Total unassigned (deficit)	(644,957)
Total governmental fund balances	\$ 2,050,487

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

L. EMPLOYEES RETIREMENT SYSTEM

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours (440 hours for teachers and school district education support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district education support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine to ten months per year (e.g. teacher contracts), but expected to return year after year are considered to have met the one-year requirement.

Covered employees are required by statute to contribute one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided by for an existing collective bargaining agreement. Contribution rates for 2012 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	5.9%	5.9%
Executives & Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.0%
Protective without Social Security	5.9%	11.3%

The payroll for City of Mauston employees covered by the WRS for the year ended December 31, 2012 was \$1,393,299; the employer's total payroll was \$1,609,368. The total required contribution for the year ended December 31, 2012 was \$179,040, which consisted of \$96,835, or 7.0% of payroll from the employer and \$82,205, or 5.9% of payroll from employees. Total contributions for the years ending December 31, 2011 and 2010 were \$173,222 and \$159,498, respectively, equal to the required contributions for each year.

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

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

L. EMPLOYEES RETIREMENT SYSTEM (Continued)

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, 2012, was \$44,269. 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 Position.

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.

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.

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

M. STATUS OF TAX INCREMENTAL FINANCING DISTRICTS (Continued)

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:

	<u>TID No. 2</u>	<u>TID No. 3</u>
Revenues:		
Taxes	\$ 3,464,270	\$ 5,585,103
Special assessments	924,019	1,111,026
Intergovernmental	1,282,112	51,752
Proceeds on long-term debt	5,515,000	8,905,221
Sale of property	814,000	32,200
Interest income	219,925	288,538
Contribution from TIF District No. 3	510,294	-
Miscellaneous income	-	15,800
Total revenues	<u>\$ 12,729,620</u>	<u>\$ 15,989,640</u>
Expenditures:		
Project costs	\$ 8,662,343	\$ 5,967,381
Repayment of long-term debt	4,000,000	7,305,000
Administration	99,223	80,655
Contribution to TIF District No. 2	-	510,294
Interest and fiscal charges	1,543,695	2,055,350
Total expenditures	<u>\$ 14,305,261</u>	<u>\$ 15,918,680</u>

Current valuations of the Districts are as follows:

	<u>TID No. 2</u>	<u>TID No. 3</u>
Valuations:		
Current value	\$ 18,888,500	\$ 31,767,300
Base	2,684,900	9,184,500
Increment	<u>\$ 16,203,600</u>	<u>\$ 22,582,800</u>

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

M. STATUS OF TAX INCREMENTAL FINANCING DISTRICTS (Continued)

Advances of \$895,027 have been recorded in the General Fund, \$530,000 in the Water Utility, and \$460,000 in the Sewer Fund to reflect costs advanced on behalf of the Districts.

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

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

On November 10, 2009, the City Council confirmed Resolution 2009-23, which approved the creation of Environmental Remediation TIF District No. 1. The District has been created to assist in the financing of environmental remediation costs incurred inside the District. In accordance with State Statutes, the District was able to capture eligible costs occurring in previous years. These costs totaled \$56,544 through December 31, 2012.

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.

CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 4. OTHER INFORMATION (Continued)

A. COMMITMENTS AND CONTINGENCIES (Continued)

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

B. RISK MANAGEMENT

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

C. 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 2012. 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, 2012 is unavailable. The transactions of the airport are not reflected in these financial statements.

D. SUBSEQUENT EVENTS

The City has entered into a number of construction contracts related to Highway 82, Mansion Street. The City has received a CDBG-DNR grant to help fund the Mansion Street projects. The City has \$2,535,743 of construction contracts outstanding related to TIF and street projects. The City drew an additional \$198,500 on the 2012 note anticipation bond for TIF related projects.

**CITY OF MAUSTON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 4. OTHER INFORMATION (Continued)

E. PRIOR PERIOD ADJUSTMENT

A prior period adjustment at January 1, 2012 was recorded as follows:

	TIF District No. 3	Capital Projects
Total fund equity as previously reported	\$ 237,698	\$ (372,087)
Move 2011 TIF eligible expenses to correct fund	(44,234)	44,234
Fund equity as restated	\$ 193,464	\$ (327,853)

REQUIRED SUPPLEMENTARY INFORMATION

**City of Mauston
Mauston, Wisconsin**

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (with Variances)
General Fund
For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 1,654,168	\$ 1,654,168	\$ 1,654,168	\$ -
Other Taxes	122,500	122,500	111,666	(10,834)
Intergovernmental	1,501,594	1,501,594	1,654,504	152,910
License and Permits	70,973	70,973	53,720	(17,253)
Fines, Forfeits and Penalties	50,000	50,000	44,771	(5,229)
Public Charges for Services	349,837	349,837	408,534	58,697
Interest Income	18,000	18,000	22,689	4,689
Miscellaneous Income	66,325	66,325	115,097	48,772
Total Revenues	<u>3,833,397</u>	<u>3,833,397</u>	<u>4,065,149</u>	<u>231,752</u>
EXPENDITURES				
Current:				
General Government	698,901	695,501	732,916	(37,415)
Public Safety	1,209,192	1,210,392	1,263,529	(53,137)
Public Works	850,471	852,471	839,229	13,242
Culture, Recreation and Education	215,026	215,226	216,584	(1,358)
Conservation and Development	40,000	40,000	11,892	28,108
Capital Outlay	11,500	11,500	604,905	(593,405)
Debt Service				
Principal Repayment	200,000	200,000	195,000	5,000
Interest Expense	74,836	74,836	72,298	2,538
Total Expenditures	<u>3,299,926</u>	<u>3,299,926</u>	<u>3,936,353</u>	<u>(636,427)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>533,471</u>	<u>533,471</u>	<u>128,796</u>	<u>(404,675)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	36,125	36,125
Transfers Out	(534,314)	(534,314)	(497,749)	36,565
Total Other Financing Sources and Uses	<u>(534,314)</u>	<u>(534,314)</u>	<u>(461,624)</u>	<u>72,690</u>
Net Change in Fund Balances	(843)	(843)	(332,828)	(331,985)
Fund Balances - Beginning	2,684,549	2,684,549	2,684,549	-
Fund Balances - Ending	<u>\$ 2,683,706</u>	<u>\$ 2,683,706</u>	<u>\$ 2,351,721</u>	<u>\$ (331,985)</u>

OTHER SUPPLEMENTARY INFORMATION

**City of Mauston
Mauston, Wisconsin
Combining Balance Sheet
Tax Incremental Financing District Funds
December 31, 2012
With Comparative Totals for December 31, 2011**

	TIF District No. 2	TIF District No. 3	Environmental Remediation TIF District No. 1	Total TIF Districts	2011 Totals (Memorandum Only)
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 949,794	\$ -	\$ 949,794	\$ 613,298
Receivables:					
Taxes	499,480	696,121	-	1,195,601	1,184,589
Special Assessments	-	177,339	-	177,339	196,773
Other	-	-	-	-	351,464
Total Assets	<u>\$ 499,480</u>	<u>\$ 1,823,254</u>	<u>\$ -</u>	<u>\$ 2,322,734</u>	<u>\$ 2,346,124</u>
LIABILITIES					
Accounts Payable	\$ 31	\$ 190,580	\$ -	\$ 190,611	\$ 122,678
Due to Other Funds	159,783	-	56,544	216,327	56,394
Advances Due to Other Funds	1,415,827	469,200	-	1,885,027	2,135,027
Total Liabilities	<u>1,575,641</u>	<u>659,780</u>	<u>56,544</u>	<u>2,291,965</u>	<u>2,314,099</u>
DEFERRED INFLOWS OF RESOURCES	<u>499,480</u>	<u>1,092,514</u>	<u>-</u>	<u>1,591,994</u>	<u>1,732,824</u>
FUND BALANCE					
Restricted	-	70,960	-	70,960	237,698
Unassigned (deficit)	(1,575,641)	-	(56,544)	(1,632,185)	(1,938,497)
Total Fund Balances (deficit)	<u>(1,575,641)</u>	<u>70,960</u>	<u>(56,544)</u>	<u>(1,561,225)</u>	<u>(1,700,799)</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 499,480</u>	<u>\$ 1,823,254</u>	<u>\$ -</u>	<u>\$ 2,322,734</u>	<u>\$ 2,346,124</u>

**City of Mauston
Mauston, Wisconsin**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Tax Incremental Financing District Funds
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011**

	TIF District No. 2	TIF District No. 3	Environmental Remediation TIF District No. 1	Total TIF Districts	2011 Totals (Memorandum Only)
REVENUES					
Property Taxes	\$ 507,241	\$ 677,348	\$ -	\$ 1,184,589	\$ 1,222,080
Special Assessment Revenue	-	-	-	-	104,054
Intergovernmental	1,249,847	7,487	-	1,257,334	8,610
Interest Income	188	4,774	-	4,962	21,105
Miscellaneous Income	-	15,800	-	15,800	-
Total Revenues	<u>1,757,276</u>	<u>705,409</u>	<u>-</u>	<u>2,462,685</u>	<u>1,355,849</u>
EXPENDITURES					
Current:					
Conservation and Development	3,375	3,205	150	6,730	116,873
Capital Outlay	1,286,385	858,245	-	2,144,630	798,887
Debt Service:					
Principal Repayment	200,000	190,000	-	390,000	855,000
Interest Expense	61,054	36,684	-	97,738	177,576
Total Expenditures	<u>1,550,814</u>	<u>1,088,134</u>	<u>150</u>	<u>2,639,098</u>	<u>1,948,336</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>206,462</u>	<u>(382,725)</u>	<u>(150)</u>	<u>(176,413)</u>	<u>(592,487)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Long-Term Debt	-	360,221	-	360,221	1,615,000
Payment to Refunded Bond Escrow Agent	-	-	-	-	(1,590,000)
Contribution to Municipal Utility	-	-	-	-	(916,423)
Transfer (In) Out	100,000	(100,000)	-	-	-
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>260,221</u>	<u>-</u>	<u>360,221</u>	<u>(891,423)</u>
Net Change in Fund Balances	<u>306,462</u>	<u>(122,504)</u>	<u>(150)</u>	<u>183,808</u>	<u>(1,483,910)</u>
Fund Balance (Deficit), January 1	(1,882,103)	237,698	(56,394)	(1,700,799)	(1,121,889)
Prior Period Adjustment	-	(44,234)	-	(44,234)	905,000
Fund Balance (Deficit), January 1, Restated	<u>(1,882,103)</u>	<u>193,464</u>	<u>(56,394)</u>	<u>(1,745,033)</u>	<u>(216,889)</u>
Fund Balance (Deficit), December 31	<u>\$ (1,575,641)</u>	<u>\$ 70,960</u>	<u>\$ (56,544)</u>	<u>\$ (1,561,225)</u>	<u>\$ (1,700,799)</u>

**City of Mauston
Mauston, Wisconsin**

**Combining Balance Sheet
Nonmajor Funds**

December 31, 2012

With Comparative Totals for December 31, 2011

	Room Tax Fund	Library Fund	Shared Ride Taxi Fund	Wisconsin Development Fund	Community Development Block Grant	Other Grant Funds	Cemetery Fund	Airport Fund	Nonmajor Capital Projects Funds	2011 Totals (Memorandum Only)
ASSETS										
Cash and Cash Equivalents	\$ 250	\$ 260,070	\$ -	\$ -	\$ -	\$ 263	\$ -	\$ 259	\$ 260,842	\$ 265,259
Receivables:										
Accounts	22,030	-	16,095	-	-	-	-	-	38,125	29,316
Loans	-	-	-	630,228	34,241	-	-	-	664,469	696,579
Due from Other Governments	-	-	-	-	-	-	-	-	-	16,655
Restricted Assets:										
Cash and Cash Equivalents	-	190,846	-	23,502	323,476	-	-	-	537,824	457,091
Total Assets	\$ 22,280	\$ 450,916	\$ 16,095	\$ 653,730	\$ 357,717	\$ 263	\$ -	\$ 259	\$ 1,501,260	\$ 1,464,900
LIABILITIES										
Liabilities:										
Accounts Payable	\$ 1,131	\$ 1,917	\$ 7,613	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,661	\$ 14,930
Due to Other Funds	21,149	-	2,425	-	10,823	-	-	-	34,397	25,039
Due to Other Governments	-	-	-	-	-	-	-	-	-	744
Total Liabilities	22,280	1,917	10,038	-	10,823	-	-	-	45,058	40,713
Fund Balances (Deficit):										
Restricted	-	448,999	6,057	653,730	346,894	263	-	259	1,456,202	1,425,329
Unassigned	-	-	-	-	-	-	-	-	-	(1,142)
Total Fund Balance (Deficit)	-	448,999	6,057	653,730	346,894	263	-	259	1,456,202	1,424,187
Total Liabilities and Fund Balances	\$ 22,280	\$ 450,916	\$ 16,095	\$ 653,730	\$ 357,717	\$ 263	\$ -	\$ 259	\$ 1,501,260	\$ 1,464,900

**City of Mauston
Mauston, Wisconsin**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Funds

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

	Room Tax Fund	Library Fund	Shared Ride Taxi Fund	Wisconsin Development Fund	Community Development Block Grant	Other Grant Funds	Cemetery Fund	Airport Fund	Nonmajor Capital Projects Funds	2011 Totals (Memorandum Only)
REVENUES										
Room Tax	\$ 120,710	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,710	\$ 102,466
Intergovernmental	-	180,040	101,615	-	6,788	36,635	-	-	325,078	568,814
Public Charges for Services	-	22,641	-	-	-	-	-	7,519	30,160	45,033
Interest Income	-	1,262	-	-	4,257	-	-	-	5,519	14,545
Miscellaneous Income	5,278	2,712	-	-	-	-	1,142	-	9,132	23,342
Total Revenues	125,988	206,655	101,615	-	11,045	36,635	1,142	7,519	490,599	754,200
EXPENDITURES										
Current:										
Public Safety	-	-	-	-	-	33,309	-	-	33,309	5,890
Culture, Recreation and Education	-	445,042	-	-	-	-	-	9,459	454,501	523,307
Conservation and Development	104,000	-	116,868	6,788	8,677	3,333	-	-	239,666	363,518
Capital Outlay	-	-	-	-	-	-	-	-	-	87,930
Total Expenditures	104,000	445,042	116,868	6,788	8,677	36,642	-	9,459	727,476	980,645
Excess (Deficiency) of Revenues Over Expenditures	21,988	(238,387)	(15,253)	(6,788)	2,368	(7)	1,142	(1,940)	(236,877)	(226,445)
OTHER FINANCING SOURCES (USES)										
Transfers In (Out)	(36,125)	291,400	13,617	-	-	-	-	-	268,892	337,794
Total Other Financing Sources (Uses)	(36,125)	291,400	13,617	-	-	-	-	-	268,892	337,794
Net Change in Fund Balances	(14,137)	53,013	(1,636)	(6,788)	2,368	(7)	1,142	(1,940)	32,015	111,349
Fund Balances (Deficit) - Beginning	14,137	395,986	7,693	660,518	344,526	270	(1,142)	2,199	1,424,187	1,312,838
Fund Balances (Deficit) - Ending	\$ -	\$ 448,999	\$ 6,057	\$ 653,730	\$ 346,894	\$ 263	\$ -	\$ 259	\$ 1,456,202	\$ 1,424,187

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

CITY OF MAUSTON, WISCONSIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2012

<u>Administering Agency/Pass-Through Agency/ Award Description</u>	Federal CFDA Number	Cash/Accrued or (Deferred) Revenue at January 1	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/Accrued or (Deferred) Revenue at December 31
U.S. Department of Agriculture:					
Community Facilities Grant	10.766	-	-	\$ 150,000	\$ 150,000
Water and Waste Disposal Systems for Rural Communities - ARRA	10.781 (1)	68,396	552,391	484,239	244
Total U.S. Department of Agriculture		<u>68,396</u>	<u>552,391</u>	<u>634,239</u>	<u>150,244</u>
U.S. Department of Commerce:					
Economic adjustment assistance	11.307 (1)	351,464	337,968	895,036	908,532
Total U.S. Department of Commerce		<u>351,464</u>	<u>337,968</u>	<u>895,036</u>	<u>908,532</u>
U.S. Department of Justice:					
Public Safety Partnership and Community Policing Grants	16.710	-	104,577	104,577	-
Passed through Wisconsin Department of Administration	16.803	-	3,333	3,333	-
ARRA Edward Byrne Memorial Justice Assistance grant		-	107,910	107,910	-
Total U.S. Department of Justice					
U.S. Department of Housing and Urban Development:					
Passed through Wisconsin Department of Administration	14.218	-	6,788	6,788	-
CDBG grant - Entitlement Grants (Contract NSP 09-16)	14.219	422,686	829,330	664,754	258,110
CDBG EAP					
Total U.S. Department of Housing and Urban Development		<u>422,686</u>	<u>836,118</u>	<u>671,542</u>	<u>258,110</u>
U.S. Department of Transportation:					
Passed through Wisconsin Department of Transportation	20.509	16,655	60,445	58,457	14,667
Public transportation transit aids		16,655	60,445	58,457	14,667
Total U.S. Department of Transportation					
U.S. Department of Homeland Security:					
Passed through Juneau County	97.055	-	30,000	30,000	-
Interoperable emergency communications		-	30,000	30,000	-
Total U.S. Department of Homeland Security		<u>859,201</u>	<u>1,924,832</u>	<u>2,397,184</u>	<u>1,331,553</u>
Total Federal Awards					

Notes:

(1) Tested as Major Program

See notes to schedules of expenditures of awards.

CITY OF MAUSTON, WISCONSIN
SCHEDULE OF EXPENDITURES OF STATE OF WISCONSIN AWARDS
Year Ended December 31, 2012

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>				
370.512 (1)	\$ -	\$ 135,950	\$ 135,950	\$ -
370.545	-	1,180	1,180	-
370.573	-	83,104	83,104	-
	-	220,234	220,234	-
Total Wisconsin Department of Natural Resources				
<u>Wisconsin Department of Transportation</u>				
395.104	(744)	40,986	43,258	1,528
	(744)	40,986	43,258	1,528
Total Wisconsin Department of Transportation				
Total State Awards				
	\$ (744)	\$ 261,220	\$ 263,492	\$ 1,528

Notes:

(1) Tested as Major Program

See notes to schedules of expenditures of awards.

CITY OF MAUSTON, WISCONSIN
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS
Year Ended December 31, 2012

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 Commerce and the State of Wisconsin Department of Administration.

NOTE 3. OTHER

The Schedules of Expenditures of Federal and State Awards contain additional footnotes specific to the grant programs.

NOTE 4. LOANS OUTSTANDING

Loans outstanding under the Rural Development program (CFDA 10.781) totaled \$3,167,876 at December 31, 2012.

**INDEPENDENT AUDITOR'S 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, 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, 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 20, 2012.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Mauston, Wisconsin's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 2012-1 and 2012-2 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 20, 2013.

Response to Findings

The City of Mauston, Wisconsin's response to the deficiencies identified in our audit is described previously. The City of Mauston, Wisconsin's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Viroqua, Wisconsin
September 20, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
AND STATE SINGLE AUDIT GUIDELINES**

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

Report on Compliance for Each Major Federal and State Program

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, 2012. 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.

Management Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Mauston, Wisconsin's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination on the City of Mauston, Wisconsin's compliance.

Opinion on Each Major Program

In our opinion, the City of Mauston, Wisconsin complied, in all material respects, with the types of 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, 2012.



Report on Internal Control Over Compliance

Management of the City of Mauston, Wisconsin is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Mauston, Wisconsin's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal and state program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Viroqua, Wisconsin
September 20, 2013

**CITY OF MAUSTON, WISCONSIN
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2012**

There were no findings in the previous year.

CITY OF MAUSTON, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Mauston, Wisconsin.
2. Two material weaknesses (*2012-1 and 2012-2*) 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.

2012-1

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.

2012-2

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, 2012**

A. SUMMARY OF AUDIT RESULTS (Continued)

2012-2 (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 for Each Major Program and Internal Control over Compliance Required by OMB Circular A-133 and the State Single Audit Guidelines.
5. The auditor's report on compliance for the major federal and state awards programs expresses an unmodified opinion.
6. There were no audit findings relative to major federal and state awards programs.
7. The programs tested as major programs included:

Federal	
<u>Program ID#</u>	<u>Name</u>
10.781	Rural Development Grants
11.307	Economic Adjustment Assistance

State	
<u>Program ID#</u>	<u>Name</u>
370.512	Stewardship 2000

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
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 2012-1 and 2012-2, no findings were reported.

**CITY OF MAUSTON, WISCONSIN
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (CONTINUED)
 For the Year Ended December 31, 2012**

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 |
| 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 |

Carrie Leonard

- | | | |
|----|-------------------------------|--|
| 4. | Name and signature of partner | <hr style="width: 100%;"/> Carrie Leonard, CPA |
| 5. | Date of report: | September 20, 2013 |