

**VILLAGE OF MCFARLAND**

McFarland, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2011

# VILLAGE OF MCFARLAND

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## INDEPENDENT AUDITORS' REPORT

To the Village Board  
Village of McFarland  
McFarland, 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 Village of McFarland, Wisconsin as of and for the year ended December 31, 2011, which collectively comprise the village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of McFarland's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of McFarland, Wisconsin as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I.B., the village adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective January 1, 2011.

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

To the Village Board  
Village of McFarland

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

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
June 29, 2012

# VILLAGE OF MCFARLAND

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended December 31, 2011

The management of the Village of McFarland (village) offers this narrative discussion and analysis (MD&A) of the financial performance of the village for the fiscal year ended December 31, 2011. The MD&A is designed to: (1) assist the reader in focusing on significant financial issues; (2) provide an overview of the village's financial activity; (3) identify changes in the village's financial position; (4) identify material deviations from the approved budget; and (5) identify individual fund issues or concerns.

Since the MD&A focuses primarily on the current year's activities, resulting changes and currently known facts, it should be read in conjunction with the village's more detailed financial statements which follow this section.

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### FINANCIAL HIGHLIGHTS

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When revenues exceed expenses, the result is an increase in net assets; when expenses exceed revenues, the result is a decrease in net assets. This relationship between revenues and expenses illustrates the village's operating results. The village's net assets, as measured in the Statement of Net Assets, are one indicator of the village's financial position or health. Over time, increases or decreases in the village's net assets, as measured in the Statement of Activities, are an important indicator of whether its financial health is improving or deteriorating. The village's mission, however, is to provide services that improve the quality of life for its residents, rather than generate profits as companies do. For this reason, it is also necessary to consider many other non-financial factors, such as the condition of roads or quality of services, in assessing the overall health of the village.

- > The assets of the Village of McFarland exceeded its liabilities as of December 31, 2011, by \$41,977,075 (net assets). Total net assets include all major infrastructure networks.
- > The Village of McFarland's total net assets increased by \$811,738 (2.0%) in 2011.
- > As of December 31, 2011, the Village of McFarland's governmental funds reported combined ending fund balances of \$3,742,056, an increase of \$867,083 (30.2%) from the prior year.
- > As of December 31, 2011, the unassigned fund balance for the General Fund was \$1,082,786 or approximately 22% of total general fund expenditures. The unassigned fund balance excludes an interest bearing advance of \$18,331 made to the Park Fund. If this temporary loan had been repaid by year end the unassigned fund balance in the General Fund would have been \$1,101,117 or 22% of total expenditures.
- > The Village of McFarland's total general obligation debt increased by \$618,008 during 2011. At year end, the village was utilizing 34% of its general obligation debt capacity, an increase from 33% the previous year. \$3,705,000 of the general obligation debt is for TIF No. 3 and TIF No. 4 purposes and will be repaid from revenue sources other than general property taxes. If this TIF debt is subtracted out, the village is utilizing only 25% of its allowable debt capacity for general purposes.

# VILLAGE OF MCFARLAND

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2011

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### OVERVIEW OF THE FINANCIAL STATEMENTS

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#### ***GOVERNMENT-WIDE STATEMENTS***

The government-wide financial statements are designed to provide readers with a broad overview of the village's finances, in a manner similar to a private sector business.

The *Statement of Net Assets* presents information on all of the village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the village is improving or deteriorating. To assess the overall health of the village it is also necessary to consider additional non-financial factors such as changes in the village's property tax base and the condition of the village's infrastructure.

The *Statement of Activities* presents information showing how the village's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the village that are principally supported by taxes and intergovernmental revenues (governmental activities) from those functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the village include general government; public safety; health and human services; public works; leisure activities; and conservation and development. The business-type activities of the Village of McFarland include the Water, Sewer and Stormwater Utilities.

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

#### ***FUND FINANCIAL STATEMENTS***

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

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

# VILLAGE OF MCFARLAND

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2011

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### OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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#### *FUND FINANCIAL STATEMENTS (cont.)*

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The village maintains ten (10) individual governmental funds. They include the General Fund, General Debt Service, Cable/Website Fund, Library Fund, Parks Fund, Solid Waste Fund, PECFA, TIF No. 3, TIF No. 4, and the Capital Equipment and Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, General Debt Service, TIF No. 3, TIF No. 4, and the Capital Equipment and Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 4 to 9 of this report.

**Proprietary Funds** – The village maintains two (2) proprietary enterprise funds – the Water and Sewer Utility and the Stormwater Utility, both of which are major funds. These enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 10 to 14 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The village is the trustee, or fiduciary, for collection of all property taxes within the village for all taxing jurisdictions. These jurisdictions include the McFarland School District, Dane County, Madison Area Technical College and the State of Wisconsin forestry tax.

The basic fiduciary fund financial statements can be found on page 15 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 to 51 of this report.

# VILLAGE OF MCFARLAND

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2011

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### OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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#### *FUND FINANCIAL STATEMENTS (cont.)*

**Other Information** – In addition to the basic financial statements and accompanying notes, required supplementary information presents a budgetary comparison schedule for the General Fund to demonstrate compliance with the budget. This schedule can be found on pages 52 to 53 of this report. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information and can be found on pages 59 to 62 of this report.

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### FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

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An analysis of the village's financial position should begin with a review of the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets. These two statements report the village's net assets and changes therein. It should be noted that the financial position can also be affected by non-financial factors, including economic conditions, population growth and new regulations.

#### **NET ASSETS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of McFarland, assets exceeded liabilities by \$41,977,075 as of December 31, 2011.

The largest portion of the village's net assets (approximately 91%) reflects its investments in capital assets (e.g. land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The village uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to satisfy these liabilities.

An additional portion of the village's net assets (approximately 6%) represent resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$1,389,439. On the statement of net assets there is an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column, the effect of which is explained further in Note I.D.11 on page 27 of the financial statements.

## VILLAGE OF MCFARLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2011

#### **FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)**

#### **NET ASSETS (cont.)**

A summary of the village's Statement of Net Assets is presented in the table below.

#### **VILLAGE OF MCFARLAND'S NET ASSETS**

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 11,139,929	\$ 10,230,838	\$ 2,927,140	\$ 2,049,436	\$ 14,067,069	\$ 12,280,274
Capital assets	<u>35,611,682</u>	<u>36,236,629</u>	<u>14,161,562</u>	<u>14,166,609</u>	<u>49,773,244</u>	<u>50,403,238</u>
Total Assets	<u>46,751,611</u>	<u>46,467,467</u>	<u>17,088,702</u>	<u>16,216,045</u>	<u>63,840,313</u>	<u>62,683,512</u>
Long-term liabilities	13,184,651	13,439,791	1,866,061	1,244,145	15,050,712	14,683,936
Other liabilities	<u>6,638,631</u>	<u>6,635,478</u>	<u>173,895</u>	<u>198,761</u>	<u>6,812,526</u>	<u>6,834,239</u>
Total Liabilities	<u>19,823,282</u>	<u>20,075,269</u>	<u>2,039,956</u>	<u>1,442,906</u>	<u>21,863,238</u>	<u>21,518,175</u>
Net Assets:						
Invested in capital assets, net of related debt	26,576,282	27,139,759	12,684,264	13,309,526	38,109,164	39,297,903
Restricted	2,018,794	757,197	459,678	517,445	2,478,472	1,274,642
Unrestricted (deficit)	<u>(1,666,747)</u>	<u>(1,504,758)</u>	<u>1,904,804</u>	<u>946,168</u>	<u>1,389,439</u>	<u>592,792</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 26,928,329</u>	<u>\$ 26,392,198</u>	<u>\$ 15,048,746</u>	<u>\$ 14,773,139</u>	<u>\$ 41,977,075</u>	<u>\$ 41,165,337</u>

#### **CHANGES IN NET ASSETS**

The following table provides a summary of the village's operations for the year ended December 31, 2011. Governmental activities increased the Village of McFarland's net assets by \$536,131 (2.0%). Business-type activities increased the net assets by \$275,607 (1.9%).

## VILLAGE OF MCFARLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2011

#### **FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)**

#### **CHANGES IN NET ASSETS (cont.)**

The following tables and narrative reviews separately the operational results of governmental and business-type activities.

#### **VILLAGE OF MCFARLAND CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 840,623	\$ 728,372	\$ 2,324,069	\$ 2,223,049	\$ 3,164,692	\$ 2,951,421
Operating grants and contributions	900,804	923,070	-	1,100	900,804	924,170
Capital grants and contributions	133,223	55,326	95,943	13,050	229,166	68,376
General Revenues						
Property taxes	5,759,386	5,726,153	-	-	5,759,386	5,726,153
Other taxes	183,354	159,469	-	-	183,354	159,469
Intergovernmental	301,939	281,797	-	-	301,939	281,797
Investment income	10,316	15,472	1,683	2,284	11,999	17,756
Miscellaneous	137,251	159,107	18,709	4,243	155,960	163,350
Total Revenues	<u>8,266,896</u>	<u>8,048,766</u>	<u>2,440,404</u>	<u>2,243,726</u>	<u>10,707,300</u>	<u>10,292,492</u>
<b>Expenses</b>						
General government	1,078,458	932,268	-	-	1,078,458	932,268
Public safety	3,007,379	2,826,517	-	-	3,007,379	2,826,517
Health and human services	191,762	186,845	-	-	191,762	186,845
Public works	1,915,941	1,913,418	-	-	1,915,941	1,913,418
Leisure activities	986,864	967,073	-	-	986,864	967,073
Conservation and development	91,746	83,094	-	-	91,746	83,094
Interest and fiscal charges	670,189	605,983	55,202	65,963	725,391	671,946
Water, sewer and stormwater	-	-	1,898,021	1,837,352	1,898,021	1,837,352
Total Expenses	<u>7,942,339</u>	<u>7,515,198</u>	<u>1,953,223</u>	<u>1,903,315</u>	<u>9,895,562</u>	<u>9,418,513</u>
Increases in Net Assets Before Transfers	324,557	533,568	487,181	340,411	811,738	873,979
Transfers	<u>211,574</u>	<u>89,367</u>	<u>(211,574)</u>	<u>(89,367)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	536,131	622,935	275,607	251,044	811,738	873,979
NET ASSETS – Beginning of Year	<u>26,392,198</u>	<u>25,769,263</u>	<u>14,773,139</u>	<u>14,522,095</u>	<u>41,165,337</u>	<u>40,291,358</u>
<b>NET ASSETS – End of Year</b>	<u>\$ 26,928,329</u>	<u>\$ 26,392,198</u>	<u>\$ 15,048,746</u>	<u>\$ 14,773,139</u>	<u>\$ 41,977,075</u>	<u>\$ 41,165,337</u>

# VILLAGE OF MCFARLAND

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2011

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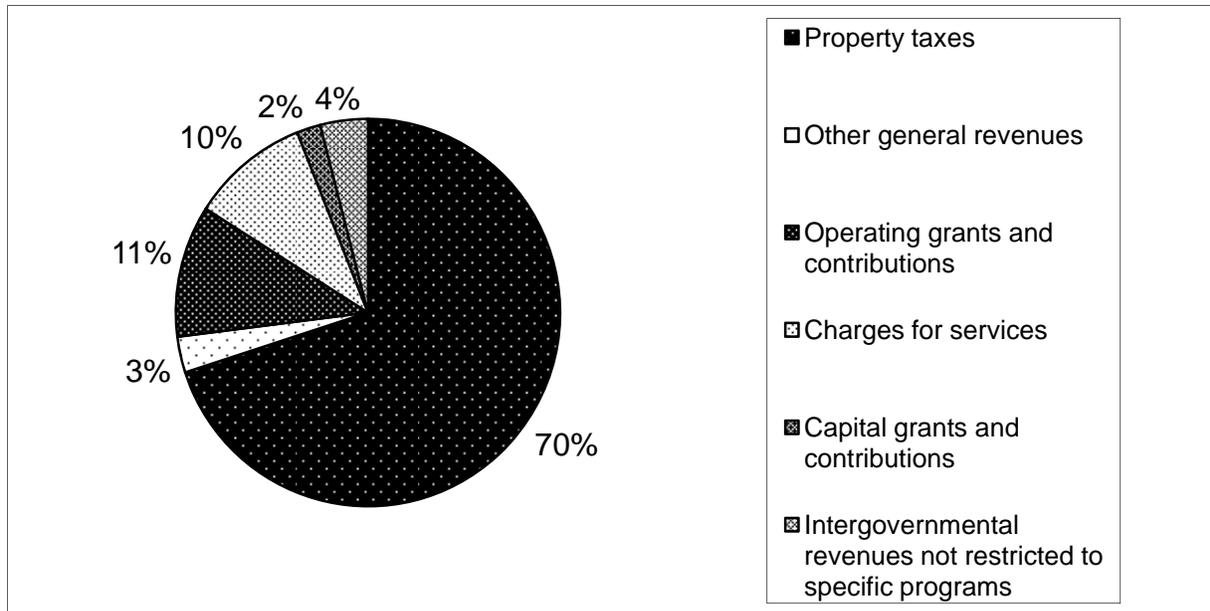
### FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

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#### GOVERNMENTAL ACTIVITIES

The village received a total of \$8,266,896 in governmental activity revenues in 2011. As the following chart indicates, the largest revenue source is property taxes.

#### Revenue by Source – Governmental Activities



Total governmental activities expenses were \$7,942,339 in 2011. Revenues exceeded expenses by \$324,557, down \$162,624 (39.2%) from the prior year. After transfers, there was an increase in net assets of \$536,131 (2.0%).

In 2011, Public Safety (police, fire, EMS, emergency government) activities accounted for the largest share of village expenditures at 37.9%. This was followed by expenditures on Public Works activities at 24.1%. Other expenditure areas included General Government at 13.6%, Leisure Activities at 12.4%, Conservation and Development at 1.2%, and Health and Human Services at 2.4%. Interest and fiscal charges accounted for the remaining 8.4% of governmental activity expenses.

# VILLAGE OF MCFARLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Year Ended December 31, 2011

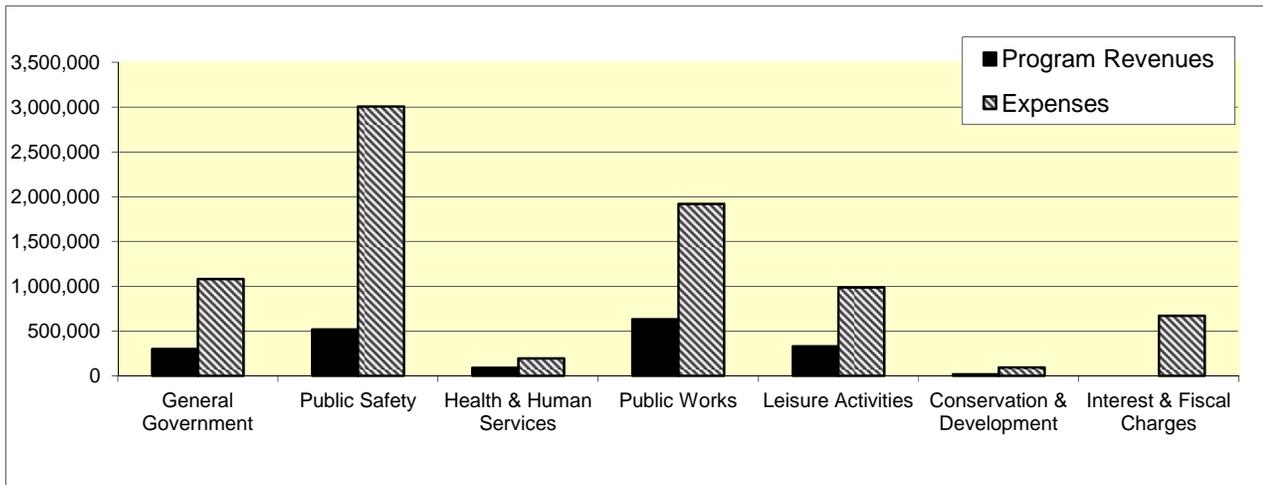
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## FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

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### GOVERNMENTAL ACTIVITIES (cont.)

#### Expenses and Program Revenue – Governmental Activities



### BUSINESS-TYPE ACTIVITIES

The village generated \$2,440,404 in business-type activity revenue in 2011 from its Water, Sewer and Stormwater Funds. Charges for services are by far the largest revenue source for these operations, representing 95% of revenues.

# VILLAGE OF MCFARLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Year Ended December 31, 2011

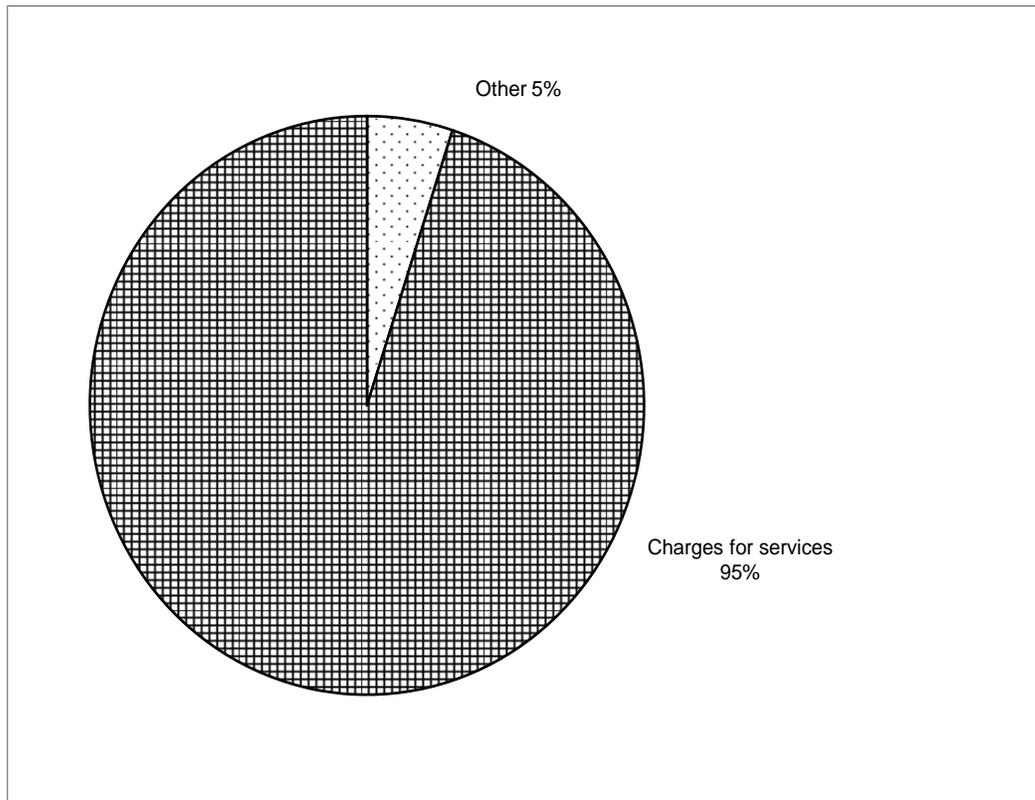
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## FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

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### *BUSINESS-TYPE ACTIVITIES* (cont.)

#### Revenue by Source – Business-type Activities



Business-type activities increased the village's net assets by \$275,607 (1.7%) in 2011. The net operating income of the business-type activities was \$426,263, up \$40,566 (10.5%) from the prior year. The following graph compares the charges for services to the operating expenses for each utility. The authorized rate of return for the PSCW regulated Water Utility is 7.25%. The actual rate of return for 2011 was 5.56%. The current water rates became effective on October 10, 2010, the current sewer rates became effective January 1, 2012 (prior rate was effective August 1, 2010), and the current stormwater rates were implemented on August 1, 2010.

## VILLAGE OF MCFARLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Year Ended December 31, 2011

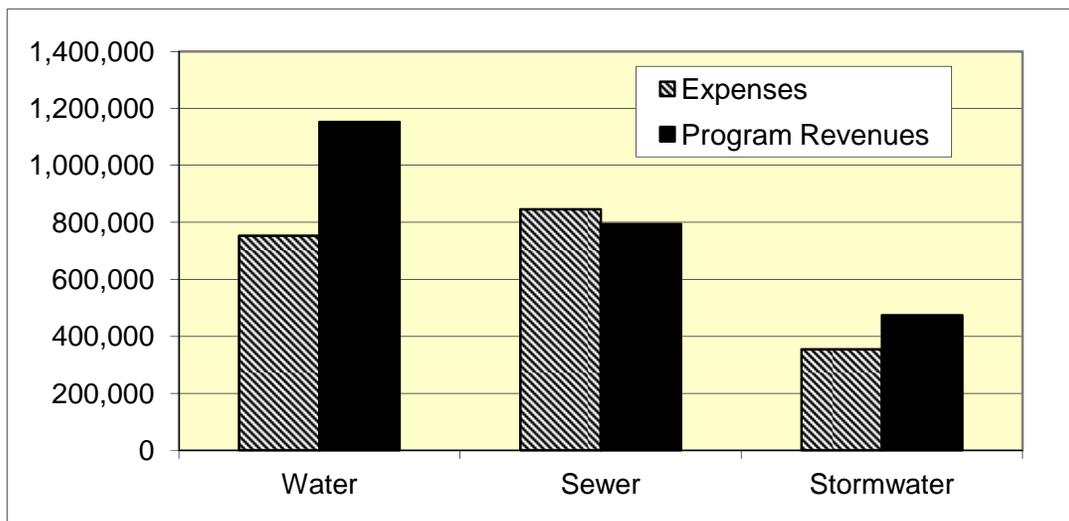
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### FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

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#### *BUSINESS-TYPE ACTIVITIES* (cont.)

#### Expenses and Program Revenues – Business-type Activities



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### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

#### **GOVERNMENTAL FUNDS**

The focus of the Village of McFarland's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the village's financing requirement. In particular, unassigned fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Village of McFarland's governmental funds reported combined ending fund balances of \$3,742,056. Approximately 19% of this total amount (\$726,587) constitutes unassigned fund balance. The remainder of the fund balance is reported in the following categories: 1) nonspendable (\$119,712), 2) restricted (\$2,064,433), 3) committed (\$422,089), and 4) assigned (\$409,235).

## VILLAGE OF MCFARLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2011

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#### **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (cont.)**

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##### ***GOVERNMENTAL FUNDS (cont.)***

General Fund: The General Fund is the main operating fund of the village. The general fund balance increased from \$1,590,346 to \$1,611,733, an increase of \$21,387 (1.3%). This increase was due to the fact that actual revenues and other financing sources were \$45,494 above the amended budgeted amount. The majority of the increase related to state-aid-emergency government and insurance recoveries and refunds actual amounts being \$13,652 and \$21,484, respectively over the budgeted amounts.

General Debt Service Fund: The General Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs. The \$9,226 increase in fund balance resulted from refinancing related activities.

Tax Incremental District No. 3 – Capital Projects: The district was created in 2004. The district exists to recover project costs from tax increments over its remaining statutory life. The district encompasses the Terminal Drive and Triangle Street areas which parallel the Highway 51 corridor at the northern end of the village. The district has made and will continue to make needed street, sanitary sewer, and storm water public improvements in the area and provides economic development assistance to stimulate development and redevelopment. Fund balance increased by \$274,270 during the year, due to the fact that tax increment revenues generated by strong property growth in the early years of the district continue to exceed current debt service obligations.

Tax Incremental District No. 4 – Capital Projects: The district was created in 2008. The district exists to recover project costs from tax increments over its remaining statutory life. The district encompasses the downtown area. The district has made and will continue to make needed downtown improvements and provide economic development assistance to stimulate development and redevelopment. Fund balance decreased by \$46,231 during the year, due to the fact that no tax increment was generated in 2011.

Capital Equipment and Projects Fund: This fund is used to account for financial resources to be used for the acquisition or construction of equipment and major facilities. Fund balance increased by \$592,415 during the year, the main reason for the increase was advance borrowing done for capital projects planned over the next several years.

##### ***PROPRIETARY FUNDS***

The Village of McFarland's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

## VILLAGE OF MCFARLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2011

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#### **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (cont.)**

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##### ***PROPRIETARY FUNDS*** (cont.)

Water and Sewer Utility: The McFarland Water and Sewer Utility is an enterprise fund of the Village of McFarland. The utility's operating expenses in 2011, including depreciation, were \$873 (.1%) higher than in 2010, and operating revenues increased \$68,436 (3.7%) due to rate increases implemented in the last half of 2010. Net operating income for the year was \$355,538 up \$67,563 (23.5%) from the prior year with water operations producing income of \$402,309 while sewer operations sustained an operating loss of \$46,771. The increase in operating expenses was attributable to increased collection system maintenance costs and treatment charges in the sewer utility.

Stormwater Utility: The Stormwater Utility was created July 1, 2008 and is an enterprise fund of the Village of McFarland. Operating expenses in 2011 were \$59,581 (20.9%) higher than those of the Stormwater Fund in 2010. Operating revenues increased \$32,584 (8.3%) because of a rate increase implemented August 1, 2010.

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#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

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The final amended General Fund budget for 2011 had total appropriations of \$14,107 more than the original budget. The adopted appropriations were \$4,957,950, while the amended appropriations totaled \$4,972,057. The difference was attributable to unanticipated retirement - related liabilities.

On the revenue side, the actual operating revenues and other financing sources of \$4,993,444 were above the amended budget revenues and other financing sources by \$45,494. Much of this added revenue was from insurance recoveries and FEMA reimbursements for emergency management response.

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#### **CAPITAL ASSETS**

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At the end of 2011, the village had invested a total of \$49,773,244 in capital assets (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles, infrastructure and construction work in progress.

## VILLAGE OF MCFARLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2011

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

Significant capital asset additions during 2011 included the following:

>	Police Squad Cars (2)	\$ 45,644
>	Public Works Patrol Truck	138,048
>	Public Work Pickup Trucks (2)	23,556

#### **CAPITAL ASSETS AT YEAR-END NET OF ACCUMULATED DEPRECIATION**

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 13,794,341	\$ 13,794,341	\$ 325,845	\$ 165,570	\$ 14,120,186	\$ 13,959,911
Land improvements	773,425	773,425	-	-	773,425	773,425
Buildings	10,495,225	10,495,225	-	-	10,495,225	10,495,225
Machinery and Equipment	1,485,371	1,463,401	-	-	1,485,371	1,463,401
Vehicles	2,856,040	2,693,967	-	-	2,856,040	2,693,967
Library improvements/collection	656,873	637,768	-	-	656,873	637,768
Streets	15,609,596	15,609,596	-	-	15,609,596	15,609,596
Sidewalks	3,889,365	3,889,365	-	-	3,889,365	3,889,365
Water plant	-	-	11,054,514	11,146,319	11,054,514	11,146,319
Sewer plant	-	-	4,879,242	4,878,857	4,879,242	4,878,857
Stormwater	-	-	3,438,146	3,269,259	3,438,146	3,269,259
	49,560,236	49,357,088	19,697,747	19,460,005	69,257,983	68,817,093
Less: Accumulated depreciation	(13,948,554)	(13,120,459)	(5,536,185)	(5,293,396)	(19,484,739)	(18,413,855)
Capital Assets - Net of Accumulated Depreciation	\$ 35,611,682	\$ 36,236,629	\$ 14,161,562	\$ 14,166,609	\$ 49,773,244	\$ 50,403,238

## VILLAGE OF MCFARLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2011

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#### LONG-TERM DEBT

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During 2011, the village issued new debt for governmental funds in the amount of \$3,700,000 and \$3,956,992 of debt was retired. A total of \$12,573,603 in debt for governmental activities was outstanding at the end of 2011, some of which was incurred for future capital projects.

Mortgage revenue bond debt for the Water and Sewer Utility of \$255,000 was retired in 2011, leaving an outstanding principal balance of \$840,000. The Stormwater Utility issued \$875,000 of general obligation debt during 2011 for current and future capital projects.

Under Wisconsin State Statutes, Chapter 67, the Village of McFarland's aggregate general obligation indebtedness may not exceed 5% of the equalized value of taxable property located in the village. The net amount of debt at year end that was applicable to the statutory limit was \$13,448,603 which was 34.0% of the maximum allowed (\$39,513,130). \$3,705,000 (27.5%) of the general obligation debt was issued for TIF No. 3 or TIF No. 4 and will be repaid from revenue sources other than general property taxes.

#### VILLAGE OF MCFARLAND'S OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation bonds and notes payable	\$ 12,573,603	\$ 12,830,595	\$ 875,000	\$ -	\$ 13,448,603	\$ 12,830,595
Revenue bonds	-	-	840,000	1,095,000	840,000	1,095,000
Total Outstanding Debt	<u>\$ 12,573,603</u>	<u>\$ 12,830,595</u>	<u>\$ 1,715,000</u>	<u>\$ 1,095,000</u>	<u>\$ 14,288,603</u>	<u>\$ 13,925,595</u>

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#### CURRENTLY KNOWN FACTS / ECONOMIC CONDITIONS

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The Village of McFarland is located adjacent to the southeast edge of the City of Madison. This proximity to a major regional commercial center which is the capital of state government and home to the flagship campus of the University of Wisconsin produces a very favorable economic climate and has resulted in steady village growth. The local economy has remained relatively strong even during periods of slowdown in the national economy. The local unemployment rate is well below state and federal rates. The village's 2011 population was 7,818, a small increase from 2010. Despite a significant slowdown in new development the last half of the prior decade, the village's population nonetheless grew 21.7% from 6,416 in 2000 to 7,808 in 2010.

## VILLAGE OF MCFARLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2011

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#### **CURRENTLY KNOWN FACTS / ECONOMIC CONDITIONS (cont.)**

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The property tax base remained stable, declining only 0.003% despite the challenging real estate market. With the exception of sales of certain distressed properties, sales data showed that properties generally maintained their previous value. Building permit activity for new construction in 2011 remained slow due to a diminished inventory of residential lots and a depressed real estate construction market, conditions that are expected to persist into at least 2013. Building permit activity for construction of multi-family housing and for alterations and improvements to existing properties did pick up in 2011.

The McFarland Village Board adopted the 2012 budget in November 2011. The budget authorizes General Fund expenditures of \$5,028,065, up 1.0% over the previous year. The combined property tax levy for all funds is \$5,006,367, an increase of 1.0%. The assessed mill rate increased 1.3% and the equalized mill rate increased 0.2%. \$4,000 of unassigned fund balance was appropriated to balance the 2011 budget. The General Fund retains unassigned reserves that exceed the village's policy of 20% of budgeted expenditures.

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#### **REQUESTS FOR INFORMATION**

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The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the village's finances. If you have any questions about this report or need any additional information, contact the Village of McFarland, Attn: Don Peterson, Administrator/ Treasurer, call (608) 838-3153, or e-mail [don.peterson@mcfarland.wi.us](mailto:don.peterson@mcfarland.wi.us)

General information relating to the Village of McFarland, Wisconsin, can be found at the village's website, [www.mcfarland.wi.us](http://www.mcfarland.wi.us).

## VILLAGE OF MCFARLAND

### STATEMENT OF NET ASSETS

As of December 31, 2011

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash and investments	\$ 3,869,147	\$ 1,746,058	\$ 5,615,205
Receivables (net)			
Taxes receivable	6,037,870	-	6,037,870
Delinquent taxes	6,844	-	6,844
Accounts	359,016	278,302	637,318
Special assessments	38,842	36,109	74,951
Delinquent special assessments	27,843	-	27,843
Loans	406,853	-	406,853
Due from other governments	28,207	-	28,207
Internal balances	134,981	(134,981)	-
Assets held for resale	149,370	-	149,370
Materials and supplies	-	16,082	16,082
Prepaid items	41,694	4,764	46,458
Restricted cash and investments	-	699,676	699,676
Other assets	39,262	281,130	320,392
Capital assets (net of accumulated depreciation)			
Land	13,794,341	325,845	14,120,186
Other capital assets, net of depreciation	<u>21,817,341</u>	<u>13,835,717</u>	<u>35,653,058</u>
Total Assets	<u>46,751,611</u>	<u>17,088,702</u>	<u>63,840,313</u>
<b>LIABILITIES</b>			
Accounts payable	326,336	155,826	482,162
Accrued liabilities	300,112	10,284	310,396
Deposits	42,880	6,675	49,555
Due to other governments	439	-	439
Unearned revenue	5,968,864	1,110	5,969,974
Noncurrent liabilities			
Due within one year	1,493,456	373,454	1,866,910
Due in more than one year	<u>11,691,195</u>	<u>1,492,607</u>	<u>13,183,802</u>
Total Liabilities	<u>19,823,282</u>	<u>2,039,956</u>	<u>21,863,238</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	26,576,282	12,684,264	38,109,164
Restricted for			
Debt service	694,889	22,085	716,974
Equipment replacement	-	249,300	249,300
Impact fees	-	188,293	188,293
Library	44,800	-	44,800
TIF No. 3	1,279,105	-	1,279,105
Unrestricted (deficit)	<u>(1,666,747)</u>	<u>1,904,804</u>	<u>1,389,439</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 26,928,329</u>	<u>\$ 15,048,746</u>	<u>\$ 41,977,075</u>

See accompanying notes to financial statements.

## VILLAGE OF MCFARLAND

### STATEMENT OF ACTIVITIES For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 1,078,458	\$ 46,937	\$ 116,022	\$ 133,169
Public safety	3,007,379	466,618	49,918	-
Health and social services	191,762	-	87,046	-
Public works	1,915,941	205,643	424,168	-
Leisure activities	986,864	106,469	223,650	54
Conservation and development	91,746	14,956	-	-
Interest and fiscal charges	<u>670,189</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>7,942,339</u>	<u>840,623</u>	<u>900,804</u>	<u>133,223</u>
<b>Business-type Activities</b>				
Water Utility	752,981	1,112,168	-	40,586
Sewer Utility	845,793	788,241	-	5,357
Stormwater Utility	<u>354,449</u>	<u>423,660</u>	<u>-</u>	<u>50,000</u>
Total Business-type Activities	<u>1,953,223</u>	<u>2,324,069</u>	<u>-</u>	<u>95,943</u>
Total	<u>\$ 9,895,562</u>	<u>\$ 3,164,692</u>	<u>\$ 900,804</u>	<u>\$ 229,166</u>

**General Revenues**

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for TIF districts

Other taxes

Intergovernmental revenues not restricted to specific programs

Investment income

Miscellaneous

Transfers

Total General Revenues and Transfers

**Change in net assets**

NET ASSETS - Beginning of Year

**NET ASSETS - END OF YEAR**

Net (Expenses) Revenues and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$ (782,330)	\$ -	\$ (782,330)
(2,490,843)	-	(2,490,843)
(104,716)	-	(104,716)
(1,286,130)	-	(1,286,130)
(656,691)	-	(656,691)
(76,790)	-	(76,790)
<u>(670,189)</u>	<u>-</u>	<u>(670,189)</u>
<u>(6,067,689)</u>	<u>-</u>	<u>(6,067,689)</u>
-	399,773	399,773
-	(52,195)	(52,195)
-	<u>119,211</u>	<u>119,211</u>
-	<u>466,789</u>	<u>466,789</u>
<u>(6,067,689)</u>	<u>466,789</u>	<u>(5,600,900)</u>
3,775,886	-	3,775,886
1,181,184	-	1,181,184
802,316	-	802,316
183,354	-	183,354
301,939	-	301,939
10,316	1,683	11,999
137,251	18,709	155,960
<u>211,574</u>	<u>(211,574)</u>	<u>-</u>
<u>6,603,820</u>	<u>(191,182)</u>	<u>6,412,638</u>
536,131	275,607	811,738
<u>26,392,198</u>	<u>14,773,139</u>	<u>41,165,337</u>
<u>\$ 26,928,329</u>	<u>\$ 15,048,746</u>	<u>\$ 41,977,075</u>

See accompanying notes to financial statements.

# VILLAGE OF MCFARLAND

## BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2011

	General	General Debt Service	TIF No. 3 Capital Project
<b>ASSETS</b>			
Cash and investments	\$ 1,615,567	\$ 490,528	\$ 907,672
Receivables			
Taxes	3,293,539	1,192,909	753,774
Delinquent taxes	6,844	-	-
Accounts	177,113	-	142,883
Special assessments	38,842	-	-
Delinquent special assessments	27,843	-	-
Loans	25,000	268,603	-
Due from other governments	-	-	-
Due from other funds	148,160	-	-
Prepaid items	41,694	-	-
Advances to other funds	18,331	-	337,868
<b>TOTAL ASSETS</b>	<b>\$ 5,392,933</b>	<b>\$ 1,952,040</b>	<b>\$ 2,142,197</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 165,386	\$ -	\$ 239
Accrued liabilities	235,870	-	-
Deposits	42,880	-	-
Due to other governments	439	-	-
Due to other funds	13,179	-	-
Deferred revenue	3,284,604	1,461,512	862,853
Deferred special assessments	38,842	-	-
Advances from other funds	-	-	-
Total Liabilities	3,781,200	1,461,512	863,092
Fund Balances			
Nonspendable	119,712	-	-
Restricted	-	490,528	1,279,105
Committed	-	-	-
Assigned	409,235	-	-
Unassigned (deficit)	1,082,786	-	-
Total Fund Balances	1,611,733	490,528	1,279,105
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,392,933</b>	<b>\$ 1,952,040</b>	<b>\$ 2,142,197</b>

See accompanying notes to financial statements.

<u>TIF No. 4 Capital Project</u>	<u>Capital Equipment and Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ -	\$ 694,812	\$ 160,568	\$ 3,869,147
-	-	797,648	6,037,870
-	-	-	6,844
-	17,544	21,476	359,016
-	-	-	38,842
-	-	-	27,843
43,750	-	69,500	406,853
-	28,207	-	28,207
-	-	-	148,160
-	-	-	41,694
-	-	-	356,199
<u>\$ 43,750</u>	<u>\$ 740,563</u>	<u>\$ 1,049,192</u>	<u>\$ 11,320,675</u>
\$ -	\$ 149,949	\$ 10,762	\$ 326,336
-	-	-	235,870
-	-	-	42,880
-	-	-	439
-	-	-	13,179
43,750	45,007	867,148	6,564,874
-	-	-	38,842
<u>337,868</u>	<u>-</u>	<u>18,331</u>	<u>356,199</u>
<u>381,618</u>	<u>194,956</u>	<u>896,241</u>	<u>7,578,619</u>
-	-	-	119,712
-	250,000	44,800	2,064,433
-	295,607	126,482	422,089
-	-	-	409,235
<u>(337,868)</u>	<u>-</u>	<u>(18,331)</u>	<u>726,587</u>
<u>(337,868)</u>	<u>545,607</u>	<u>152,951</u>	<u>3,742,056</u>
<u>\$ 43,750</u>	<u>\$ 740,563</u>	<u>\$ 1,049,192</u>	<u>\$ 11,320,675</u>

See accompanying notes to financial statements.

## VILLAGE OF MCFARLAND

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS As of December 31, 2011

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Total Fund Balances - Governmental Funds	\$ 3,742,056
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.	35,611,682
Some receivables that are not currently available are reported as deferred revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	634,852
Debt issuance costs amortized over the life of the debt issue - reported as other assets	39,262
Assets held for resale are not reported in the funds.	149,370
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II. A.	<u>(13,248,893)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 26,928,329</u></b>

## VILLAGE OF MCFARLAND

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

For the Year Ended December 31, 2011

	General	General Debt Service	TIF No. 3 Capital Project
<b>REVENUES</b>			
Taxes	\$ 3,234,583	\$ 1,181,184	\$ 836,120
Intergovernmental	771,598	-	15,273
Licenses and permits	89,531	-	-
Fines, forfeitures and penalties	70,772	-	-
Public charges for services	193,026	8,874	-
Intergovernmental charges for services	188,280	-	-
Investment income	8,064	112	472
Miscellaneous	226,016	35,795	11,100
Total Revenues	4,781,870	1,225,965	862,965
<b>EXPENDITURES</b>			
Current			
General government	776,984	-	38,151
Public safety	2,796,166	-	-
Health and social services	187,046	-	-
Public works	932,869	-	-
Leisure activities	202,529	-	-
Conservation and development	76,463	-	10,095
Capital Outlay	-	-	1,000
Debt Service			
Principal retirement	-	886,992	345,000
Other interest and fiscal charges	-	400,295	194,449
Total Expenditures	4,972,057	1,287,287	588,695
Excess (deficiency) of revenues over expenditures	(190,187)	(61,322)	274,270
<b>OTHER FINANCING SOURCES (USES)</b>			
Debt issued	-	2,890,000	-
Payment to escrow agent	-	(2,927,831)	-
Debt premium	-	83,576	-
Transfers in	211,574	24,803	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	211,574	70,548	-
<b>Net Change in Fund Balances</b>	21,387	9,226	274,270
FUND BALANCES (DEFICIT) - Beginning of Year	1,590,346	481,302	1,004,835
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	\$ 1,611,733	\$ 490,528	\$ 1,279,105

See accompanying notes to financial statements.

<u>TIF No. 4 Capital Project</u>	<u>Capital Equipment and Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ -	\$ 46,961	\$ 582,699	\$ 5,881,547
511	116,929	165,476	1,069,787
-	-	79,784	169,315
-	-	-	70,772
-	-	279,219	481,119
-	-	-	188,280
-	1,530	138	10,316
-	2,785	22,365	298,061
<u>511</u>	<u>168,205</u>	<u>1,129,681</u>	<u>8,169,197</u>
1,597	-	-	816,732
-	-	-	2,796,166
-	-	-	187,046
-	-	409,224	1,342,093
-	-	631,748	834,277
-	-	-	86,558
33,230	420,866	12,718	467,814
-	-	-	1,231,992
<u>11,915</u>	<u>-</u>	<u>96</u>	<u>606,755</u>
<u>46,742</u>	<u>420,866</u>	<u>1,053,786</u>	<u>8,369,433</u>
<u>(46,231)</u>	<u>(252,661)</u>	<u>75,895</u>	<u>(200,236)</u>
-	810,000	-	3,700,000
-	-	-	(2,927,831)
-	-	-	83,576
-	35,076	-	271,453
-	-	(59,879)	(59,879)
-	<u>845,076</u>	<u>(59,879)</u>	<u>1,067,319</u>
(46,231)	592,415	16,016	867,083
<u>(291,637)</u>	<u>(46,808)</u>	<u>136,935</u>	<u>2,874,973</u>
<u>\$ (337,868)</u>	<u>\$ 545,607</u>	<u>\$ 152,951</u>	<u>\$ 3,742,056</u>

See accompanying notes to financial statements.

## VILLAGE OF MCFARLAND

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

Net change in fund balances - total governmental funds \$ 867,083

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

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

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	467,814
Some items are reported as capital outlay, but are not capitalized	(185,700)
Depreciation is reported in the government-wide financial statements	(902,544)
Net book value of assets retired	(4,517)

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	(16,966)
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Debt issued	(3,700,000)
Principal repaid	1,231,992

Advance refunding of bond issuances are reported as an other financing use in the governmental funds. However, advance refunding are considered a change in long-term liabilities in the Statement of Net Assets.	2,725,000
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Governmental funds report debt premiums, discounts and issuance costs as other financing sources (uses) or expenditures. However, in the statement of net assets, these are deferred and reported as other assets or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.	
Debt issuance costs	(4,362)

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	(1,852)
Accrued interest on debt	60,183

<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 536,131</u></b>
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## VILLAGE OF MCFARLAND

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

	Business-type Activities		
	Water and Sewer Utility	Stormwater Utility	Totals
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 1,037,674	\$ 439,047	\$ 1,476,721
Receivables			
Accounts	204,066	64,028	268,094
Other	5,799	4,409	10,208
Due from other funds	-	13,179	13,179
Materials and supplies	16,082	-	16,082
Prepaid items	3,573	1,191	4,764
Restricted Assets			
Redemption account	<u>25,583</u>	<u>-</u>	<u>25,583</u>
Total Current Assets	<u>1,292,777</u>	<u>521,854</u>	<u>1,814,631</u>
Noncurrent Assets			
Restricted Assets			
Reserve account	236,500	-	236,500
Depreciation account	78,000	-	78,000
Replacement account	171,300	-	171,300
Impact fee account	188,293	-	188,293
Capital Assets			
Land	165,570	160,275	325,845
Property and equipment	15,933,756	3,438,146	19,371,902
Less: Accumulated depreciation	(4,400,189)	(1,135,996)	(5,536,185)
Other Assets			
Water tower reserve	269,337	-	269,337
Preliminary survey and investigation	12,545	15,985	28,530
Special assessment receivable	36,109	-	36,109
Unamortized debt issuance costs	20,774	10,583	31,357
Property held for future use	<u>1,038</u>	<u>220,205</u>	<u>221,243</u>
Total Noncurrent Assets	<u>12,713,033</u>	<u>2,709,198</u>	<u>15,422,231</u>
Total Assets	<u>14,005,810</u>	<u>3,231,052</u>	<u>17,236,862</u>

	Business-type Activities		
	Water and Sewer Utility	Stormwater Utility	Totals
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 123,078	\$ 32,748	\$ 155,826
Due to other funds	148,160	-	148,160
Customer deposits	5,000	1,675	6,675
Accrued wages	4,518	754	5,272
Accrued interest	-	1,514	1,514
Compensated absences	18,391	5,063	23,454
Unearned revenues	1,110	-	1,110
Current portion of general obligation debt	-	85,000	85,000
Liabilities Payable from Restricted Assets			
Current portion of revenue bonds	265,000	-	265,000
Accrued interest	3,498	-	3,498
Total Current Liabilities	<u>568,755</u>	<u>126,754</u>	<u>695,509</u>
Noncurrent Liabilities			
Long-Term Debt			
Revenue bonds	575,000	-	575,000
General obligation debt	-	790,000	790,000
Unamortized debt premium	40,012	10,583	50,595
Unamortized loss on advance refunding	(20,440)	-	(20,440)
Other Liabilities			
Compensated absences	<u>73,726</u>	<u>23,726</u>	<u>97,452</u>
Total Noncurrent Liabilities	<u>668,298</u>	<u>824,309</u>	<u>1,492,607</u>
Total Liabilities	<u>1,237,053</u>	<u>951,063</u>	<u>2,188,116</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,096,839	1,587,425	12,684,264
Restricted for			
Debt service	22,085	-	22,085
Equipment replacement	249,300	-	249,300
Impact fees	188,293	-	188,293
Unrestricted	<u>1,212,240</u>	<u>692,564</u>	<u>1,904,804</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 12,768,757</u>	<u>\$ 2,279,989</u>	<u>\$ 15,048,746</u>

See accompanying notes to financial statements.

## VILLAGE OF MCFARLAND

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS For the Year Ended December 31, 2011

	Business-type Activities		
	Water and Sewer Utility	Stormwater Utility	Totals
<b>OPERATING REVENUES</b>			
Water	\$ 1,112,168	\$ -	\$ 1,112,168
Sewer	788,241	-	788,241
Stormwater	-	423,660	423,660
Total Operating Revenues	<u>1,900,409</u>	<u>423,660</u>	<u>2,324,069</u>
<b>OPERATING EXPENSES</b>			
Operation and maintenance	1,233,789	286,198	1,519,987
Depreciation	<u>311,082</u>	<u>66,737</u>	<u>377,819</u>
Total Operating Expenses	<u>1,544,871</u>	<u>352,935</u>	<u>1,897,806</u>
Operating Income	<u>355,538</u>	<u>70,725</u>	<u>426,263</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	1,583	100	1,683
Interest expense	(53,688)	(1,514)	(55,202)
Rental income	-	15,614	15,614
Miscellaneous revenues	-	3,095	3,095
Amortization of debt issuance costs	(7,124)	(161)	(7,285)
Amortization of loss on advance refunding	(6,811)	-	(6,811)
Amortization of debt premium	<u>13,720</u>	<u>161</u>	<u>13,881</u>
Total Nonoperating Revenues (Expenses)	<u>(52,320)</u>	<u>17,295</u>	<u>(35,025)</u>
Income Before Contributions and Transfers	<u>303,218</u>	<u>88,020</u>	<u>391,238</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>			
Capital contributions	45,943	50,000	95,943
Transfers - tax equivalent	<u>(211,574)</u>	<u>-</u>	<u>(211,574)</u>
Total Contributions and Transfers	<u>(165,631)</u>	<u>50,000</u>	<u>(115,631)</u>
Change in Net Assets	137,587	138,020	275,607
NET ASSETS - Beginning of Year	<u>12,631,170</u>	<u>2,141,969</u>	<u>14,773,139</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 12,768,757</u>	<u>\$ 2,279,989</u>	<u>\$ 15,048,746</u>

See accompanying notes to financial statements.

## VILLAGE OF MCFARLAND

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

	Business-type Activities		
	Water and Sewer Utility	Stormwater Utility	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received from customers	\$ 1,601,007	\$ 432,400	\$ 2,033,407
Received from village for services	302,123	-	302,123
Paid to suppliers for goods and services	(968,340)	(176,760)	(1,145,100)
Paid to employees for services	(269,476)	(86,396)	(355,872)
Net Cash Flows From Operating Activities	<u>665,314</u>	<u>169,244</u>	<u>834,558</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	<u>1,583</u>	<u>100</u>	<u>1,683</u>
Net Cash Flows From Investing Activities	<u>1,583</u>	<u>100</u>	<u>1,683</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Paid to municipality for tax equivalent	(198,309)	-	(198,309)
Repayment of operating advance	<u>279,962</u>	<u>(279,962)</u>	<u>-</u>
Net Cash Flows From Noncapital Financing Activities	<u>81,653</u>	<u>(279,962)</u>	<u>(198,309)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Long-term debt issued	-	875,000	875,000
Debt retired	(255,000)	-	(255,000)
Interest paid	(54,750)	-	(54,750)
Debt issuance costs	-	(10,744)	(10,744)
Acquisition and construction of capital assets	(40,745)	(375,335)	(416,080)
Capital contributions received	-	50,000	50,000
Impact fees received	12,350	-	12,350
Premium of debt	<u>-</u>	<u>10,744</u>	<u>10,744</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(338,145)</u>	<u>549,665</u>	<u>211,520</u>
<b>Net Change in Cash and Cash Equivalents</b>	410,405	439,047	849,452
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,596,282</u>	<u>-</u>	<u>1,596,282</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,006,687</u>	<u>\$ 439,047</u>	<u>\$ 2,445,734</u>

See accompanying notes to financial statements.

	Business-type Activities		
	Water and Sewer Utility	Stormwater Utility	Totals
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income	\$ 355,538	\$ 70,725	\$ 426,263
Nonoperating revenue	-	15,091	15,091
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities			
Depreciation	311,082	66,737	377,819
Depreciation charged to other funds	17,343	-	17,343
Changes in assets and liabilities			
Accounts receivable	690	101	791
Other receivables	(5,681)	(1,714)	(7,395)
Due from other funds	(6,741)	(4,738)	(11,479)
Materials and supplies	(1,594)	-	(1,594)
Prepaid items	(1,916)	(480)	(2,396)
Accounts payable	10,808	23,047	33,855
Customer deposits	(2,890)	-	(2,890)
Accrued wages	(6,305)	(2,787)	(9,092)
Compensated absences	(5,020)	3,262	(1,758)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 665,314</b>	<b>\$ 169,244</b>	<b>\$ 834,558</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS</b>			
Cash and investments - statement of net assets	\$ 1,037,674	\$ 439,047	\$ 1,476,721
Redemption account	25,583	-	25,583
Reserve account	236,500	-	236,500
Depreciation account	78,000	-	78,000
Replacement account	171,300	-	171,300
Impact fee account	188,293	-	188,293
Water tower reserve	269,337	-	269,337
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ 2,006,687</b>	<b>\$ 439,047</b>	<b>\$ 2,445,734</b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Developer financed additions to utility plant	\$ 33,593	\$ -	\$ -

See accompanying notes to financial statements.

**VILLAGE OF MCFARLAND**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
As of December 31, 2011**

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	<u>Agency Fund</u> <u>Tax Collection</u> <u>Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 8,315,721
Taxes	<u>4,401,813</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,717,534</u>
<b>LIABILITIES</b>	
Due to other governments	<u>\$ 12,717,534</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 12,717,534</u>

See accompanying notes to financial statements.

# VILLAGE OF MCFARLAND

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

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# VILLAGE OF MCFARLAND

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

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### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies of the Village of McFarland, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

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

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

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. This report does not contain any component units.

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

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

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

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

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

# VILLAGE OF MCFARLAND

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

---

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

---

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

##### *Government-Wide Financial Statements (cont.)*

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

##### *Fund Financial Statements*

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

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

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

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

The village reports the following major governmental funds:

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

# VILLAGE OF MCFARLAND

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

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

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

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

The village reports the following major governmental funds: (cont.)

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

TIF No. 3 Capital Project Fund - accounts for expenditures outlined in the Tax Incremental District (TID) project plan and related revenues and proceeds from long-term borrowing.

TIF No. 4 Capital Project Fund - accounts for expenditures outlined in the Tax Incremental District (TID) project plan and related revenues and proceeds from long-term borrowing.

Capital Equipment and Projects - accounts for financial resources to be used for the acquisition or construction of equipment and/or major facilities.

The village reports the following major enterprise funds:

Water and Sewer Utility - accounts for operations of the water and sewer system.

Stormwater Utility - accounts for operations of the stormwater system.

The village reports the following nonmajor governmental funds:

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

Cable  
Parks

Library  
Solid Waste

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

PECFA

In addition, the village reports the following fund types:

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

Tax Collection Fund

# VILLAGE OF MCFARLAND

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

---

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

---

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the village 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.

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

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues. Delinquent special assessments being held for collection by the county are reported as receivables and nonspendable fund balance in the general fund.

# VILLAGE OF MCFARLAND

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

---

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

---

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

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

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

The village reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the village 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 village has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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

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

##### *All Financial Statements*

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

# VILLAGE OF MCFARLAND

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

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

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

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

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

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

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

The village has adopted an investment policy. That policy follows the state statute for allowable investments. The policy does not address the following risks:

Custodial credit risk  
Credit risk  
Interest rate risk

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

# VILLAGE OF MCFARLAND

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

---

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

---

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

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

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

See Note IV. A. for further information.

##### ***2. Receivables***

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

Property tax calendar - 2011 tax roll:

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

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water, sewer and stormwater 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.

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

# VILLAGE OF MCFARLAND

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

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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

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

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

During 2006, the village issued \$379,000 in a State Trust Fund Loan that was used to pay off the Curling Club's debt. The Curling Club will repay the village based on the same terms as the debt issued. As of December 31, 2011, the principal to be repaid by the Curling Club is \$268,603.

During 2008, the village loaned \$100,000 to an area foundation for park improvements. During 2009 the loan increased to \$108,000. The loan will be paid back to the village in equal installments of \$21,600 from 2010 - 2014. This is an interest free loan. As of December 31, 2011, the principal to be repaid by the foundation is \$69,500.

During 2009, the village loaned \$43,750 to an area business for improvements that was funded by TIF No. 4. The loan will be paid back to the village in equal installments of \$8,750 starting in 2014 - 2018. The payment will be reduced by the village in the amount of \$4,375 each year that the first floor of the building is leased or operated for commercial purposes. This is an interest free loan. As of December 31, 2011, the principal to be repaid by the business is \$43,750.

During 2011, the village loaned \$25,000 to the McFarland Firefighters Association for equipment improvements. The loan will be paid back to the village in equal installments of \$5,000 starting in 2012 - 2016. This is an interest free loan.

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

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale.

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

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

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

# VILLAGE OF MCFARLAND

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

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

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

##### *5. Assets Held for Resale*

For the government-wide type financial statements, assets held for resale in the amount of \$149,370 represents a house owned by the village, which the village intends to eventually sell.

##### *6. Capital Assets*

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

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$10,000 for general capital assets and \$10,000 for infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

Buildings	40-85 Years
Land Improvements	15-40 Years
Machinery and Equipment	4-35 Years
Utility System	7-100 Years
Infrastructure	30-50 Years
Vehicles	4-35 Years
Library improvements and collection	10-20 Years

###### *Fund Financial Statements*

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

# VILLAGE OF MCFARLAND

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

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

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

##### **7. Other Assets**

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

Other assets in the proprietary funds represent preliminary survey and investigation and property held for future use.

##### **8. Compensated Absences**

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

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

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

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

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

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

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

The village may approve the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the village. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. There were no IRB's outstanding at year end.

## VILLAGE OF MCFARLAND

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

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

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

##### ***10. Claims and Judgments***

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

##### ***11. Equity Classifications***

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

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

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

The net asset section includes an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column. The amount is a reduction of "invested in capital assets, net of related debt", and an increase in "unrestricted" net assets, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Invested in capital assets, net of related debt	\$ 26,576,282	\$ 12,684,264	\$ (1,151,382)	\$ 38,109,164
Unrestricted	(1,666,747)	1,904,804	1,151,382	1,389,439

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

# VILLAGE OF MCFARLAND

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

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

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

##### *11. Equity Classifications (cont.)*

###### *Fund Statements*

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

- a. **Nonspendable** - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. **Restricted** - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. **Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (ordinance, resolution, motion) of the village. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the village that originally created the commitment.
- d. **Assigned** - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The Board may take official action to assign amounts. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. **Unassigned** - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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

# VILLAGE OF MCFARLAND

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

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

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

##### *11. Equity Classifications (cont.)*

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

The village has a formal minimum fund balance policy. That policy is to maintain a working capital fund of 20% of the subsequent years budgeted general fund expenditures, with a targeted maximum of 25%. The balance at year end was \$1,082,786, or 21.6%, and is included in unassigned general fund balance.

See Note IV. G. for further information.

##### *12. Basis for Existing Rates*

###### *Water*

Current water rates became effective on October 10, 2010. The authorized rate of return is 7.25%.

###### *Sewer*

Current sewer rates were approved by the village board on June 15, 2010 and implemented on August 1, 2010.

###### *Stormwater*

Current stormwater utility rates were approved by the village board on June 15, 2010 and implemented on August 1, 2010.

# VILLAGE OF MCFARLAND

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

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### NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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#### *A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS*

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. The details of this reconciliation include the following items.

Long-term liabilities applicable to the village's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term-are reported in the statement of net assets.

Bonds and notes payable	\$	12,573,603
Compensated absences		611,048
Accrued interest		<u>64,242</u>
Combined Adjustment for Long-Term Liabilities	\$	<u>13,248,893</u>

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### NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### *A. BUDGETARY INFORMATION*

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

A budget has been adopted for all funds except PECFA. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

The budgeted amounts presented include any amendments made. The village may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds board action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the function level of expenditure.

## VILLAGE OF MCFARLAND

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

#### **NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)**

##### ***B. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS***

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
General debt service	\$ 1,236,782	\$ 4,215,118	\$ 2,978,336 *
Capital equipment and projects	354,000	420,866	66,866
Library	570,108	574,822	4,714
Parks	-	96	96

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

\* Excess expenditures over budget related to refinancing activities that took place during 2011.

##### ***C. DEFICIT BALANCES***

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

As of December 31, 2011, the following individual non-major fund held a deficit balance:

Fund	Amount	Reason
Parks	\$ 18,331	Excess expenditures over appropriations

TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases. Other fund deficits are anticipated to be funded with future contributions, general tax revenues, or long-term borrowing.

##### ***D. LIMITATIONS ON THE VILLAGE'S TAX LEVY***

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

## VILLAGE OF MCFARLAND

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

### NOTE IV - DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

The village maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and balance sheet as cash and investments. In addition, investments are separately held by several of the village's funds.

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 1,568,535	\$ 1,381,090	Custodial credit risk
LGIP	13,061,517	13,061,517	Credit risk and interest rate risk
Petty cash	550	-	N/A
Total Deposits and Investments	<u>\$ 14,630,602</u>	<u>\$ 14,442,607</u>	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 5,615,205		
Restricted cash and investments	699,676		
Per statement of net assets- fiduciary fund			
Agency Fund	8,315,721		
Total Deposits and Investments	<u>\$ 14,630,602</u>		

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

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

#### *Custodial Credit Risk*

##### **Deposits**

Custodial credit risk is the risk that in the event of a financial institution failure, the village's deposits may not be returned to the village.

VILLAGE OF MCFARLAND

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

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**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

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

***Custodial Credit Risk*** (cont.)

**Deposits** (cont.)

As of December 31, 2011, \$443,729 of the village's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized \$ 443,729

**Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The village does not have any investments exposed to custodial credit risk.

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The village had investments in the external Wisconsin Local Government Investment Pool which is not rated.

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2011, the village's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Local Government Investment Pool	<u>\$ 13,061,517</u>	97

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

## VILLAGE OF MCFARLAND

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

#### **NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

#### ***B. RECEIVABLES***

All receivable balances are expected to be collected within one year with the exception of: delinquent taxes (\$6,844), deferred special assessments (\$38,842), delinquent special assessments (\$27,843), accounts receivables (\$231,258), and loans receivable (\$362,186).

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Totals</u>
Property taxes receivable for subsequent year	\$ -	\$ 5,968,864	\$ 5,968,864
Special assessments not yet due	38,842	-	38,842
Accounts receivable	214,157	-	214,157
Loans not yet due	381,853	-	381,853
 Total Deferred/Unearned Revenue for Governmental Funds	 \$ 634,852	 \$ 5,968,864	 \$ 6,603,716

#### ***C. RESTRICTED ASSETS***

The following represent the balances of the restricted assets:

##### ***Long-Term Debt Accounts***

- Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

##### ***Equipment Replacement Account***

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

## VILLAGE OF MCFARLAND

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

#### **NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

#### **C. RESTRICTED ASSETS (cont.)**

##### ***Impact Fee Account***

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

Following is a list of restricted assets at December 31, 2011:

Restricted Assets	
Redemption account	\$ 25,583
Reserve account	236,500
Depreciation account	78,000
Replacement account	171,300
Impact fee account	<u>188,293</u>
Total Restricted Assets	<u>\$ 699,676</u>

#### **D. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 13,794,341	\$ -	\$ -	\$ 13,794,341
Capital assets being depreciated				
Land improvements	773,425	-	-	773,425
Buildings	10,495,225	-	-	10,495,225
Machinery and equipment	1,463,401	21,970	-	1,485,371
Streets	15,609,596	-	-	15,609,596
Sidewalks	3,889,365	-	-	3,889,365
Vehicles	2,693,967	207,248	45,175	2,856,040
Library improvements and collection	<u>637,768</u>	<u>52,896</u>	<u>33,791</u>	<u>656,873</u>
Total Capital Assets Being Depreciated	<u>35,562,747</u>	<u>282,114</u>	<u>78,966</u>	<u>35,765,895</u>
Total Capital Assets	<u>49,357,088</u>	<u>282,114</u>	<u>78,966</u>	<u>49,560,236</u>

## VILLAGE OF MCFARLAND

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

#### **NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities (cont.)</b>				
Less: Accumulated depreciation for				
Land improvements	\$ (157,117)	\$ (23,333)	\$ -	\$ (180,450)
Buildings	(1,060,607)	(118,753)	-	(1,179,360)
Machinery and equipment	(709,598)	(69,511)	-	(779,109)
Streets	(7,687,499)	(384,198)	-	(8,071,697)
Sidewalks	(2,159,870)	(121,720)	-	(2,281,590)
Vehicles	(1,010,725)	(142,000)	40,658	(1,112,067)
Library improvements and collection	(335,043)	(43,029)	33,791	(344,281)
Total Accumulated Depreciation	(13,120,459)	(902,544)	74,449	(13,948,554)
Net Capital Assets Being Depreciated	22,442,288	(620,430)	4,517	21,817,341
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 36,236,629	\$ (620,430)	\$ 4,517	\$ 35,611,682

Depreciation expense was charged to functions as follows:

#### **Governmental Activities**

General government	\$ 62,096
Public safety	139,167
Public works, which includes the depreciation of infrastructure	561,537
Leisure activities	139,744
Total Governmental Activities Depreciation Expense	\$ 902,544

## VILLAGE OF MCFARLAND

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

### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

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

##### Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 87,550	\$ -	\$ -	\$ 87,550
Capital assets being depreciated				
Source of supply	211,239	-	-	211,239
Pumping	357,710	-	-	357,710
Water treatment	6,061	-	1,563	4,498
Transmission and distribution	10,361,518	43,236	124,526	10,280,228
General	209,791	6,180	15,132	200,839
Total Capital Assets Being Depreciated	11,146,319	49,416	141,221	11,054,514
Total Capital Assets	11,233,869	49,416	141,221	11,142,064
Less: Accumulated depreciation for General	(2,753,220)	(245,855)	149,825	(2,849,250)
Net Capital Assets Being Depreciated	8,393,099	(196,439)	(8,604)	8,205,264
Net Water Plant	\$ 8,480,649	\$ (196,439)	\$ (8,604)	\$ 8,292,814
	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer</u>				
Capital assets not being depreciated				
Land and land rights	\$ 78,020	\$ -	\$ -	\$ 78,020
Capital assets being depreciated				
Collecting system	4,166,680	5,357	-	4,172,037
Collecting system pumping	596,075	-	-	596,075
General	116,102	6,180	11,152	111,130
Total Capital Assets Being Depreciated	4,878,857	11,537	11,152	4,879,242
Total Capital Assets	4,956,877	11,537	11,152	4,957,262
Less: Accumulated depreciation for General	(1,470,917)	(91,174)	11,152	(1,550,939)
Net Capital Assets Being Depreciated	3,407,940	(79,637)	-	3,328,303
Net Sewer Plant	\$ 3,485,960	\$ (79,637)	\$ -	\$ 3,406,323

**VILLAGE OF MCFARLAND**

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

*D. CAPITAL ASSETS (cont.)*

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

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Stormwater</u>				
Capital assets not being depreciated				
Land and land rights	\$ -	\$ 160,275	\$ -	\$ 160,275
Capital assets being depreciated				
Stormwater	3,269,259	168,887	-	3,438,146
Total Capital Assets	3,269,259	329,162	-	3,598,421
Less: Accumulated depreciation for				
Stormwater	(1,069,259)	(66,737)	-	(1,135,996)
Net Capital Assets Being Depreciated	2,200,000	102,150	-	2,302,150
Net Stormwater Plant	\$ 2,200,000	\$ 262,425	\$ -	\$ 2,462,425
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 14,166,609	\$ (13,651)	\$ (8,604)	\$ 14,161,562

Depreciation expense was charged to functions as follows:

**Business-type Activities**

Water	\$ 219,908
Sewer	91,174
Stormwater	66,737
Total Business-type Activities Depreciation Expense	\$ 377,819

Expense is different from additions because of joint metering, salvage cost of removal, internal allocations, and cost associated with the disposal of assets.

**VILLAGE OF MCFARLAND**

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

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

*Interfund Receivables/Payables*

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

Receivable Fund	Payable Fund	Amount
General fund	Water and sewer utility	\$ 148,160
Stormwater utility	General fund	<u>13,179</u>
Total - Fund Financial Statements		161,339
Less: Fund eliminations		<u>(26,358)</u>
Total Internal Balances - Government-Wide Statement of Net Assets		<u>\$ 134,981</u>
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 148,160
Business-type Activities	Governmental Activities	<u>(13,179)</u>
Total Government-Wide Financial Statements		<u>\$ 134,981</u>

All amounts are due within one year.

The principal purpose of these interfunds is for the 2011 PILOT from the water utility and utility items placed on the tax roll.

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

**Advances**

The general fund is advancing funds to parks. The amount advanced is determined by the deficiency of revenues over expenditures and other financing uses. The general fund is charging the interest on the advance based on the average outstanding advance balance during the year at a floating interest rate. The interest rate charged during 2011 was 0.14%. No repayment schedule has been established.

**VILLAGE OF MCFARLAND**

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

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

**Advances (cont.)**

The TIF No. 3 capital project fund is advancing funds to TIF No. 4 capital project fund. The amount advanced is determined by the deficiency of revenues over expenditures and other financing uses. TIF No. 3 capital project fund is charging interest on the advance based on the average outstanding advance balance during the year at a floating interest rate. The interest rate charged during 2011 was 0.14%. No repayment schedule has been established.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General fund	Parks	\$ 18,331	\$ 18,331
TIF No. 3 capital project	TIF No. 4 capital project	337,868	337,868
Total - Fund Financial Statements		356,199	
Less: Fund eliminations		(356,199)	
Total - Interfund Advances - Government-Wide Statement of Net Assets		\$ -	

The principal purpose of these interfunds is to make up for excess expenditures over appropriations.

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

**VILLAGE OF MCFARLAND**

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

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

**Transfers**

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General fund	Water and sewer utility	\$ 211,574	2011 Water PILOT
General debt service	Solid waste	24,803	Debt service
Capital equipment and projects	PECFA	<u>35,076</u>	Close out fund
Total - Fund Financial Statements		271,453	
Less: Fund eliminations		<u>(59,879)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 211,574</u>	

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

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

**F. LONG-TERM OBLIGATIONS**

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 12,830,595	\$ 3,700,000	\$ 3,956,992	\$ 12,573,603	\$ 1,363,067
Other Liabilities					
Vested compensated absences	609,196	135,848	133,996	611,048	130,389
Total Governmental Activities Long-Term Liabilities	<u>\$ 13,439,791</u>	<u>\$ 3,835,848</u>	<u>\$ 4,090,988</u>	<u>\$ 13,184,651</u>	<u>\$ 1,493,456</u>

## VILLAGE OF MCFARLAND

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

#### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Business-type Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ -	\$ 875,000	\$ -	\$ 875,000	\$ 85,000
Revenue bonds	1,095,000	-	255,000	840,000	265,000
Add/(Subtract) Deferred Amounts For					
(Discounts)/Premiums	53,732	10,744	13,881	50,595	-
Refundings -					
Gains/(Losses)	(27,251)	-	(6,811)	(20,440)	-
Sub-totals	<u>1,121,481</u>	<u>885,744</u>	<u>262,070</u>	<u>1,745,155</u>	<u>350,000</u>
Other Liabilities					
Vested compensated absences	<u>122,664</u>	<u>24,116</u>	<u>25,874</u>	<u>120,906</u>	<u>23,454</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 1,244,145</u>	<u>\$ 909,860</u>	<u>\$ 287,944</u>	<u>\$ 1,866,061</u>	<u>\$ 373,454</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the village may not exceed 5% of the equalized value of taxable property within the village's jurisdiction. The debt limit as of December 31, 2011, was \$39,513,130. Total general obligation debt outstanding at year end was \$13,448,603.

##### ***General Obligation Debt***

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

## VILLAGE OF MCFARLAND

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

#### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

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

##### General Obligation Debt (cont.)

#### Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2011
G.O. refunding bonds	03/10/03	09/01/18	4.25%	\$ 4,275,000	\$ 650,000
State trust fund loan	03/15/04	03/15/13	3.75%	1,200,000	300,000
G.O. refunding bonds	05/15/05	12/01/20	3.5-4.2%	3,240,000	2,400,000
State trust fund loan	04/15/06	03/15/16	4.75%	379,000	268,603
Taxable G.O. promissory note	12/15/08	12/01/17	4.10-6.15%	2,635,000	1,920,000
G.O. refunding bonds	12/15/08	12/01/23	4.50-4.75%	1,415,000	1,415,000
G.O. promissory note	12/15/08	12/01/18	4.00-4.25%	2,460,000	1,920,000
G.O. promissory notes	12/01/11	09/01/21	2.00-2.50%	3,700,000	<u>3,700,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 12,573,603</u>

#### Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2011
G.O. promissory notes	12/01/11	09/01/21	2.00-2.50%	\$ 875,000	<u>\$ 875,000</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2012	\$ 1,363,067	\$ 460,532	\$ 85,000	\$ 13,624
2013	1,413,637	422,109	80,000	16,465
2014	1,459,715	361,413	80,000	14,865
2015	1,525,796	309,549	85,000	13,265
2016	1,741,388	254,437	85,000	11,565
2017-2021	4,470,000	540,209	460,000	30,988
2022-2023	600,000	40,725	-	-
Totals	<u>\$ 12,573,603</u>	<u>\$ 2,388,974</u>	<u>\$ 875,000</u>	<u>\$ 100,772</u>

#### Revenue Debt

Business-type activities revenue bonds are payable only from revenues derived from the operation of the utilities.

**VILLAGE OF MCFARLAND**

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

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

*Revenue Debt (cont.)*

The water and sewer utility have pledged future sales revenues to repay \$840,000 in 2005 revenue bonds. Proceeds from the bonds provided financing for the water and sewer utility systems. The bonds are payable solely from sales revenues and are payable through 2014. Annual principal and interest payments on the bonds are expected to require 16% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$925,500. Principal and interest paid for the current year and total customer gross revenues were \$309,750 and \$1,901,992, respectively.

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

***Business-type Activities Revenue Debt***

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2011
<u>Water Utility</u>					
2005 revenue bonds	04/01/05	12/01/14	3.00-5.00%	\$ 2,365,000	\$ <u>840,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	Business-type Activities Revenue Debt	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 265,000	\$ 42,000
2013	280,000	28,750
2014	<u>295,000</u>	<u>14,750</u>
Totals	<u>\$ 840,000</u>	<u>\$ 85,500</u>

***Other Debt Information***

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

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

## VILLAGE OF MCFARLAND

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

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#### **NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

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

##### ***Other Debt Information (cont.)***

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

##### ***Advance Refunding***

On December 1, 2011, the village issued \$2,890,000 in general obligation refunding bonds with an average interest rate of 1.62% to advance refund \$2,725,000 of outstanding 2003 bonds with an average interest rate of 4.76%. The net proceeds of \$2,927,831 (after payment of \$56,249 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2003 bonds. As a result, a portion of the 2003 bonds are considered to be defeased and the liability for those bonds has been removed from these financial statements.

The cash flow requirements on the refunded bonds prior to the advance refunding was \$3,263,975 from 2012 through 2018. The cash flow requirements on the 2011 refunding bonds are \$3,167,025 from 2012 through 2018. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$92,157.

##### ***Bond Covenant Disclosures***

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

##### ***Insurance***

The utilities are 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. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

**VILLAGE OF MCFARLAND**

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

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

*Bond Covenant Disclosures (cont.)*

*Insurance (cont.)*

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

Type	Coverage	Expiration
General Liability	\$ 2,000,000	1/1/2012
Workers Compensation	500,000 each accident	1/1/2012
	500,000 policy limit	
	500,000 employee limit	
Employee Theft	1,000,000	1/1/2012
Auto Liability	1,000,000 each accident	1/1/2012
Public Officials	1,000,000 each loss	1/1/2012

*Debt Coverage - Water and Sewer Utility*

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.20 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2011 as follows:

Operating revenues	\$ 1,900,409
Investment income	1,583
Impact fees - tower only	6,963
Less: Operation and maintenance expenses	<u>(1,233,789)</u>
 Net Defined Earnings	 <u>\$ 675,166</u>
 Minimum Required Earnings per Resolution:	
Highest annual debt service 2005 bonds	\$ 309,750
Coverage factor	<u>1.20</u>
 Minimum Required Earnings	 <u>\$ 371,700</u>
 Actual Debt Coverage	 <u>2.18</u>

## VILLAGE OF MCFARLAND

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

#### **NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

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

##### ***Number of Customers and Billed Volumes - Water***

The utility has the following number of customers and billed volumes for 2011 and 2010:

	Customers		Sales (000 gals)	
	2011	2010	2011	2010
Residential	2,643	2,611	140,455	141,699
Commercial	285	282	38,278	41,171
Public authority	21	21	4,439	5,525
Totals	2,949	2,914	183,172	188,395

##### ***Number of Customers and Billed Volumes - Sewer***

The utility has the following number of customers and billed volumes for 2011 and 2010:

	Customers		Sales (000 gals)	
	2011	2010	2011	2010
Residential	2,619	2,587	139,352	140,765
Commercial	267	268	37,359	40,113
Public authority	16	16	4,428	4,543
Totals	2,902	2,871	181,139	185,421

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

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

##### ***Governmental Activities***

Invested in Capital Assets, Net of Related Debt	
Land	\$ 13,794,341
Other capital assets, net of accumulated depreciation	21,817,341
Less: Long-term debt outstanding	(12,573,603)
Plus: Unspent capital related debt proceeds	250,000
Plus: Non-capital debt proceeds	3,288,203
Total Invested in Capital Assets, Net of Related Debt	26,576,282

**VILLAGE OF MCFARLAND**

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

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

**Governmental Activities (cont.)**

Restricted	
Debt service	\$ 694,889
Library	44,800
TIF No. 3	<u>1,279,105</u>
Total Restricted	<u>2,018,794</u>
 Unrestricted (deficit)	 <u>(1,666,747)</u>
 Total Governmental Activities Net Assets	 <u>\$ 26,928,329</u>

**Governmental Funds**

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

	General Fund	General Debt Service	TIF No. 3 Capital Projects	TIF No. 4 Capital Projects	Capital Equipment and Projects	Nonmajor Funds	Totals
<b>Fund balances:</b>							
<b>Nonspendable:</b>							
Delinquent taxes and specials	\$ 34,687	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,687
Loans	25,000	-	-	-	-	-	25,000
Prepaid items	41,694	-	-	-	-	-	41,694
Advances	18,331	-	-	-	-	-	18,331
<b>Restricted for:</b>							
Debt service	-	490,528	-	-	-	-	490,528
TIF related purposes	-	-	1,279,105	-	-	-	1,279,105
Capital projects	-	-	-	-	250,000	-	250,000
Library purposes	-	-	-	-	-	44,800	44,800
<b>Committed to:</b>							
Capital projects	-	-	-	-	295,607	-	295,607
Cable TV	-	-	-	-	-	116,736	116,736
Solid waste	-	-	-	-	-	9,746	9,746
<b>Assigned to:</b>							
PILOT	211,574	-	-	-	-	-	211,574
Developer capital project deposits	103,228	-	-	-	-	-	103,228
Outreach	6,822	-	-	-	-	-	6,822
Equipment replacement	58,000	-	-	-	-	-	58,000
Police seizures	2,219	-	-	-	-	-	2,219
Police grants	6,730	-	-	-	-	-	6,730
Act 102	14,253	-	-	-	-	-	14,253
Retiree sick leave	6,409	-	-	-	-	-	6,409
<b>Unassigned (deficit):</b>	<u>1,082,786</u>	<u>-</u>	<u>-</u>	<u>(337,868)</u>	<u>-</u>	<u>(18,331)</u>	<u>726,587</u>
 Total Fund Balances	 <u>\$ 1,611,733</u>	 <u>\$ 490,528</u>	 <u>\$ 1,279,105</u>	 <u>\$ (337,868)</u>	 <u>\$ 545,607</u>	 <u>\$ 152,951</u>	 <u>\$ 3,742,056</u>

# VILLAGE OF MCFARLAND

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

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### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

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#### G. NET ASSETS/FUND BALANCES (cont.)

##### *Business-type Activities*

Invested in capital assets, net of related debt	
Land	\$ 325,845
Other capital assets, net of accumulated depreciation	13,835,717
Less: Long-term debt outstanding	(1,715,000)
Plus: Reserve for borrowing	236,500
Less: Unamortized debt issuance (premium) costs and loss on refunding	<u>1,202</u>
Total Invested in Capital Assets, Net of Related Debt	<u>12,684,264</u>
Restricted	
Debt service	22,085
Equipment replacement	249,300
Impact fees	<u>188,293</u>
Total Restricted	<u>459,678</u>
Unrestricted	<u>1,904,804</u>
Total Business-type Activities Net Assets	<u>\$ 15,048,746</u>

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### NOTE V - OTHER INFORMATION

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#### A. EMPLOYEES' RETIREMENT SYSTEM

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

The payroll for village employees covered by the system for the year ended December 31, 2011 was \$2,761,903; the employer's total payroll was \$2,984,205. The total required contribution for the year ended December 31, 2011 was \$383,365 or 13.9% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2010 and 2009 were \$352,069 and \$333,689, respectively, equal to the required contributions for each year.

# VILLAGE OF MCFARLAND

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

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### NOTE V - OTHER INFORMATION (cont.)

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

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

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

As of December 31, 2011 there was no pension related debt for the village.

#### *B. RISK MANAGEMENT*

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

#### *C. COMMITMENTS AND CONTINGENCIES*

From time to time, the village 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 village attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the village's financial position or results of operations.

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

## VILLAGE OF MCFARLAND

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

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#### **NOTE V - OTHER INFORMATION (cont.)**

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

Funding for the operating budget of the village 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 village. 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 village.

In 1994, the village issued Ice Recreational Facility Revenue Bonds, Series 1994, on behalf of the McFarland Hockey Association, Inc., a non-profit corporation, in the amount of \$1,100,000. The village and McFarland Hockey Association, Inc. have entered into a debt service agreement that specifies the debt payment responsibility of each party. The village has guaranteed payment of the bonds to the extent that the Hockey Association, Inc. should default on the loan. During 2011, the McFarland Hockey Association paid-off all remaining debt.

The Village of McFarland has entered into a development agreement with Spartan Properties under which TIF District No. 3 has provided loans to facilitate a redevelopment project. The Village of McFarland is still committed to an additional loan of \$158,750 to Spartan Properties, pending final design approvals and the issuance of construction permits for the project. The additional loan amount may be reduced by the amount of the shortfall payments Spartan Properties owes to the village.

##### **D. SUBSEQUENT EVENTS**

New sewer rates were approved to go into effect during January 2012.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

## VILLAGE OF MCFARLAND

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 3,232,566	\$ 3,232,566	\$ 3,234,583	\$ 2,017
Intergovernmental	752,072	752,072	771,598	19,526
Licenses and permits	57,250	57,250	89,531	32,281
Fines, forfeitures and penalties	79,000	79,000	70,772	(8,228)
Public charges for services	217,900	217,900	193,026	(24,874)
Intergovernmental charges for services	189,832	189,832	188,280	(1,552)
Investment income	22,500	22,500	8,064	(14,436)
Miscellaneous	206,830	206,830	226,016	19,186
<b>Total Revenues</b>	<u>4,757,950</u>	<u>4,757,950</u>	<u>4,781,870</u>	<u>23,920</u>
<b>EXPENDITURES</b>				
Current				
General government	791,942	776,984	776,984	-
Public safety	2,730,459	2,796,166	2,796,166	-
Health and social services	186,403	187,046	187,046	-
Public works	939,516	932,869	932,869	-
Leisure activities	231,266	202,529	202,529	-
Conservation and development	78,364	76,463	76,463	-
<b>Total Expenditures</b>	<u>4,957,950</u>	<u>4,972,057</u>	<u>4,972,057</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(200,000)</u>	<u>(214,107)</u>	<u>(190,187)</u>	<u>23,920</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>190,000</u>	<u>190,000</u>	<u>211,574</u>	<u>21,574</u>
<b>Net Change in Fund Balance</b>	<b>(10,000)</b>	<b>(24,107)</b>	<b>21,387</b>	<b>45,494</b>
FUND BALANCE - Beginning of Year	<u>1,590,346</u>	<u>1,590,346</u>	<u>1,590,346</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 1,580,346</u></u>	<u><u>\$ 1,566,239</u></u>	<u><u>\$ 1,611,733</u></u>	<u><u>\$ 45,494</u></u>

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

## VILLAGE OF MCFARLAND

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

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#### *BUDGETARY INFORMATION*

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

**SUPPLEMENTARY INFORMATION**

## VILLAGE OF MCFARLAND

### DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>TAXES</b>				
General property taxes	\$ 3,146,226	\$ 3,146,226	\$ 3,146,226	\$ -
Payments in lieu of taxes	85,140	85,140	84,987	(153)
Interest on taxes	1,200	1,200	3,370	2,170
Total Taxes	<u>3,232,566</u>	<u>3,232,566</u>	<u>3,234,583</u>	<u>2,017</u>
<b>INTERGOVERNMENTAL</b>				
State shared revenues	145,635	145,635	141,335	(4,300)
Expenditure restraint payment	111,372	111,372	111,153	(219)
Fire insurance tax from state	22,000	22,000	22,586	586
State aid - exempt computer	4,500	4,500	5,001	501
State aid - municipal services	342	342	341	(1)
State aid - general transportation aids	400,795	400,795	400,758	(37)
State aid - conservation land	118	118	118	-
State aid - EMS	5,600	5,600	9,144	3,544
State aid - tank inspections	2,000	2,000	2,557	557
State aid - emergency government	-	-	13,652	13,652
State aid - law enforcement	-	-	4,536	4,536
County aid - outreach	37,600	37,600	38,366	766
County aid - nutrition program	21,610	21,610	22,051	441
Miscellaneous	500	500	-	(500)
Total Intergovernmental	<u>752,072</u>	<u>752,072</u>	<u>771,598</u>	<u>19,526</u>
<b>LICENSES AND PERMITS</b>				
Liquor and malt beverage licenses	10,000	10,000	20,409	10,409
Operators' license	5,000	5,000	4,472	(528)
Other business and occupational licenses	1,700	1,700	1,700	-
Bicycle licenses	150	150	125	(25)
Dog and cat licenses	3,500	3,500	3,678	178
Dog park permits	7,000	7,000	5,661	(1,339)
Nonbusiness licenses	600	600	2,045	1,445
Building permits	14,000	14,000	21,150	7,150
Heating permits	3,200	3,200	7,010	3,810
Plumbing permits	4,500	4,500	7,186	2,686
Electrical permits	7,000	7,000	10,790	3,790
Erosion control permits	500	500	1,475	975
Other permits	100	100	3,830	3,730
Total Licenses and Permits	<u>57,250</u>	<u>57,250</u>	<u>89,531</u>	<u>32,281</u>

## VILLAGE OF MCFARLAND

### DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>FINES, FORFEITURES AND PENALTIES</b>				
Court penalties and costs	\$ 70,000	\$ 70,000	\$ 62,251	\$ (7,749)
Parking violations	7,000	7,000	8,521	1,521
Other law and ordinance violations	2,000	2,000	-	(2,000)
Total Fines, Forfeitures and Penalties	<u>79,000</u>	<u>79,000</u>	<u>70,772</u>	<u>(8,228)</u>
<b>PUBLIC CHARGES FOR SERVICES</b>				
Clerk's fees	2,500	2,500	3,201	701
Police department fees	1,500	1,500	3,042	1,542
Fire department fees	3,500	3,500	6,500	3,000
Ambulance fees	200,000	200,000	159,037	(40,963)
Publication fees	1,200	1,200	1,282	82
Park user fees	4,000	4,000	2,680	(1,320)
Highway maintenance and construction	250	250	1,208	958
Plan review fees	2,000	2,000	4,510	2,510
Developers' fees	2,000	2,000	10,365	8,365
Other public charges for services	450	450	1,201	751
Other health services	500	500	-	(500)
Total Public Charges for Services	<u>217,900</u>	<u>217,900</u>	<u>193,026</u>	<u>(24,874)</u>
<b>INTERGOVERNMENTAL CHARGES FOR SERVICES</b>				
Local - law enforcement services	21,320	21,320	20,461	(859)
Local - fire services	101,872	101,872	100,143	(1,729)
Local - ambulance services	48,640	48,640	45,217	(3,423)
Outreach	18,000	18,000	22,459	4,459
Total Intergovernmental Charges for Services	<u>189,832</u>	<u>189,832</u>	<u>188,280</u>	<u>(1,552)</u>
<b>INVESTMENT INCOME</b>				
Investment income	22,500	22,500	7,968	(14,532)
Interest on advances to other funds	-	-	96	96
Total Investment Income	<u>22,500</u>	<u>22,500</u>	<u>8,064</u>	<u>(14,436)</u>

## VILLAGE OF MCFARLAND

### DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>MISCELLANEOUS</b>				
Rent of village buildings	\$ 35,290	\$ 35,290	\$ 40,575	\$ 5,285
Sale of property	5,000	5,000	5,202	202
Insurance recoveries and refunds	25,000	25,000	46,484	21,484
Miscellaneous revenues	15,615	15,615	14,167	(1,448)
Utilities - rent and transport reimbursement	79,825	79,825	79,830	5
Building inspector reimbursement	44,400	44,400	35,534	(8,866)
Donations	1,700	1,700	4,224	2,524
Total Miscellaneous	<u>206,830</u>	<u>206,830</u>	<u>226,016</u>	<u>19,186</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>190,000</u>	<u>190,000</u>	<u>211,574</u>	<u>21,574</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>\$ 4,947,950</u>	<u>\$ 4,947,950</u>	<u>\$ 4,993,444</u>	<u>\$ 45,494</u>

## VILLAGE OF MCFARLAND

### DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>GENERAL GOVERNMENT</b>				
Village board	\$ 37,652	\$ 37,652	\$ 36,084	\$ 1,568
Municipal court	54,274	54,274	51,833	2,441
Administrator	59,641	59,641	62,439	(2,798)
General administration	200,193	200,193	184,574	15,619
Elections	7,300	7,300	7,254	46
Legislative support	1,125	1,125	1,242	(117)
Data processing	5,000	5,000	11,054	(6,054)
Financial administration	119,109	119,109	111,126	7,983
Legal counseling	71,000	71,000	80,844	(9,844)
Municipal buildings	143,848	143,848	133,783	10,065
Risk management	92,800	92,800	96,751	(3,951)
Budget amendment	-	(14,958)	-	(14,958)
Total General Government	<u>791,942</u>	<u>776,984</u>	<u>776,984</u>	<u>-</u>
<b>PUBLIC SAFETY</b>				
Police	1,548,892	1,548,892	1,619,640	(70,748)
Fire suppression	359,278	359,278	350,290	8,988
Hydrant rental	313,000	313,000	307,838	5,162
Inspections	93,665	93,665	96,115	(2,450)
Emergency medical services	409,885	409,885	416,053	(6,168)
Emergency government	5,739	5,739	6,230	(491)
Budget amendment	-	65,707	-	65,707
Total Public Safety	<u>2,730,459</u>	<u>2,796,166</u>	<u>2,796,166</u>	<u>-</u>
<b>HEALTH AND SOCIAL SERVICES</b>				
Outreach program	98,034	98,034	98,115	(81)
Special services	49,717	49,717	49,076	641
Nutrition program	38,652	38,652	39,855	(1,203)
Budget amendment	-	643	-	643
Total Health and Social Services	<u>186,403</u>	<u>187,046</u>	<u>187,046</u>	<u>-</u>
<b>PUBLIC WORKS</b>				
Consulting engineering	5,000	5,000	10,496	(5,496)
DPW building/street maintenance	834,766	834,766	805,316	29,450
Street lighting	94,000	94,000	106,081	(12,081)
Sidewalks	5,750	5,750	10,976	(5,226)
Budget amendment	-	(6,647)	-	(6,647)
Total Public Works	<u>939,516</u>	<u>932,869</u>	<u>932,869</u>	<u>-</u>
<b>LEISURE ACTIVITIES</b>				
Parks	231,266	231,266	202,529	28,737
Budget amendment	-	(28,737)	-	(28,737)
Total Leisure Activities	<u>231,266</u>	<u>202,529</u>	<u>202,529</u>	<u>-</u>

## VILLAGE OF MCFARLAND

### DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>CONSERVATION AND DEVELOPMENT</b>				
Community development - planning	\$ 78,364	\$ 78,364	\$ 76,463	\$ 1,901
Budget amendment	-	(1,901)	-	(1,901)
Total Conservation and Development	78,364	76,463	76,463	-
 <b>TOTAL EXPENDITURES</b>	<b>\$ 4,957,950</b>	<b>\$ 4,972,057</b>	<b>\$ 4,972,057</b>	<b>\$ -</b>

**VILLAGE OF MCFARLAND**

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

	Special Revenue Funds			
	Cable	Library	Parks	Solid Waste
<b>ASSETS</b>				
Cash and investments	\$ 97,120	\$ 53,828	\$ -	\$ 9,620
Receivables				
Taxes	-	379,395	-	418,253
Accounts	19,959	1,391	-	126
Loans	-	-	69,500	-
	<u>-</u>	<u>-</u>	<u>69,500</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 117,079</u>	<u>\$ 434,614</u>	<u>\$ 69,500</u>	<u>\$ 427,999</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 343	\$ 10,419	\$ -	\$ -
Deferred revenue	-	379,395	69,500	418,253
Advances from other funds	-	-	18,331	-
Total Liabilities	<u>343</u>	<u>389,814</u>	<u>87,831</u>	<u>418,253</u>
Fund Balances (Deficit)				
Restricted	-	44,800	-	-
Committed	116,736	-	-	9,746
Unassigned (deficit)	-	-	(18,331)	-
Total Fund Balances (deficit)	<u>116,736</u>	<u>44,800</u>	<u>(18,331)</u>	<u>9,746</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 117,079</u>	<u>\$ 434,614</u>	<u>\$ 69,500</u>	<u>\$ 427,999</u>

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Capital Projects Fund		Total Nonmajor Governmental Funds	
PECFA			
\$	-	\$	160,568
	-		797,648
	-		21,476
	-		69,500
<u>\$</u>	<u>-</u>	<u>\$</u>	<u>1,049,192</u>

\$	-	\$	10,762
	-		867,148
	-		18,331
	-		896,241

	-		44,800
	-		126,482
	-		(18,331)
	-		152,951

<u>\$</u>	<u>-</u>	<u>\$</u>	<u>1,049,192</u>
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## VILLAGE OF MCFARLAND

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

	Special Revenue Funds			
	Cable	Library	Parks	Solid Waste
<b>REVENUES</b>				
Taxes	\$ -	\$ 383,408	\$ -	\$ 199,291
Intergovernmental	-	143,866	-	21,610
Licenses and permits	79,784	-	-	-
Public charges for services	-	27,035	57,634	194,550
Investment income	-	-	138	-
Miscellaneous	-	-	20,734	1,631
Total Revenues	79,784	554,309	78,506	417,082
<b>EXPENDITURES</b>				
Current				
Public works	-	-	-	409,224
Leisure activities	56,926	574,822	-	-
Capital Outlay	8,731	-	-	3,987
Debt Service				
Interest and fiscal charges	-	-	96	-
Total Expenditures	65,657	574,822	96	413,211
<b>Excess (deficiency) of revenues over expenditures</b>	14,127	(20,513)	78,410	3,871
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	-	(24,803)
<b>Net Change in Fund Balances</b>	14,127	(20,513)	78,410	(20,932)
FUND BALANCES (DEFICIT) - Beginning of Year	102,609	65,313	(96,741)	30,678
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	\$ 116,736	\$ 44,800	\$ (18,331)	\$ 9,746

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<u>Capital Projects Fund</u>		Total Nonmajor Governmental Funds	
<u>PECFA</u>			
\$	-	\$	582,699
	-		165,476
	-		79,784
	-		279,219
	-		138
	-		<u>22,365</u>
	-		<u>1,129,681</u>
	-		
	-		409,224
	-		631,748
	-		12,718
	-		<u>96</u>
	-		<u>1,053,786</u>
	-		
	-		<u>75,895</u>
	<u>(35,076)</u>		<u>(59,879)</u>
	(35,076)		16,016
	<u>35,076</u>		<u>136,935</u>
\$	<u>-</u>	\$	<u>152,951</u>