

**VILLAGE OF MCFARLAND**

McFarland, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2012

# VILLAGE OF MCFARLAND

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**INDEPENDENT AUDITORS' REPORT**

To the Village Board  
Village of McFarland  
McFarland, Wisconsin

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Village Board  
Village of McFarland

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of McFarland, Wisconsin, as of December 31, 2012 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note I, the Village of McFarland adopted the provisions of GASB Statement No. 63, *Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective January 1, 2012. Our opinions are not modified with respect to this matter.

### **Other Matters**

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

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

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
May 30, 2013

# VILLAGE OF MCFARLAND

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2012

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, 2012. 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 position; when expenses exceed revenues, the result is a decrease in net position. This relationship between revenues and expenses illustrates the Village's operating results. The Village's net position, as measured in the Statement of Net Position, is an important indicator of the Village's financial position or health. Over time, increases or decreases in the Village's net position, as measured in the Statement of Activities, are important indicators 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, 2012 by \$43,329,900 (net position). Total net position includes all major infrastructure networks.
- > The Village of McFarland's total net position improved by \$1,352,825 (3.1%) in 2012.
- > As of December 31, 2012, the Village of McFarland's governmental funds reported combined ending fund balances of \$3,872,604, an improved of \$130,548 (3.5%) from the prior year.
- > As of December 31, 2012, the unassigned fund balance for the General Fund was \$1,298,533 or approximately 25% of total general fund expenditures.
- > The Village of McFarland's total general obligation debt decreased by \$1,465,445 during 2012. At year end, the Village was utilizing 32% of its general obligation debt capacity, a decrease from 34% the previous year. \$3,320,000 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 23% 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, 2012

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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 Position* presents information on all of the Village's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position 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, 2012

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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, 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 nonmajor 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 49 of this report.

# VILLAGE OF MCFARLAND

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2012

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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 50 to 51 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplementary information and can be found on pages 56 to 57 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 Position and the Statement of Revenues, Expenses and Changes in Net Position. These two statements report the Village's net position 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 POSITION**

As noted earlier, net position 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 \$43,329,900 as of December 31, 2012. This is an increase of \$1,352,825 (3.1%) compared to 2011 when the net position improved \$811,738 (2.0%) over the prior year.

The largest portion of the Village's net position (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 position (approximately 5%) represent resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$1,577,002. On the statement of net position 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, 2012

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

#### **NET POSITION (cont.)**

A summary of the Village's Statement of Net Position is presented in the table below.

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

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 11,127,791	\$ 11,139,929	\$ 2,544,256	\$ 2,927,140	\$ 13,672,047	\$ 14,067,069
Capital assets	34,960,848	35,611,682	14,532,863	14,161,562	49,493,711	49,773,244
Total Assets	<u>46,088,639</u>	<u>46,751,611</u>	<u>17,077,119</u>	<u>17,088,702</u>	<u>63,165,758</u>	<u>63,840,313</u>
Long-term liabilities	11,907,917	13,184,651	995,699	1,866,061	12,903,586	15,050,712
Other liabilities	6,750,573	6,638,631	181,669	173,895	6,932,242	6,812,526
Total Liabilities	<u>18,658,490</u>	<u>19,823,282</u>	<u>1,177,368</u>	<u>2,039,956</u>	<u>19,835,828</u>	<u>21,863,238</u>
Net Position:						
Net investment						
in capital assets	26,851,683	26,576,282	13,677,349	12,684,264	39,505,756	38,109,164
Restricted	2,019,128	2,018,794	228,014	459,678	2,247,142	2,478,472
Unrestricted (deficit)	<u>(1,440,662)</u>	<u>(1,666,747)</u>	<u>1,994,388</u>	<u>1,904,804</u>	<u>1,577,002</u>	<u>1,389,439</u>
<b>TOTAL NET POSITION</b>	<u>\$ 27,430,149</u>	<u>\$ 26,928,329</u>	<u>\$ 15,899,751</u>	<u>\$ 15,048,746</u>	<u>\$ 43,329,900</u>	<u>\$ 41,977,075</u>

#### **CHANGES IN NET POSITION**

The following table provides a summary of the Village's operations for the year ended December 31, 2012. Governmental activities increased the Village of McFarland's net position by \$501,820 (1.9%). This compares to an increase of \$536,131 (2.0%) in 2011. Both revenues and expenses declined in 2012 from the prior year.

Business-type activities increased the net position by \$851,005 (5.7%). This compares to an increase of \$275,607 (1.9%) in the prior year and is attributable to a combination of higher utility revenues and lower utility expenses.

## VILLAGE OF MCFARLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2012

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

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

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

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

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 835,230	\$ 840,623	\$ 2,427,524	\$ 2,324,069	\$ 3,262,754	\$ 3,164,692
Operating grants and contributions	842,727	900,804	-	-	842,747	900,804
Capital grants and contributions	111,536	133,223	350,134	95,943	461,670	229,166
General Revenues						
Property taxes	5,760,141	5,759,386	-	-	5,760,141	5,759,386
Other taxes	34,302	183,354	-	-	34,302	183,354
Intergovernmental	233,664	301,939	-	-	233,664	301,939
Investment income	12,114	10,316	3,205	1,683	15,319	11,999
Miscellaneous	291,600	137,251	11,527	18,709	303,127	155,960
Total Revenues	<u>8,121,314</u>	<u>8,266,896</u>	<u>2,792,390</u>	<u>2,440,404</u>	<u>10,913,704</u>	<u>10,707,300</u>
<b>Expenses</b>						
General government	981,071	1,078,458	-	-	981,071	1,078,458
Public safety	3,044,403	3,007,379	-	-	3,044,403	3,007,379
Health and human services	185,139	191,762	-	-	185,139	191,762
Public works	1,917,257	1,915,941	-	-	1,917,257	1,915,941
Leisure activities	1,034,825	986,864	-	-	1,034,825	986,864
Conservation and development	31,697	91,746	-	-	31,697	91,746
Interest and fiscal charges	504,980	670,189	58,712	55,202	563,692	725,391
Water, sewer and stormwater	-	-	1,802,795	1,898,021	1,802,795	1,898,021
Total Expenses	<u>7,699,372</u>	<u>7,942,339</u>	<u>1,861,507</u>	<u>1,953,223</u>	<u>9,560,879</u>	<u>9,895,562</u>
Increases in Net Position Before Transfers	421,942	324,557	930,883	487,181	1,352,825	811,738
Transfers	<u>79,878</u>	<u>211,574</u>	<u>(79,878)</u>	<u>(211,574)</u>	<u>-</u>	<u>-</u>
Change in Net Position	501,820	536,131	851,005	275,607	1,352,825	811,738
NET POSITION – Beginning of Year	<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>
<b>NET POSITION – End of Year</b>	<u>\$ 27,430,149</u>	<u>\$ 26,928,329</u>	<u>\$ 15,899,751</u>	<u>\$ 15,048,746</u>	<u>\$ 43,329,900</u>	<u>\$ 41,977,075</u>

# VILLAGE OF MCFARLAND

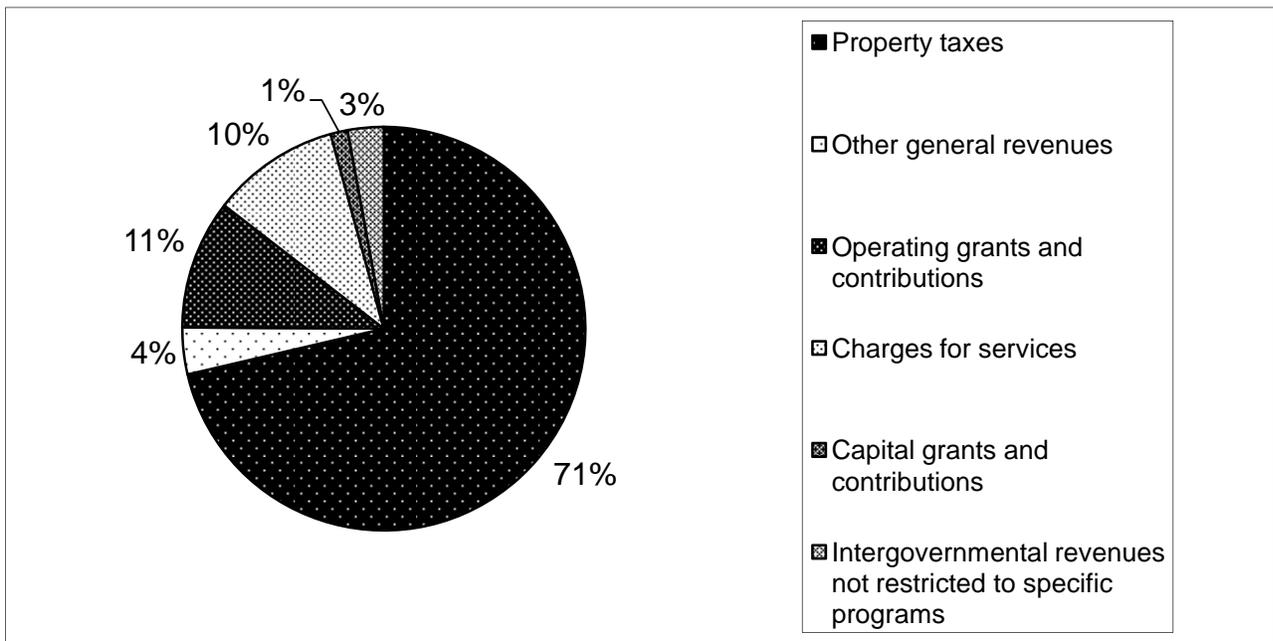
## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2012

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

#### GOVERNMENTAL ACTIVITIES

The Village received a total of \$8,121,314 in governmental activities revenues in 2012. This is a decrease of \$145,582 (1.8%) from 2011 which was caused, in large measure, by lower transportation aid and shared revenue amounts received from the State of Wisconsin. As the following chart indicates, the largest revenue source is property taxes.

#### Revenue by Source – Governmental Activities



Total governmental activities expenses were \$7,699,372 in 2012. This is a decrease of \$242,967 (3.1%) from 2011 as expenditures in the areas of general government, conservation and development, and interest charges declined significantly. Revenues exceeded expenses by \$421,942, up \$97,385 (30.0%) from the prior year. After transfers, there was an increase in net position of \$501,820 (1.8%).

In 2012, Public Safety (police, fire, EMS, emergency government) activities accounted for the largest share of Village expenditures at 39.5%, up from 37.9% the prior year. This was followed by expenditures on Public Works activities at 24.9%. Other expenditure areas included General Government at 12.7%, Leisure Activities at 13.4%, Conservation and Development at 0.5%, and Health and Human Services at 2.4%. Interest and fiscal charges accounted for the remaining 6.6% of governmental activities expenses, down from 8.4% in 2011.

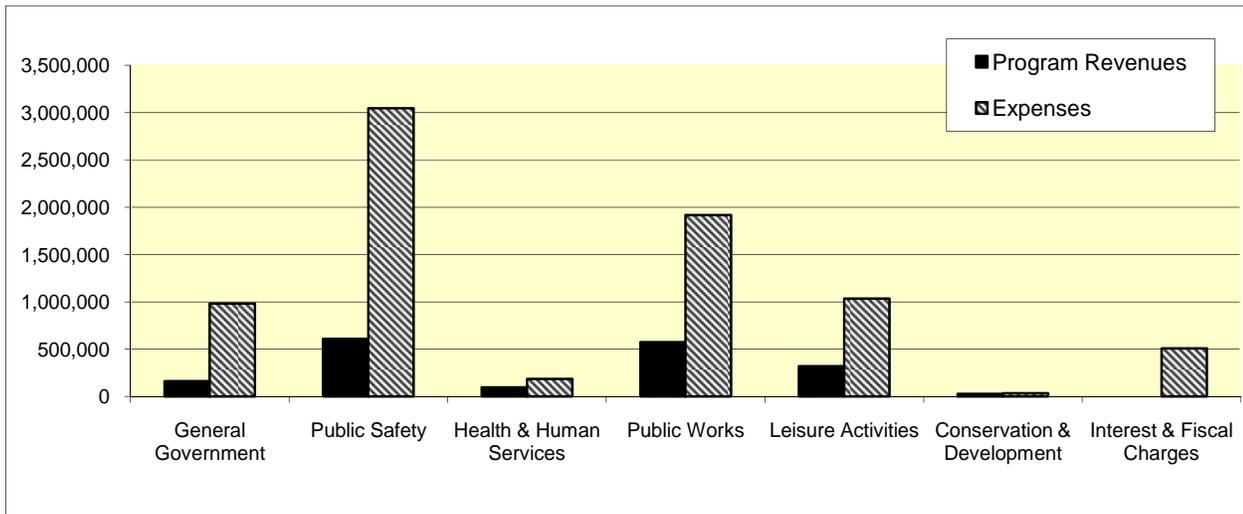
# VILLAGE OF MCFARLAND

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2012

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

#### GOVERNMENTAL ACTIVITIES (cont.)

#### Expenses and Program Revenue – Governmental Activities



#### BUSINESS-TYPE ACTIVITIES

The Village generated \$2,792,390 in business-type activities revenue in 2012 from its Water, Sewer and Stormwater Funds. Charges for services are by far the largest revenue source for these operations, representing 87% of revenues. This is an increase of \$351,986 (14.4%) compared to 2011 when revenues were \$2,440,404. These customer revenues showed a significant increase due to a change in sewer rates implemented in January 2012 and to the extremely dry weather conditions which lead to higher water usage. There was also a substantial increase of \$254,191 in revenues from capital grants and contributions in the Stormwater Utility.

# VILLAGE OF MCFARLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Year Ended December 31, 2012

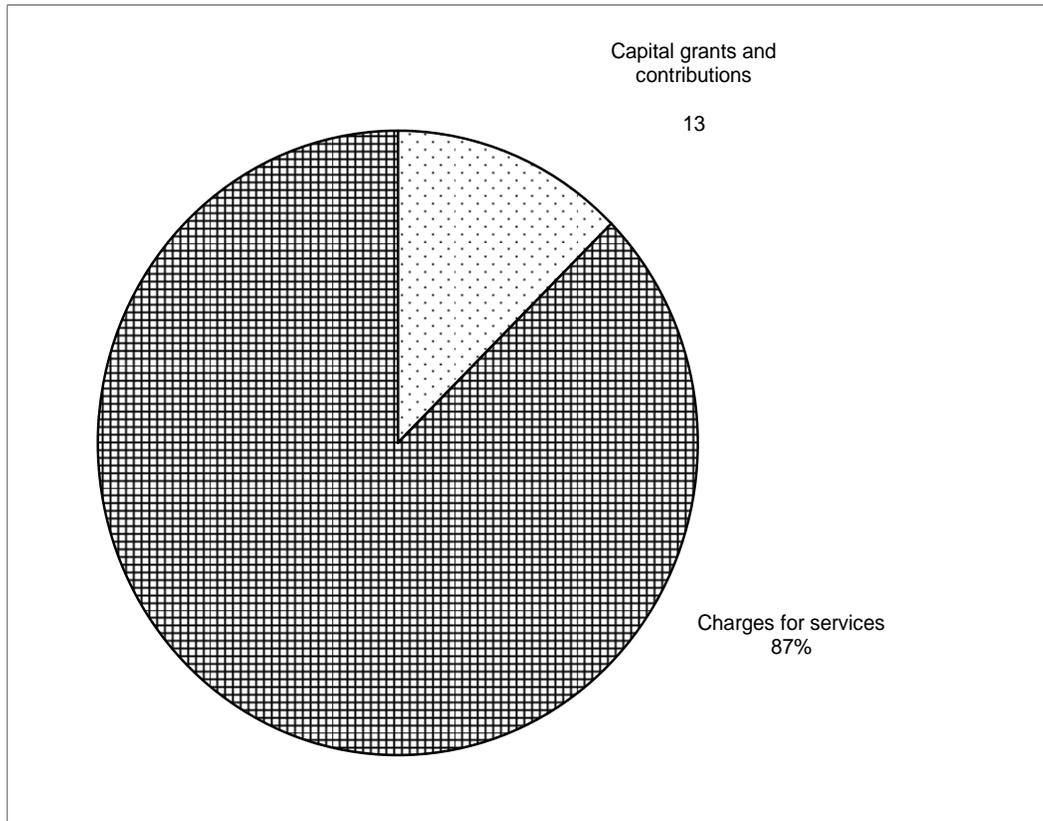
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## FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

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

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



Business-type activities increased the Village's net position by \$851,005 (5.6%) in 2012. This compares to an increase of \$275,607 (1.7%) in 2011. The net operating income of the business-type activities was \$624,729, up \$198,466 (46.5%) 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 2012 was 6.01%, up from 5.56% in 2011. 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, 2012

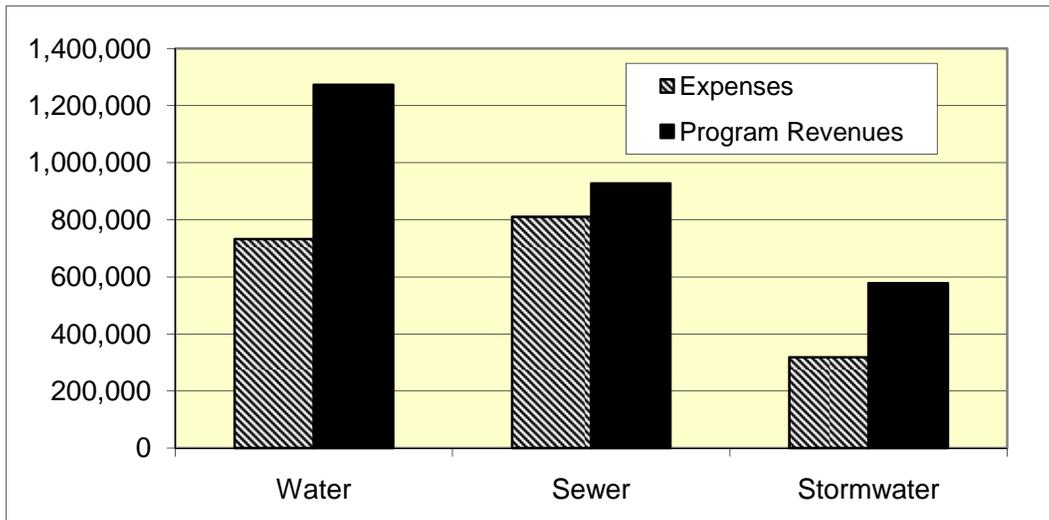
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## FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

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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 \$3,872,604, up \$130,548 (3.5%) from 2011. Approximately 23% of this total amount (\$886,199) constitutes unassigned fund balance, an increase of \$159,612 (22.0%) over 2011. The remainder of the fund balance, an increase of \$159,612 (22.0%) is reported in the following categories: 1) nonspendable (\$76,253), 2) restricted (\$2,139,926), 3) committed (\$363,525), and 4) assigned (\$406,701).

## VILLAGE OF MCFARLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2012

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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 \$1,611,733 to \$1,781,487, an increase of \$169,754 (10.5%). This increase was due to the fact that actual revenues were \$185,443 above the original amended general fund budget amount.

General Debt Service Fund: The General Debt Service Fund balance increased \$8,479 from \$490,528 to \$499,007. Approximately \$205,000 of this balance will be used in late 2013 to pay off a planned short term borrowing to fund retirement liabilities.

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 \$54,992 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. At year end, TIF No. 3 had an outstanding advance to TIF No.4 in the amount of \$410,208.

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 \$72,340 during the year, due to the fact that no tax increment was generated in 2012. At year end, TIF No. 4 owed TIF No. 3 \$410,208 in the form of an interest bearing advance.

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 decreased by \$69,900 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, 2012

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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 2012, excluding depreciation, decreased \$42,944 (3.48%) from \$1,233,789 in 2011 to \$1,190,845 in 2012. Operating revenues of the Utility increased \$96,420 (5.07%) from \$1,900,409 in 2011 to \$1,996,829 in 2012. This compares to a \$68,436 (3.74%) increase in 2011. The higher revenue resulted primarily from a sewer rate increase implemented in January 2012 and an increase in water sold due largely to a very dry summer. This also resulted in an increase of sewer gallons billed. The Utility called and retired early the two years remaining on the outstanding 2005 revenue debt of \$575,000, thereby saving \$43,500 in future interest expenses. The Utility is now completely debt free yet still maintains a strong unrestricted cash balance of approximately \$930,000.

Stormwater Utility: The Stormwater Utility was created July 1, 2008 and is an enterprise fund of the Village of McFarland. Operating expenses in 2012 were \$61,677 (21.6%) lower than those in 2011. Operating revenues increased \$7,035 (1.7%) compared to 2011. The unrestricted cash balance at year end was a healthy \$161,357 or the equivalent of the revenue from 2.25 bimonthly billing cycles.

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### GENERAL FUND BUDGETARY HIGHLIGHTS

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The final amended General Fund budget for 2012 had total appropriations of \$17,097 more than the original budget. The adopted appropriations were \$5,028,065, while the amended appropriations totaled \$5,045,162.

On the revenue side, the actual operating revenues of \$4,991,508 were above the original and amended budget revenues by \$185,443. Much of this increase in revenue was collecting on prior year long-term receivables.

The net operating results for the General Fund budget for 2012 thus generated a surplus of \$168,346. In addition, \$40,000 of fund balance applied to the original budget did not need to be used.

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### CAPITAL ASSETS

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At the end of 2012, the Village had invested a total of \$49,493,711 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, 2012

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

Significant capital asset additions during 2012 included the following:

>	Wheel loader	\$	74,888
>	Other equipment		52,880
>	Police squad		24,000
>	Fire car		46,417
>	Public works bucket truck		18,000

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

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 13,794,341	\$ 13,794,341	\$ 325,845	\$ 325,845	\$ 14,120,186	\$ 14,120,186
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	1,613,139	1,485,371	-	-	1,613,139	1,485,371
Vehicles	2,921,457	2,856,040	-	-	2,921,457	2,856,040
Library improvements/collection	664,051	656,873	-	-	664,051	656,873
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	-	-	11,219,874	11,054,514	11,219,874	11,054,514
Sewer plant	-	-	4,962,479	4,879,242	4,962,479	4,879,242
Stormwater	-	-	3,962,937	3,438,146	3,962,937	3,438,146
<b>Total Capital Assets</b>	<b>49,760,599</b>	<b>49,560,236</b>	<b>20,471,135</b>	<b>19,697,747</b>	<b>70,231,734</b>	<b>69,257,983</b>
<b>Less: Accumulated depreciation</b>	<b>(14,799,751)</b>	<b>(13,948,554)</b>	<b>(5,938,272)</b>	<b>(5,536,185)</b>	<b>(20,738,023)</b>	<b>(19,484,739)</b>
<b>Capital Assets - Net of Accumulated Depreciation</b>	<b><u>\$ 34,960,848</u></b>	<b><u>\$ 35,611,682</u></b>	<b><u>\$ 14,532,863</u></b>	<b><u>\$ 14,161,562</u></b>	<b><u>\$ 49,493,711</u></b>	<b><u>\$ 49,773,244</u></b>

## VILLAGE OF MCFARLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2012

#### **LONG-TERM DEBT**

During 2012, the Village did not issue new debt for governmental activities and \$1,380,445 of debt was retired. A total of \$11,193,158 in debt for governmental activities was outstanding at the end of 2012, some of which was incurred for future capital projects.

In 2012, the Village and utilities acquired a wheel loader through a capital lease agreement.

In 2012, the water and sewer utility prepaid the 2005 revenue bonds outstanding of \$840,000 by using funds from the reserve account of \$236,500 and the remaining \$603,500 was paid out of operating funds. The total general obligation debt outstanding of \$790,000 is for stormwater utility 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 \$11,983,158 which was 32% of the maximum allowed (\$37,527,255). \$3,320,000 (27.7%) 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	
	2012	2011	2012	2011	2012	2011
	General obligation bonds and notes payable	\$ 11,193,158	\$ 12,573,603	\$ 790,000	\$ 875,000	\$ 11,983,158
Revenue bonds	-	-	-	840,000	-	840,000
Capital lease	65,664	-	65,514	-	131,178	-
<b>Total Outstanding Debt</b>	<b>\$ 11,258,822</b>	<b>\$ 12,573,603</b>	<b>\$ 855,514</b>	<b>\$ 1,715,000</b>	<b>\$ 12,114,336</b>	<b>\$ 14,288,603</b>

#### **CURRENTLY KNOWN FACTS / ECONOMIC CONDITIONS**

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 stable even during periods of slowdown in the national economy. The market for existing homes rebounded strongly in 2012, and there are promising signs of increased growth in new residential construction. The local unemployment rate is well below state and federal rates. The village's 2012 population was 7,839, a small increase from 2011. 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, 2012

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

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The property tax base remained relatively stable, declining only 0.4% 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 as the market for sales of existing homes rebounded strongly in 2012. Building permit activity for new construction in 2012 remained slow due to a diminished inventory of residential lots and a depressed real estate construction market, conditions which are expected to improve in 2013. Building permit activity for alterations and improvements to existing properties continued to grow in 2012.

The McFarland Village Board adopted the 2013 budget in November 2012. The budget authorizes General Fund expenditures of \$5,005,149, down 0.5% over the previous year. The combined property tax levy for all funds is \$5,034,743, an increase of 0.6%. The assessed mill rate increased 0.9% and the equalized mill rate increased 6.0%. No unassigned fund balance was appropriated to balance the 2012 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 POSITION As of December 31, 2012

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash and investments	\$ 3,879,513	\$ 1,673,708	\$ 5,553,221
Receivables (net)			
Taxes receivable	6,081,234	-	6,081,234
Delinquent taxes	1,805	-	1,805
Accounts	393,883	271,296	665,179
Special assessments	38,842	36,109	74,951
Delinquent special assessments	10,828	-	10,828
Loans	338,506	-	338,506
Internal balances	155,290	(155,290)	-
Assets held for resale	149,370	-	149,370
Materials and supplies	-	16,082	16,082
Prepaid items	43,620	5,172	48,792
Restricted cash and investments	-	228,014	228,014
Other assets	34,900	469,165	504,065
Capital assets (net of accumulated depreciation)			
Land	13,794,341	325,845	14,120,186
Other capital assets, net of depreciation	<u>21,166,507</u>	<u>14,207,018</u>	<u>35,373,525</u>
Total Assets	<u>46,088,639</u>	<u>17,077,119</u>	<u>63,165,758</u>
<b>LIABILITIES</b>			
Accounts payable	338,240	167,918	506,158
Accrued liabilities	347,511	7,076	354,587
Deposits	55,973	6,675	62,648
Unearned revenue	6,008,849	-	6,008,849
Noncurrent liabilities			
Due within one year	1,708,721	112,409	1,821,130
Due in more than one year	<u>10,199,196</u>	<u>883,290</u>	<u>11,082,486</u>
Total Liabilities	<u>18,658,490</u>	<u>1,177,368</u>	<u>19,835,858</u>
<b>NET POSITION</b>			
Net investment in capital assets	26,851,683	13,677,349	39,505,756
Restricted for			
Debt Service	628,209	-	628,209
Equipment replacement	-	205,700	205,700
Impact fees	-	22,314	22,314
Library	56,822	-	56,822
TIF No. 3	1,334,097	-	1,334,097
Unrestricted (deficit)	<u>(1,440,662)</u>	<u>1,994,388</u>	<u>1,577,002</u>
<b>TOTAL NET POSITION</b>	<u>\$ 27,430,149</u>	<u>\$ 15,899,751</u>	<u>\$ 43,329,900</u>

See accompanying notes to financial statements.

# VILLAGE OF MCFARLAND

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 981,071	\$ 5,189	\$ 111,467	\$ 46,602
Public safety	3,044,403	506,822	39,114	63,839
Health and social services	185,139	-	95,282	-
Public works	1,917,257	220,595	354,105	-
Leisure activities	1,034,825	75,545	242,759	1,095
Conservation and development	31,697	27,079	-	-
Interest and fiscal charges	504,980	-	-	-
Total Governmental Activities	7,699,372	835,230	842,727	111,536
<b>Business-type Activities</b>				
Water Utility	732,569	1,127,408	-	145,308
Sewer Utility	810,868	869,421	-	58,274
Stormwater Utility	318,070	430,695	-	146,552
Total Business-type Activities	1,861,507	2,427,524	-	350,134
Total	\$ 9,560,879	\$ 3,262,754	\$ 842,727	\$ 461,670

**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

Public gifts and grants

Investment income

Miscellaneous

Transfers

Total General Revenues and Transfers

**Change in net position**

NET POSITION - Beginning of Year

**NET POSITION - END OF YEAR**

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$ (817,813)	\$ -	\$ (817,813)
(2,434,628)	-	(2,434,628)
(89,857)	-	(89,857)
(1,342,557)	-	(1,342,557)
(715,426)	-	(715,426)
(4,618)	-	(4,618)
<u>(504,980)</u>	<u>-</u>	<u>(504,980)</u>
<u>(5,909,879)</u>	<u>-</u>	<u>(5,909,879)</u>
-	540,147	540,147
-	116,827	116,827
-	<u>259,177</u>	<u>259,177</u>
-	<u>916,151</u>	<u>916,151</u>
<u>(5,909,879)</u>	<u>916,151</u>	<u>(4,993,728)</u>
3,813,458	-	3,813,458
1,192,909	-	1,192,909
753,774	-	753,774
34,302	-	34,302
233,664	-	233,664
7,069	-	7,069
12,114	3,205	15,319
284,531	11,527	296,058
<u>79,878</u>	<u>(79,878)</u>	<u>-</u>
<u>6,411,699</u>	<u>(65,146)</u>	<u>6,346,553</u>
501,820	851,005	1,352,825
<u>26,928,329</u>	<u>15,048,746</u>	<u>41,977,075</u>
<u>\$ 27,430,149</u>	<u>\$ 15,899,751</u>	<u>\$ 43,329,900</u>

See accompanying notes to financial statements.

## VILLAGE OF MCFARLAND

### BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2012

	<u>General</u>	<u>General Debt Service</u>	<u>TIF No. 3 Capital Project</u>	<u>TIF No. 4 Capital Project</u>
<b>ASSETS</b>				
Cash and investments	\$ 1,630,437	\$ 499,007	\$ 923,945	\$ 281
Receivables				
Taxes	3,330,308	1,183,259	710,116	-
Delinquent taxes	1,805	-	-	-
Accounts	321,158	-	49,791	-
Special assessments	38,842	-	-	-
Delinquent special assessments	10,828	-	-	-
Loans	20,000	233,158	-	43,750
Due from other funds	171,364	-	-	-
Prepaid items	43,620	-	-	-
Advances to other funds	-	-	410,208	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,568,362</u></b>	<b><u>\$ 1,915,424</u></b>	<b><u>\$ 2,094,060</u></b>	<b><u>\$ 44,031</u></b>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts payable	\$ 161,206	\$ -	\$ 13	\$ -
Accrued liabilities	241,501	-	281	281
Deposits	55,973	-	-	-
Due to other funds	14,031	-	-	-
Deferred tax roll revenues	3,275,322	1,416,417	759,669	43,750
Deferred special assessment revenues	38,842	-	-	-
Deferred revenues - other	-	-	-	-
Advances from other funds	-	-	-	410,208
Total Liabilities	<u>3,786,875</u>	<u>1,416,417</u>	<u>759,963</u>	<u>454,239</u>
Fund Balances				
Nonspendable	76,253	-	-	-
Restricted	-	499,007	1,334,097	-
Committed	-	-	-	-
Assigned	406,701	-	-	-
Unassigned (deficit)	<u>1,298,533</u>	<u>-</u>	<u>-</u>	<u>(410,208)</u>
Total Fund Balances	<u>1,781,487</u>	<u>499,007</u>	<u>1,334,097</u>	<u>(410,208)</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 5,568,362</u></b>	<b><u>\$ 1,915,424</u></b>	<b><u>\$ 2,094,060</u></b>	<b><u>\$ 44,031</u></b>

See accompanying notes to financial statements.

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<u>Capital Equipment and Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ 633,015	\$ 192,828	\$ 3,879,513
-	857,551	6,081,234
-	-	1,805
-	22,934	393,883
-	-	38,842
-	-	10,828
1,598	40,000	338,506
-	-	171,364
-	-	43,620
-	-	410,208
<u>\$ 634,613</u>	<u>\$ 1,113,313</u>	<u>\$ 11,369,803</u>
\$ 157,308	\$ 19,713	\$ 338,240
-	1,492	243,555
-	-	55,973
-	2,043	16,074
-	897,551	6,392,709
-	-	38,842
1,598	-	1,598
-	-	410,208
<u>158,906</u>	<u>920,799</u>	<u>7,497,199</u>
-	-	76,253
250,000	56,822	2,139,926
225,707	137,818	363,525
-	-	406,701
-	(2,126)	886,199
<u>475,707</u>	<u>192,514</u>	<u>3,872,604</u>
<u>\$ 634,613</u>	<u>\$ 1,113,313</u>	<u>\$ 11,369,803</u>

See accompanying notes to financial statements.

## VILLAGE OF MCFARLAND

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2012

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Total Fund Balances - Governmental Funds	\$ 3,872,604
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note IV. D.	34,960,848
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. See Note IV. B.	424,300
Debt issuance costs amortized over the life of the debt issue - reported as other assets	34,900
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>(12,011,873)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 27,430,149</u></b>

## VILLAGE OF MCFARLAND

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

For the Year Ended December 31, 2012

	<u>General</u>	<u>General Debt Service</u>	<u>TIF No. 3 Capital Project</u>	<u>TIF No. 4 Capital Project</u>
<b>REVENUES</b>				
Taxes	\$ 3,318,278	\$ 1,192,909	\$ 753,774	\$ -
Intergovernmental	685,081	-	13,760	822
Licenses and permits	91,210	-	-	-
Fines, forfeitures and penalties	71,609	-	-	-
Public charges for services	250,028	9,280	-	-
Intergovernmental charges for services	205,209	-	-	-
Investment income	8,521	134	631	-
Miscellaneous	<u>361,572</u>	<u>48,239</u>	<u>11,338</u>	<u>-</u>
Total Revenues	<u>4,991,508</u>	<u>1,250,562</u>	<u>779,503</u>	<u>822</u>
<b>EXPENDITURES</b>				
Current				
General government	832,518	-	42,670	3,570
Public safety	2,837,712	-	-	-
Health and social services	183,752	-	-	-
Public works	972,312	-	-	-
Leisure activities	219,605	-	-	-
Conservation and development	74,151	-	-	-
Capital Outlay	-	-	143,530	32,519
Debt Service				
Principal retirement	-	995,445	360,000	25,000
Other interest and fiscal charges	<u>-</u>	<u>270,507</u>	<u>178,311</u>	<u>12,073</u>
Total Expenditures	<u>5,120,050</u>	<u>1,265,952</u>	<u>724,511</u>	<u>73,162</u>
Excess (deficiency) of revenues over expenditures	<u>(128,542)</u>	<u>(15,390)</u>	<u>54,992</u>	<u>(72,340)</u>
<b>OTHER FINANCING USES</b>				
Proceeds of capital leases	74,888	-	-	-
Transfers in	223,408	23,869	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Uses	<u>298,296</u>	<u>23,869</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	169,754	8,479	54,992	(72,340)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>1,611,733</u>	<u>490,528</u>	<u>1,279,105</u>	<u>(337,868)</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 1,781,487</u>	<u>\$ 499,007</u>	<u>\$ 1,334,097</u>	<u>\$ (410,208)</u>

See accompanying notes to financial statements.

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Capital Equipment and Projects	Nonmajor Governmental Funds	Totals
\$ -	\$ 589,008	\$ 5,853,969
92,046	181,984	973,693
-	82,405	173,615
-	-	71,609
-	249,013	508,321
-	-	205,209
2,653	175	12,114
<u>18,225</u>	<u>30,615</u>	<u>469,989</u>
<u>112,924</u>	<u>1,133,200</u>	<u>8,268,519</u>
-	-	878,758
-	-	2,837,712
-	-	183,752
-	430,501	1,402,813
-	616,878	836,483
-	-	74,151
182,824	22,376	381,249
-	-	1,380,445
-	13	460,904
<u>182,824</u>	<u>1,069,768</u>	<u>8,436,267</u>
<u>(69,900)</u>	<u>63,432</u>	<u>(167,748)</u>
-	-	74,888
-	-	247,277
-	(23,869)	(23,869)
-	(23,869)	298,296
(69,900)	39,563	130,548
<u>545,607</u>	<u>152,951</u>	<u>3,742,056</u>
<u>\$ 475,707</u>	<u>\$ 192,514</u>	<u>\$ 3,872,604</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, 2012

Net change in fund balances - total governmental funds	\$	130,548
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.</p>		
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		381,249
Some items are reported as capital outlay, but are not capitalized		(116,832)
Depreciation is reported in the government-wide financial statements		(912,951)
Net book value of assets retired		(2,300)
<p>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.</p>		
		(210,552)
<p>Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Capital leases		(74,888)
Principal repaid - debt		1,380,445
Principal repaid - capital lease		9,224
<p>Governmental funds report debt premiums, discounts and issuance costs as other financing sources (uses) or expenditures. However, in the statement of net position, 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.</p>		
Debt issuance costs		(4,362)
<p>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.</p>		
Compensated absences		(38,147)
Accrued interest on debt		(39,614)
		(77,761)
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>501,820</u></b>

See accompanying notes to financial statements.

## VILLAGE OF MCFARLAND

### STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2012

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water and Sewer Utility</u>	<u>Stormwater Utility</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 930,014	\$ 161,357	\$ 1,091,371
Receivables			
Accounts	206,669	63,233	269,902
Other	-	1,394	1,394
Due from other funds	-	14,031	14,031
Materials and supplies	16,082	-	16,082
Prepaid items	<u>3,879</u>	<u>1,293</u>	<u>5,172</u>
Total Current Assets	<u>1,156,644</u>	<u>241,308</u>	<u>1,397,952</u>
Noncurrent Assets			
Restricted Assets			
Replacement account	205,700	-	205,700
Impact fee account	22,314	-	22,314
Capital Assets			
Land	165,570	160,275	325,845
Property and equipment	16,182,353	3,962,937	20,145,290
Less: Accumulated depreciation	(4,727,464)	(1,210,808)	(5,938,272)
Other Assets			
Water tower reserve	296,837	-	296,837
Depreciation reserve	78,000	207,500	285,500
Preliminary survey and investigation	16,141	-	16,141
Special assessment receivable	36,109	-	36,109
Unamortized debt issuance costs	-	8,707	8,707
Property held for future use	<u>224,112</u>	<u>220,205</u>	<u>444,317</u>
Total Noncurrent Assets	<u>12,499,672</u>	<u>3,348,816</u>	<u>15,848,488</u>
Total Assets	<u>13,656,316</u>	<u>3,590,124</u>	<u>17,246,440</u>

See accompanying notes to financial statements.

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water and</u>	<u>Stormwater</u>	<u>Totals</u>
	<u>Sewer Utility</u>	<u>Utility</u>	
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 134,173	\$ 33,745	\$ 167,918
Due to other funds	169,321	-	169,321
Customer deposits	5,000	1,675	6,675
Accrued wages	1,188	465	1,653
Accrued interest	-	5,423	5,423
Compensated absences	18,109	4,674	22,783
Current portion of lease	6,417	3,209	9,626
Current portion of general obligation debt	-	<u>80,000</u>	<u>80,000</u>
Total Current Liabilities	<u>334,208</u>	<u>129,191</u>	<u>463,399</u>
Noncurrent Liabilities			
Long-Term Debt			
General obligation debt	-	710,000	710,000
Unamortized debt premium	-	8,707	8,707
Other Liabilities			
Compensated absences	82,304	26,391	108,695
Lease obligation	<u>37,259</u>	<u>18,629</u>	<u>55,888</u>
Total Noncurrent Liabilities	<u>119,563</u>	<u>763,727</u>	<u>883,290</u>
Total Liabilities	<u>453,771</u>	<u>892,918</u>	<u>1,346,689</u>
<b>NET POSITION</b>			
Net investment in capital assets	11,576,783	2,100,566	13,677,349
Restricted for			
Equipment replacement	205,700	-	205,700
Impact fees	22,314	-	22,314
Unrestricted	<u>1,397,748</u>	<u>596,640</u>	<u>1,994,388</u>
<b>TOTAL NET POSITION</b>	<u>\$ 13,202,545</u>	<u>\$ 2,697,206</u>	<u>\$ 15,899,751</u>

See accompanying notes to financial statements.

## VILLAGE OF MCFARLAND

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

For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds		
	Water and Sewer Utility	Stormwater Utility	Totals
<b>OPERATING REVENUES</b>			
Water	\$ 1,127,408	\$ -	\$ 1,127,408
Sewer	869,421	-	869,421
Stormwater	-	430,695	430,695
Total Operating Revenues	1,996,829	430,695	2,427,524
<b>OPERATING EXPENSES</b>			
Operation and maintenance	1,190,845	224,521	1,415,366
Depreciation	312,617	74,812	387,429
Total Operating Expenses	1,503,462	299,333	1,802,795
Operating Income	493,367	131,362	624,729
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	1,869	1,336	3,205
Interest expense	(39,975)	(18,737)	(58,712)
Rental income	-	11,601	11,601
Miscellaneous revenues	-	1,573	1,573
Amortization of debt issuance costs	(21,219)	(1,876)	(23,095)
Amortization of loss on advance refunding	(20,440)	-	(20,440)
Amortization of debt premium	40,012	1,876	41,888
Total Nonoperating Revenues (Expenses)	(39,753)	(4,227)	(43,980)
Income Before Contributions and Transfers	453,614	127,135	580,749
<b>CONTRIBUTIONS AND TRANSFERS</b>			
Capital contributions	203,582	146,552	350,134
Capital Contributions - Municipal	-	143,530	143,530
Transfers - tax equivalent	(223,408)	-	(223,408)
Total Contributions and Transfers	(19,826)	290,082	270,256
<b>Change in Net Position</b>	433,788	417,217	851,005
NET POSITION - Beginning of Year	12,768,757	2,279,989	15,048,746
<b>NET POSITION - END OF YEAR</b>	<b>\$ 13,202,545</b>	<b>\$ 2,697,206</b>	<b>\$ 15,899,751</b>

See accompanying notes to financial statements.

## VILLAGE OF MCFARLAND

### STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2012

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water and Sewer Utility</u>	<u>Stormwater Utility</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received from customers	\$ 1,707,821	\$ 446,827	\$ 2,154,648
Received from village for services	316,022	-	316,022
Paid to suppliers for goods and services	(894,041)	(134,858)	(1,028,899)
Paid to employees for services	(281,051)	(84,260)	(365,311)
Net Cash Flows From Operating Activities	<u>848,751</u>	<u>227,709</u>	<u>1,076,460</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	<u>1,869</u>	<u>1,336</u>	<u>3,205</u>
Net Cash Flows From Investing Activities	<u>1,869</u>	<u>1,336</u>	<u>3,205</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Paid to municipality for tax equivalent	<u>(211,573)</u>	-	<u>(211,573)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(211,573)</u>	-	<u>(211,573)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Debt retired	(840,000)	(85,000)	(925,000)
Interest paid	(43,473)	(14,828)	(58,301)
Debt pay off costs	(445)	-	(445)
Acquisition and construction of capital assets	(236,352)	(280,983)	(517,335)
Capital contributions received	-	84,700	84,700
Impact fees received	13,650	-	13,650
Capital lease payments	<u>(6,249)</u>	<u>(3,124)</u>	<u>(9,373)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(1,112,869)</u>	<u>(299,235)</u>	<u>(1,412,104)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(473,822)	(70,190)	(544,012)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,006,687</u>	<u>439,047</u>	<u>2,445,734</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,532,865</u>	<u>\$ 368,857</u>	<u>\$ 1,901,722</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Water and Sewer Utility	Stormwater Utility	Totals
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income	\$ 493,367	\$ 131,362	\$ 624,729
Nonoperating revenue	-	13,174	13,174
Adjustments to Reconcile Operating Income to Net Cash			
Flows From Operating Activities			
Depreciation	312,617	74,812	387,429
Depreciation charged to other funds	15,600	-	15,600
Changes in assets and liabilities			
Accounts receivable	(2,603)	795	(1,808)
Other receivables	5,799	3,015	8,814
Due to municipality	9,328	(852)	8,476
Prepaid items	(306)	(102)	(408)
Accounts payable	11,093	3,518	14,611
Accrued wages	(3,330)	(289)	(3,619)
Unearned revenue	(1,110)	-	(1,110)
Compensated absences	8,296	2,276	10,572
	<u>8,296</u>	<u>2,276</u>	<u>10,572</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 848,751</u>	<u>\$ 227,709</u>	<u>\$ 1,076,460</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS</b>			
Cash and investments	\$ 930,014	\$ 161,357	\$ 1,091,371
Replacement account	205,700	-	205,700
Impact fee account	22,314	-	22,314
Water tower reserve	296,837	-	296,837
Depreciation reserve	78,000	207,500	285,500
	<u>78,000</u>	<u>207,500</u>	<u>285,500</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 1,532,865</u>	<u>\$ 368,857</u>	<u>\$ 1,901,722</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Developer financed additions to utility plant	<u>\$ 189,932</u>	<u>\$ 61,852</u>	
Capital additions financed by lease	<u>\$ 49,925</u>	<u>\$ 24,962</u>	
Municipality financed additions to utility plant	<u>\$ -</u>	<u>\$ 143,530</u>	

See accompanying notes to financial statements.

**VILLAGE OF MCFARLAND**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
As of December 31, 2012

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	<u>Agency Fund</u> <u>Tax Collection</u> <u>Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 8,420,892
Taxes	<u>4,473,637</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,894,529</u>
<b>LIABILITIES</b>	
Due to other governments	<u>\$ 12,894,529</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 12,894,529</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, 2012

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# VILLAGE OF MCFARLAND

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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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 June 2011, the GASB issued statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements, which are distinct from assets and liabilities.

The village made the decision to implement this standard effective January 1, 2012.

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

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

# VILLAGE OF MCFARLAND

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

---

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

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#### ***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 position/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, 2012

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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

In addition, the village reports the following fund type:

An 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, 2012

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the 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, 2012

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### **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 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, 2012

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

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### *D. ASSETS, LIABILITIES, AND NET POSITION 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:

No policy exists for the following risks:

Credit risk  
Custodial credit 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, 2012

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

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

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2012, 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 position.

Property tax calendar - 2012 tax roll:

Lien date and levy date	December 2012
Tax bills mailed	December 2012
Payment in full, or	January 31, 2013
First installment due	January 31, 2013
Second installment due	July 31, 2013
Personal property taxes in full	January 31, 2013
Tax sale - 2012 delinquent real estate taxes	October 2015

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 position. 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, 2012

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

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

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

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

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, 2012, the principal to be repaid by the Curling Club is \$233,158.

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, 2012, the principal to be repaid by the foundation is \$40,000.

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, 2012, 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. As of December 31, 2012, the principal to be repaid by the association is \$20,000.

#### *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 position.

# VILLAGE OF MCFARLAND

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

---

#### *D. ASSETS, LIABILITIES, AND NET POSITION 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 position. 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, 2012

---

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

---

#### *D. ASSETS, LIABILITIES, AND NET POSITION 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, 2012, 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 position.

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, 2012

---

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

---

### *D. ASSETS, LIABILITIES, AND NET POSITION 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. Refer to Note V. C. on commitments and contingencies.

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

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

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

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

The net position 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 "net investment in capital assets", and an increase in "unrestricted" net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Adjustment</u>	<u>Total</u>
Net investment in capital assets	\$ 26,851,683	\$ 13,677,349	\$ (1,023,276)	\$ 39,505,756
Unrestricted (deficit)	(1,440,662)	1,994,388	1,023,276	1,577,002

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, 2012

---

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

---

### ***D. ASSETS, LIABILITIES, AND NET POSITION 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 (resolution) 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.

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

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, 2012

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

---

### ***D. ASSETS, LIABILITIES, AND NET POSITION 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 \$1,298,533, or 25.8%, and is included in unassigned general fund balance.

See Note IV. H. 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 December 6, 2011 and implemented on August 1, 2012.

##### ***Stormwater***

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

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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 POSITION***

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

# VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

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## NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

### A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION (cont.)

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 position.

Bonds and notes payable	\$	11,193,158
Compensated absences		649,195
Accrued interest		103,856
Capital lease payable		<u>65,664</u>
Combined Adjustment for Long-Term Liabilities	\$	<u><u>12,011,873</u></u>

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## NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. BUDGETARY INFORMATION

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

A budget has been adopted for the all funds. 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, 2012

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

#### **B. EXCESS EXPENDITURES OVER APPROPRIATIONS**

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
General fund	\$ 5,045,162	\$ 5,120,050	\$ 74,888
General debt service	1,248,811	1,265,952	17,141
Capital equipment and projects	-	182,824	182,824
Solid waste	439,913	454,370	14,457

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.

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

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

As of December 31, 2012, the following individual funds held a deficit balance:

Fund	Amount	Reason
TIF No. 4 capital project	\$ 410,208	Excess expenditures over appropriations
Solid waste	2,126	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, 2012

### NOTE IV - DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 1,901,760	\$ 1,998,550	Custodial credit risk
LGIP	12,299,716	12,299,716	Credit risk
Petty cash	651	-	N/A
 Total Deposits and Investments	 \$ 14,202,127	 \$ 14,298,266	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 5,553,221		
Restricted cash and investments	228,014		
Per statement of net position -			
fiduciary fund			
Agency Fund	8,420,892		
 Total Deposits and Investments	 \$ 14,202,127		

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 through December 31, 2012. On January 1, 2013, the temporary unlimited coverage for noninterest bearing transaction accounts expired. Therefore, demand deposit accounts (interest-bearing and noninterest-bearing) are insured for a total of \$250,000 beginning January 1, 2013. In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

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, 2012

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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, 2012, \$1,058,517 of the village's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>1,058,517</u>
Total	\$ <u><u>1,058,517</u></u>

##### 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.

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

#### B. RECEIVABLES

All receivable balances are expected to be collected within one year with the exception of: delinquent taxes (\$1,805), special assessments (\$38,842), delinquent special assessments (\$10,828), and loans receivable (\$292,062).

## VILLAGE OF MCFARLAND

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

##### ***B. RECEIVABLES*** (cont.)

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	\$ -	\$ 6,008,849	\$ 6,008,849
Special assessments not yet due	38,842	-	38,842
Accounts receivable	68,550	-	68,550
Loans not yet due	316,908	-	316,908
 Total Deferred/Unearned Revenue for Governmental Funds	 \$ 424,300	 \$ 6,008,849	 \$ 6,433,149

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

The following represent the balances of the restricted assets:

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

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

##### ***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, 2012:

Restricted Assets	
Replacement account	\$ 205,700
Impact fee account	22,314
Total Restricted Assets	\$ 228,014

## VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

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

#### D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 13,794,341	\$ -	\$ -	\$ 13,794,341
Total Capital Assets Not Being Depreciated	<u>13,794,341</u>	<u>-</u>	<u>-</u>	<u>13,794,341</u>
Capital assets being depreciated				
Land improvements	773,425	-	-	773,425
Buildings	10,495,225	-	-	10,495,225
Machinery and equipment	1,485,371	127,768	-	1,613,139
Streets	15,609,596	-	-	15,609,596
Sidewalks	3,889,365	-	-	3,889,365
Vehicles	2,856,040	88,417	23,000	2,921,457
Library improvements and collection	656,873	48,232	41,054	664,051
Total Capital Assets Being Depreciated	<u>35,765,895</u>	<u>264,417</u>	<u>64,054</u>	<u>35,966,258</u>
Total Capital Assets	<u>49,560,236</u>	<u>264,417</u>	<u>64,054</u>	<u>49,760,599</u>
Less: Accumulated depreciation/ amortization for				
Land improvements	\$ (180,450)	\$ (24,945)	\$ -	\$ (205,395)
Buildings	(1,179,360)	(118,754)	-	(1,298,114)
Machinery and equipment	(779,109)	(74,311)	-	(853,420)
Streets	(8,071,697)	(384,198)	-	(8,455,895)
Sidewalks	(2,281,590)	(121,720)	-	(2,403,310)
Vehicles	(1,112,067)	(143,600)	20,700	(1,234,967)
Library improvements and collection	(344,281)	(45,423)	41,054	(348,650)
Total Accumulated Depreciation/ Amortization	<u>(13,948,554)</u>	<u>(912,951)</u>	<u>61,754</u>	<u>(14,799,751)</u>
Net Capital Assets Being Depreciated	<u>21,817,341</u>	<u>(648,534)</u>	<u>2,300</u>	<u>21,166,507</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 35,611,682</u>	<u>\$ (648,534)</u>	<u>\$ 2,300</u>	<u>\$ 34,960,848</u>

## VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

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

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

Depreciation expense was charged to functions as follows:

#### **Governmental Activities**

General government	\$ 61,846
Public safety	122,122
Public works, which includes the depreciation of infrastructure	585,174
Leisure activities	<u>143,809</u>
Total Governmental Activities Depreciation Expense	<u><u>\$ 912,951</u></u>

#### **Business-type Activities**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 87,550	\$ -	\$ -	\$ 87,550
Total Capital Assets Not Being Depreciated	<u>87,550</u>	<u>-</u>	<u>-</u>	<u>87,550</u>
Capital assets being depreciated				
Source of supply	211,239	-	-	211,239
Pumping	357,710	-	-	357,710
Water treatment	4,498	-	-	4,498
Transmission and distribution	10,280,228	141,387	990	10,420,625
General	<u>200,839</u>	<u>24,963</u>	<u>-</u>	<u>225,802</u>
Total Capital Assets Being Depreciated	<u>11,054,514</u>	<u>166,350</u>	<u>990</u>	<u>11,219,874</u>
Total Capital Assets	<u>11,142,064</u>	<u>166,350</u>	<u>990</u>	<u>11,307,424</u>
Less: Accumulated depreciation for				
General	<u>(2,849,250)</u>	<u>(234,994)</u>	<u>990</u>	<u>(3,083,254)</u>
Total Accumulated Depreciation	<u>(2,849,250)</u>	<u>(234,994)</u>	<u>990</u>	<u>(3,083,254)</u>
Net Capital Assets Being Depreciated	<u>8,205,264</u>	<u>(68,644)</u>	<u>-</u>	<u>8,136,620</u>
Net Water Capital Assets	<u><u>\$ 8,292,814</u></u>	<u><u>\$ (68,644)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,224,170</u></u>

**VILLAGE OF MCFARLAND**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

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

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Sewer</u>				
Capital assets not being depreciated				
Land and land rights	\$ 78,020	\$ -	\$ -	\$ 78,020
Total Capital Assets Not Being Depreciated	<u>78,020</u>	<u>-</u>	<u>-</u>	<u>78,020</u>
Capital assets being depreciated				
Collecting system	4,172,037	58,274	-	4,230,311
Collecting system pumping	596,075	-	-	596,075
General	<u>111,130</u>	<u>24,963</u>	<u>-</u>	<u>136,093</u>
Total Capital Assets Being Depreciated	<u>4,879,242</u>	<u>83,237</u>	<u>-</u>	<u>4,962,479</u>
Total Capital Assets	<u>4,957,262</u>	<u>83,237</u>	<u>-</u>	<u>5,040,499</u>
Less: Accumulated depreciation for				
General	<u>(1,550,939)</u>	<u>(93,271)</u>	<u>-</u>	<u>(1,644,210)</u>
Total Accumulated Depreciation	<u>(1,550,939)</u>	<u>(93,271)</u>	<u>-</u>	<u>(1,644,210)</u>
Net Capital Assets Being Depreciated	<u>3,328,303</u>	<u>(10,034)</u>	<u>-</u>	<u>3,318,269</u>
Net Sewer Capital Assets	<u>\$ 3,406,323</u>	<u>\$ (10,034)</u>	<u>\$ -</u>	<u>\$ 3,396,289</u>

**VILLAGE OF MCFARLAND**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

**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
Total Capital Assets Not Being Depreciated	160,275	-	-	160,275
Capital assets being depreciated				
Stormwater	3,438,146	524,791	-	3,962,937
Total Capital Assets Being Depreciated	3,438,146	524,791	-	3,962,937
Total Capital Assets	3,598,421	524,791	-	4,123,212
Less: Accumulated depreciation for				
Stormwater	(1,135,996)	(74,812)	-	(1,210,808)
Total Accumulated Depreciation	(1,135,996)	(74,812)	-	(1,210,808)
Net Capital Assets Being Depreciated	2,302,150	449,979	-	2,752,129
Net Stormwater Capital Assets	\$ 2,462,425	\$ 449,979	\$ -	\$ 2,912,404
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 14,161,562	\$ 371,301	\$ -	\$ 14,532,863

Depreciation expense was charged to functions as follows:

**Business-type Activities**

Water	\$ 219,346
Sewer	93,271
Stormwater	74,812
Total Business-type Activities Depreciation Expense	\$ 387,429

Depreciation 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, 2012

**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	\$ 169,321
General fund	Solid waste	2,043
Stormwater utility	General fund	14,031
Total - Fund Financial Statements		185,395
Less: Fund eliminations		(30,105)
Total Internal Balances - Government-Wide Statement of Net Position		\$ 155,290
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 169,321
Business-type Activities	Governmental Activities	(14,031)
Total Government-Wide Financial Statements		\$ 155,290

All amounts are due within one year.

The principal purpose of this interfund is for the 2012 PILOT from the water utility and utility items placed on the tax roll.

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

***Advances***

The 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 2012 was 0.16%. No repayment schedule has been established.

## VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

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

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

##### **Advances** (cont.)

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
TIF No. 3 capital project	TIF No. 4 capital project	\$ 410,208	\$ 410,208
Total - Fund Financial Statements		410,208	
Less: Fund eliminations		<u>(410,208)</u>	
Total - Interfund Advances - Government-Wide Statement of Net Position		<u><u>\$ -</u></u>	

The principal purpose of this interfund is to make up for excess expenditures over revenues.

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

##### **Transfers**

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General fund	Water and sewer utility	\$ 223,408	2012 Water PILOT
General debt service	Solid waste	<u>23,869</u>	Debt service
Total - Fund Financial Statements		247,277	
Less: Transfer to business-type activities for capital assets funded by governmental activities		(143,530)	
Less: Fund eliminations		<u>(23,869)</u>	
Total Transfers - Government-Wide Statement of Activities		<u><u>\$ 79,878</u></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.

# VILLAGE OF MCFARLAND

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

##### Transfers (cont.)

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, 2012, 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	\$ 12,573,603	\$ -	\$ 1,380,445	\$ 11,193,158	\$ 1,413,637
Sub-totals	<u>12,573,603</u>	<u>-</u>	<u>1,380,445</u>	<u>11,193,158</u>	<u>1,413,637</u>
Other Liabilities					
Vested compensated absences	611,048	168,536	130,389	649,195	285,458
Capital leases	-	74,888	9,224	65,664	9,626
Total Other Liabilities	<u>611,048</u>	<u>243,424</u>	<u>139,613</u>	<u>714,859</u>	<u>295,084</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 13,184,651</u>	<u>\$ 243,424</u>	<u>\$ 1,520,058</u>	<u>\$ 11,908,017</u>	<u>\$ 1,708,721</u>
<b>Business-type Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 875,000	\$ -	\$ 85,000	\$ 790,000	\$ 80,000
Revenue bonds	840,000	-	840,000	-	-
Add/(Subtract) Deferred Amounts For (Discounts)/Premiums	50,595	-	41,888	8,707	-
Refundings - Gains/(Losses)	(20,440)	-	(20,440)	-	-
Sub-totals	<u>1,745,155</u>	<u>-</u>	<u>946,448</u>	<u>798,707</u>	<u>80,000</u>
Other Liabilities					
Vested compensated absences	120,906	23,454	12,882	131,478	22,783
Capital leases	-	74,887	9,373	65,514	9,626
Total Other Liabilities	<u>120,906</u>	<u>98,341</u>	<u>22,255</u>	<u>196,992</u>	<u>32,409</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 1,866,061</u>	<u>\$ 98,341</u>	<u>\$ 968,703</u>	<u>\$ 995,699</u>	<u>\$ 112,409</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, 2012, was \$37,527,255. Total general obligation debt outstanding at year end was \$11,983,158.

## VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

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

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

In 2012, the water and sewer utility prepaid the 2005 revenue bonds outstanding of \$840,000 by using funds from the reserve account of \$236,500 and the remaining \$603,500 was paid out of operating funds. Total interest paid in 2012 was \$42,000. Total amount of principal and interest paid in 2011 was \$309,750.

#### **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.

#### **Governmental Activities**

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2012</u>
G.O. refunding bonds	03/10/03	09/01/18	4.25%	\$ 4,275,000	\$ 325,000
State trust fund loan	03/15/04	03/15/13	3.75%	1,200,000	75,000
G.O. refunding bonds	05/15/05	12/01/20	3.5-4.2%	3,240,000	2,235,000
State trust fund loan	04/15/06	03/15/16	4.75%	379,000	233,158
Taxable G.O. promissory note	12/15/08	12/01/17	4.10-6.15%	2,635,000	1,610,000
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	1,650,000
G.O. promissory notes	12/01/11	09/01/21	2.00-2.50%	3,700,000	<u>3,650,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 11,193,158</u>

#### **Business-type Activities**

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2012</u>
G.O. promissory notes	12/01/11	09/01/21	2.00-2.50%	\$ 875,000	<u>\$ 790,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 790,000</u>

## VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

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

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

**General Obligation Debt** (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
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	1,724,010	254,437	85,000	11,565
2017	1,410,000	188,178	90,000	9,865
2018-2022	3,355,000	379,031	370,000	21,123
2023	<u>305,000</u>	<u>13,725</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 11,193,158</u>	<u>\$ 1,928,442</u>	<u>\$ 790,000</u>	<u>\$ 87,148</u>

**Capital Leases**

Refer to Note IV. G.

**Other Debt Information**

Estimated payments of compensated absences and customer advances are not included in the debt service requirement schedules. The compensated absences liability, other post employment benefits obligation, and net pension obligation attributable to governmental activities will be liquidated primarily by the general fund.

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.

**VILLAGE OF MCFARLAND**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

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

**G. LEASE DISCLOSURES**

**Lessee - Capital Leases**

In 2012 the village and water, sewer and storm utilities acquired a wheel loader through a lease agreement. The gross amount of this asset under capital lease is \$149,775, which is included in capital assets in the governmental and business-type activities. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2012, are as follows:

Years	Governmental Activities			Business-type Activities		
	Principal	Interest	Totals	Principal	Interest	Totals
2013	\$ 9,625	\$ 1,957	\$ 11,582	\$ 9,626	\$ 1,958	\$ 11,584
2014	<u>55,939</u>	<u>1,645</u>	<u>57,584</u>	<u>55,888</u>	<u>2,192</u>	<u>58,080</u>
Totals	<u>\$ 65,564</u>	<u>\$ 3,602</u>	<u>\$ 69,166</u>	<u>\$ 65,514</u>	<u>\$ 4,150</u>	<u>\$ 69,664</u>

**H. NET POSITION/FUND BALANCES**

Net position reported on the government wide statement of net position at December 31, 2012, includes the following:

**Governmental Activities**

Net Investment in Capital Assets	
Land	\$ 13,794,341
Other capital assets, net of accumulated depreciation	21,166,507
Less: Long-term debt and capital leases outstanding	(11,258,723)
Plus: Unspent capital related debt proceeds	250,000
Plus: Noncapital debt proceeds	<u>2,899,558</u>
Total Net Investment in Capital Assets	<u>26,851,683</u>
Restricted	
Debt service	628,209
Library	56,822
TIF No. 3	<u>1,334,097</u>
Total Restricted	<u>2,019,128</u>
Unrestricted (deficit)	<u>(1,440,662)</u>
Total Governmental Activities Net Position	<u>\$ 27,430,149</u>

# VILLAGE OF MCFARLAND

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

#### H. NET POSITION/FUND BALANCES (cont.)

##### Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2012, 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	\$ 12,633	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,633
Loans	20,000	-	-	-	-	-	20,000
Prepaid items	43,620	-	-	-	-	-	43,620
<b>Restricted for:</b>							
Debt service TIF related purposes	-	499,007	-	-	-	-	499,007
Capital projects	-	-	1,334,097	-	-	-	1,334,097
Library purposes	-	-	-	-	250,000	-	250,000
Library purposes	-	-	-	-	-	56,822	56,822
<b>Committed to:</b>							
Capital projects	-	-	-	-	225,707	24,957	250,664
Cable TV	-	-	-	-	-	112,861	112,861
<b>Assigned to:</b>							
PILOT	223,408	-	-	-	-	-	223,408
Developer capital project deposits	103,228	-	-	-	-	-	103,228
Outreach	6,640	-	-	-	-	-	6,640
Equipment replacement	31,000	-	-	-	-	-	31,000
Police seizures	3,434	-	-	-	-	-	3,434
Police grants	6,730	-	-	-	-	-	6,730
Act 102	18,128	-	-	-	-	-	18,128
Revaluation	7,500	-	-	-	-	-	7,500
Police K-9	6,633	-	-	-	-	-	6,633
<b>Unassigned (deficit):</b>	<b>1,298,533</b>	<b>-</b>	<b>-</b>	<b>(410,208)</b>	<b>-</b>	<b>(2,126)</b>	<b>886,199</b>
<b>Total Fund Balances</b>	<b>\$ 1,781,487</b>	<b>\$ 499,007</b>	<b>\$1,334,097</b>	<b>\$ (410,208)</b>	<b>\$ 475,707</b>	<b>\$ 192,514</b>	<b>\$ 3,872,604</b>

# VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

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

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### H. NET POSITION/FUND BALANCES (cont.)

#### *Business-type Activities*

Net Investment in Capital Assets	
Land	\$ 325,845
Other capital assets, net of accumulated depreciation	14,207,018
Less: Long-term debt outstanding	<u>(855,514)</u>
Total Net Investment in Capital Assets	<u>13,677,349</u>
Restricted	
Equipment replacement	205,700
Impact fees	<u>22,314</u>
Total Restricted	<u>228,014</u>
Unrestricted	<u>1,994,388</u>
Total Business-type Activities Net Position	<u>\$ 15,899,751</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 (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Prior to June 29, 2011, covered employees in the General category were 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. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to the fund the remaining projected cost of future benefits.

# VILLAGE OF MCFARLAND

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was change to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective contributions are the same as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for December 31, 2012 are:

	<u>Employee</u>	<u>Employer</u>
General	5.9%	5.9%
Executives and Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.0%
Protective without Social Security	5.9%	11.3%

The payroll for village employees covered by the WRS for the year ended December 31, 2012 was \$2,795,315; the employer's total payroll was \$3,015,978. The total required contribution for the year ended December 31, 2012 was \$394,821 or 14.1% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2011 and 2010 were \$383,365 and \$352,069, respectively, equal to the required contributions for each year.

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

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, 2012 there was no pension related debt for the village.

# VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

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

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### ***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.

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.

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 utility rates were approved to go into effect January 1, 2013.

# VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

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

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### ***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. 65, *Items Previously Reported as Assets and Liabilities*; Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*; Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; and Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. 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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 3,315,145	\$ 3,315,145	\$ 3,318,278	\$ 3,133
Intergovernmental	674,798	674,798	685,081	10,283
Licenses and permits	68,400	68,400	91,210	22,810
Fines, forfeitures and penalties	79,000	79,000	71,609	(7,391)
Public charges for services	220,850	220,850	250,028	29,178
Intergovernmental charges for services	199,807	199,807	205,209	5,402
Investment income	10,000	10,000	8,521	(1,479)
Miscellaneous	<u>238,065</u>	<u>238,065</u>	<u>361,572</u>	<u>123,507</u>
Total Revenues	<u>4,806,065</u>	<u>4,806,065</u>	<u>4,991,508</u>	<u>185,443</u>
<b>EXPENDITURES</b>				
Current:				
General government	774,429	862,495	832,518	29,977
Public safety	2,822,515	2,837,712	2,837,712	-
Health and social services	185,130	183,752	183,752	-
Public works	941,134	867,447	972,312	(104,865)
Leisure activities	229,124	219,605	219,605	-
Conservation and development	<u>75,733</u>	<u>74,151</u>	<u>74,151</u>	<u>-</u>
Total Expenditures	<u>5,028,065</u>	<u>5,045,162</u>	<u>5,120,050</u>	<u>(74,888)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(222,000)</u>	<u>(239,097)</u>	<u>(128,542)</u>	<u>110,555</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	218,000	218,000	223,408	5,408
Proceeds of capital leases	<u>-</u>	<u>-</u>	<u>74,888</u>	<u>74,888</u>
Total Other Financing Sources	<u>218,000</u>	<u>218,000</u>	<u>298,296</u>	<u>80,296</u>
<b>Net Change in Fund Balance</b>	(4,000)	(21,097)	169,754	190,851
FUND BALANCE - Beginning of Year	<u>1,611,733</u>	<u>1,611,733</u>	<u>1,611,733</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,607,733</u>	<u>\$ 1,590,636</u>	<u>\$ 1,781,487</u>	<u>\$ 190,851</u>

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

# VILLAGE OF MCFARLAND

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2012

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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.

Excess expenditures over appropriations are as follows:

	<u>Final Budget</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Public works	\$ 867,447	\$ 972,312	\$ 104,865

**SUPPLEMENTARY INFORMATION**

## VILLAGE OF MCFARLAND

### DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>TAXES</b>				
General property taxes	\$ 3,224,450	\$ 3,224,450	\$ 3,224,450	\$ -
Payments in lieu of taxes	87,695	87,695	87,552	(143)
Interest on taxes	<u>3,000</u>	<u>3,000</u>	<u>6,276</u>	<u>3,276</u>
Total Taxes	<u>3,315,145</u>	<u>3,315,145</u>	<u>3,318,278</u>	<u>3,133</u>
<b>INTERGOVERNMENTAL</b>				
State shared revenues	109,226	109,226	105,126	(4,100)
Expenditure restraint payment	110,766	110,766	110,766	-
Fire insurance tax from state	23,000	23,000	25,491	2,491
State aid - exempt computer	5,000	5,000	2,753	(2,247)
State aid - municipal services	340	340	319	(21)
State aid - general transportation aids	360,682	360,682	360,682	-
State aid - conservation land	118	118	118	-
State aid - EMS	-	-	9,366	9,366
State aid - tank inspections	2,000	2,000	2,537	537
County aid - outreach	41,615	41,615	41,615	-
County aid - nutrition program	22,051	22,051	22,051	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>4,257</u>	<u>4,257</u>
Total Intergovernmental	<u>674,798</u>	<u>674,798</u>	<u>685,081</u>	<u>10,283</u>
<b>LICENSES AND PERMITS</b>				
Liquor and malt beverage licenses	10,000	10,000	10,345	345
Operators' license	4,800	4,800	5,486	686
Other business and occupational licenses	1,700	1,700	1,600	(100)
Bicycle licenses	150	150	96	(54)
Dog and cat licenses	3,500	3,500	3,491	(9)
Dog park permits	6,000	6,000	5,539	(461)
Nonbusiness licenses	1,150	1,150	1,383	233
Building permits	19,000	19,000	26,514	7,514
Heating permits	6,500	6,500	8,060	1,560
Plumbing permits	6,000	6,000	7,980	1,980
Electrical permits	9,000	9,000	13,656	4,656
Erosion control permits	500	500	2,375	1,875
Other permits	<u>100</u>	<u>100</u>	<u>4,685</u>	<u>4,585</u>
Total Licenses and Permits	<u>68,400</u>	<u>68,400</u>	<u>91,210</u>	<u>22,810</u>
<b>FINES, FORFEITURES AND PENALTIES</b>				
Court penalties and costs	70,000	70,000	64,354	(5,646)
Parking violations	7,000	8,000	6,270	(1,730)
Other law and ordinance violations	<u>2,000</u>	<u>1,000</u>	<u>985</u>	<u>(15)</u>
Total Fines, Forfeitures and Penalties	<u>79,000</u>	<u>79,000</u>	<u>71,609</u>	<u>(7,391)</u>

## VILLAGE OF MCFARLAND

DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL -  
GENERAL FUND  
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>PUBLIC CHARGES FOR SERVICES</b>				
Clerk's fees	\$ 2,500	\$ 2,500	\$ 4,349	\$ 1,849
Police department fees	3,000	3,000	2,900	(100)
Fire department fees	3,500	3,500	80	(3,420)
Ambulance fees	200,000	200,000	206,006	6,006
Publication fees	1,300	1,300	1,272	(28)
Park user fees	3,000	3,000	4,788	1,788
Highway maintenance and construction	500	500	2,444	1,944
Plan review fees	3,000	3,000	6,550	3,550
Developers' fees	3,000	3,000	14,374	11,374
Other public charges for services	550	550	7,265	6,715
Other health services	500	500	-	(500)
Total Public Charges for Services	<u>220,850</u>	<u>220,850</u>	<u>250,028</u>	<u>29,178</u>
<b>INTERGOVERNMENTAL CHARGES FOR SERVICES</b>				
Local - law enforcement services	20,500	20,500	20,602	102
Local - fire services	105,127	105,127	105,127	-
Local - ambulance services	50,180	50,180	50,180	-
Outreach	24,000	24,000	29,300	5,300
Total Intergovernmental Charges for Services	<u>199,807</u>	<u>199,807</u>	<u>205,209</u>	<u>5,402</u>
<b>INVESTMENT INCOME</b>				
Investment income	10,000	10,000	8,508	(1,492)
Interest on advances to other funds	-	-	13	13
Total Investment Income	<u>10,000</u>	<u>10,000</u>	<u>8,521</u>	<u>(1,479)</u>
<b>MISCELLANEOUS</b>				
Rent of village buildings	37,220	37,220	37,280	60
Sale of property	5,000	5,000	1,950	(3,050)
Insurance recoveries and refunds	25,000	25,000	18,029	(6,971)
Miscellaneous revenues	17,195	17,195	171,465	154,270
Utilities - rent and transport reimbursement	78,950	78,950	78,945	(5)
Building inspector reimbursement	37,000	37,000	43,423	6,423
Donations	1,700	1,700	10,480	8,780
Miscellaneous non-operating income	36,000	36,000	-	(36,000)
Total Miscellaneous	<u>238,065</u>	<u>238,065</u>	<u>361,572</u>	<u>123,507</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	218,000	218,000	223,408	5,408
Proceeds of capital leases	-	-	74,888	74,888
Total Other Financing Sources	<u>218,000</u>	<u>218,000</u>	<u>298,296</u>	<u>80,296</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>				
	<u>\$ 5,024,065</u>	<u>\$ 5,024,065</u>	<u>\$ 5,289,804</u>	<u>\$ 265,739</u>

## VILLAGE OF MCFARLAND

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

For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>GENERAL GOVERNMENT</b>				
Village board	\$ 39,677	\$ 39,677	\$ 40,146	\$ (469)
Municipal court	52,288	52,288	51,862	426
Administrator	56,865	56,865	59,429	(2,564)
General administration	171,414	171,414	179,185	(7,771)
Elections	17,975	17,975	26,138	(8,163)
Legislative support	1,500	1,500	1,125	375
Data processing	5,000	5,000	12,619	(7,619)
Financial administration	118,549	118,549	108,104	10,445
Legal counseling	72,000	72,000	114,159	(42,159)
Municipal buildings	134,911	134,911	112,298	22,613
Risk management	96,750	96,750	127,453	(30,703)
Other general government	7,500	7,500	-	7,500
Budget amendment	-	<u>88,066</u>	-	<u>88,066</u>
Total General Government	<u>774,429</u>	<u>862,495</u>	<u>832,518</u>	<u>29,977</u>
<b>PUBLIC SAFETY</b>				
Police	1,567,374	1,567,374	1,587,943	(20,569)
Fire suppression	401,209	401,209	408,413	(7,204)
Hydrant rental	315,000	315,000	309,202	5,798
Inspections	92,904	92,904	93,535	(631)
Emergency medical services	440,444	440,444	432,818	7,626
Emergency government	5,584	5,584	5,801	(217)
Budget amendment	-	<u>15,197</u>	-	<u>15,197</u>
Total Public Safety	<u>2,822,515</u>	<u>2,837,712</u>	<u>2,837,712</u>	<u>-</u>
<b>HEALTH AND SOCIAL SERVICES</b>				
Outreach program	98,626	98,626	97,944	682
Special services	47,150	47,150	48,184	(1,034)
Nutrition program	39,354	39,354	37,624	1,730
Budget amendment	-	<u>(1,378)</u>	-	<u>(1,378)</u>
Total Health and Social Services	<u>185,130</u>	<u>183,752</u>	<u>183,752</u>	<u>-</u>
<b>PUBLIC WORKS</b>				
Consulting engineering	6,000	6,000	12,107	(6,107)
DPW building/street maintenance	832,634	832,634	855,298	(22,664)
Street lighting	96,500	96,500	99,157	(2,657)
Sidewalks	6,000	6,000	5,750	250
Budget amendment	-	<u>(73,687)</u>	-	<u>(73,687)</u>
Total Public Works	<u>941,134</u>	<u>867,447</u>	<u>972,312</u>	<u>(104,865)</u>
<b>LEISURE ACTIVITIES</b>				
Parks	229,124	229,124	219,605	9,519
Budget amendment	-	<u>(9,519)</u>	-	<u>(9,519)</u>
Total Leisure Activities	<u>229,124</u>	<u>219,605</u>	<u>219,605</u>	<u>-</u>

## VILLAGE OF MCFARLAND

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -  
GENERAL FUND  
For the Year Ended December 31, 2012

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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>CONSERVATION AND DEVELOPMENT</b>				
Community development - planning	\$ 75,733	\$ 75,733	\$ 74,151	\$ 1,582
Budget amendment	-	(1,582)	-	(1,582)
Total Conservation and Development	<u>75,733</u>	<u>74,151</u>	<u>74,151</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 5,028,065</u>	<u>\$ 5,045,162</u>	<u>\$ 5,120,050</u>	<u>\$ (74,888)</u>

## VILLAGE OF MCFARLAND

### COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of December 31, 2012

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Cable	Library	Parks	Solid Waste	
<b>ASSETS</b>					
Cash and investments	\$ 106,674	\$ 61,197	\$ 24,957	\$ -	\$ 192,828
Receivables					
Taxes	-	385,662	-	471,889	857,551
Accounts	21,584	1,350	-	-	22,934
Loans	-	-	40,000	-	40,000
	<u>128,258</u>	<u>448,209</u>	<u>64,957</u>	<u>471,889</u>	<u>1,113,313</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 128,258</u></b>	<b><u>\$ 448,209</u></b>	<b><u>\$ 64,957</u></b>	<b><u>\$ 471,889</u></b>	<b><u>\$ 1,113,313</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 15,075	\$ 4,638	\$ -	\$ -	\$ 19,713
Accrued liabilities	322	1,087	-	83	1,492
Due to other funds	-	-	-	2,043	2,043
Deferred revenues	-	385,662	40,000	471,889	897,551
Total Liabilities	<u>15,397</u>	<u>391,387</u>	<u>40,000</u>	<u>474,015</u>	<u>920,799</u>
Fund Balances					
Restricted	-	56,822	-	-	56,822
Committed	112,861	-	24,957	-	137,818
Unassigned (deficit)	-	-	-	(2,126)	(2,126)
Total Fund Balances	<u>112,861</u>	<u>56,822</u>	<u>24,957</u>	<u>(2,126)</u>	<u>192,514</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 128,258</u></b>	<b><u>\$ 448,209</u></b>	<b><u>\$ 64,957</u></b>	<b><u>\$ 471,889</u></b>	<b><u>\$ 1,113,313</u></b>

## VILLAGE OF MCFARLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2012

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Cable	Library	Parks	Solid Waste	
<b>REVENUES</b>					
Taxes	\$ -	\$ 379,395	\$ -	\$ 209,613	\$ 589,008
Intergovernmental	-	160,354	-	21,630	181,984
Licenses and permits	82,405	-	-	-	82,405
Public charges for services	-	25,247	15,126	208,640	249,013
Investment income	-	-	175	-	175
Miscellaneous	-	-	28,000	2,615	30,615
Total Revenues	82,405	564,996	43,301	442,498	1,133,200
<b>EXPENDITURES</b>					
Current					
Public works	-	-	-	430,501	430,501
Leisure activities	63,904	552,974	-	-	616,878
Capital Outlay	22,376	-	-	-	22,376
Debt Service					
Interest and fiscal charges	-	-	13	-	13
Total Expenditures	86,280	552,974	13	430,501	1,069,768
Excess (deficiency) of revenues over expenditures	(3,875)	12,022	43,288	11,997	63,432
<b>OTHER FINANCING USES</b>					
Transfers out	-	-	-	(23,869)	(23,869)
Total Other Financing Uses	-	-	-	(23,869)	(23,869)
<b>Net Change in Fund Balances</b>	(3,875)	12,022	43,288	(11,872)	39,563
<b>FUND BALANCES (DEFICIT)</b>					
- Beginning of Year	116,736	44,800	(18,331)	9,746	152,951
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	\$ 112,861	\$ 56,822	\$ 24,957	\$ (2,126)	\$ 192,514