

VILLAGE OF MCFARLAND

McFarland, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2013

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, 2013, 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, 2013 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 1, the Village of McFarland adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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.

Supplementary Information

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 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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
April 18, 2014

VILLAGE OF MCFARLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended December 31, 2013

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, 2013. 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.

FINANCIAL HIGHLIGHTS

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, 2013 by \$44,486,782 (net position). Total net position includes all major infrastructure networks.
- > The Village of McFarland's total net position improved by \$1,156,882 (2.7%) in 2013.
- > As of December 31, 2013, the Village of McFarland's governmental funds reported combined ending fund balances of \$4,132,690, an improvement of \$260,086 (6.7%) from the prior year.
- > As of December 31, 2013, the unassigned fund balance for the General Fund was \$1,283,528 or approximately 25.1% of total general fund expenditures budgeted for 2014. The total fund balance in the General Fund –also including Nonspendable, Restricted, Committed, and Assigned amounts– was \$2,088,578, an increase of \$307,091 (17.2%) over the previous year.
- > The Village of McFarland's total general obligation debt decreased by \$1,344,700 during 2013. At year end, the Village was utilizing 29% of its general obligation debt capacity, a decrease from 32% the previous year. \$2,915,000 of the general obligation debt is for TIF No. 3 and TIF No. 4 purposes and will be repaid from revenue sources other than general property taxes. If this TIF debt is subtracted out, the Village is utilizing only 21% 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, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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 nine (9) individual governmental funds. They include the General Fund, General Debt Service, Cable/Website Fund, Library Fund, Parks Fund, Solid Waste Fund, TIF No. 3, TIF No. 4, and the Capital Equipment and Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, General Debt Service, TIF No. 3, TIF No. 4, and the Capital Equipment and Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 to 47 of this report.

VILLAGE OF MCFARLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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 48 to 49 of this report. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information and can be found on pages 53 to 54 of this report.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

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 \$44,486,782 as of December 31, 2013. This is an increase of \$1,156,882 (2.7%) compared to 2012 when the net position improved \$1,352,825 (3.1%) over the prior year.

The largest portion of the Village's net position (approximately 89%) 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 \$2,472,072, a 56.8% increase from the previous year. 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, 2013

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	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 11,529,252	\$ 11,127,791	\$ 3,051,820	\$ 2,544,256	\$ 14,581,072	\$ 13,672,047
Capital assets	34,296,082	34,960,848	14,278,784	14,532,863	48,574,866	49,493,711
Total Assets	<u>45,825,334</u>	<u>46,088,639</u>	<u>17,330,604</u>	<u>17,077,119</u>	<u>63,155,938</u>	<u>63,165,758</u>
Long-term liabilities	10,607,730	11,907,917	908,728	995,699	11,516,458	12,903,616
Other liabilities	721,321	741,724	205,596	181,669	926,917	923,393
Total Liabilities	<u>11,329,051</u>	<u>12,649,641</u>	<u>1,114,324</u>	<u>1,177,368</u>	<u>12,443,375</u>	<u>13,827,009</u>
Unearned revenues	<u>6,225,781</u>	<u>6,008,849</u>	-	-	<u>6,225,781</u>	<u>6,008,849</u>
Net Position:						
Net investment						
in capital assets	27,211,844	26,851,683	113,505,888	13,677,349	39,744,056	39,505,756
Restricted	2,004,860	2,019,128	265,794	228,014	2,270,654	2,247,142
Unrestricted (deficit)	<u>(946,202)</u>	<u>(1,440,662)</u>	<u>2,444,598</u>	<u>1,994,388</u>	<u>2,472,072</u>	<u>1,577,002</u>
TOTAL NET POSITION	<u>\$ 28,270,502</u>	<u>\$ 27,430,149</u>	<u>\$ 16,216,280</u>	<u>\$ 15,899,751</u>	<u>\$ 44,486,782</u>	<u>\$ 43,329,900</u>

CHANGES IN NET POSITION

The following table provides a summary of the Village's operations for the year ended December 31, 2013. Governmental activities increased the Village of McFarland's net position by \$840,353 (3.1%). This compares to an increase of \$501,820 (1.9%) in 2012.

Business-type activities increased the net position by \$316,529 (2.0%). This compares to an increase of \$851,005 (5.7%) in the prior year and is attributable to a combination of lower utility revenues, especially capital grants and contributions, and higher utility expenses.

VILLAGE OF MCFARLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2013

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	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for services	\$ 930,622	\$ 835,230	\$ 2,408,754	\$ 2,427,524	\$ 3,339,376	\$ 3,262,754
Operating grants and contributions	890,071	842,727	-	-	890,071	842,747
Capital grants and contributions	177,481	111,536	63,644	350,134	241,125	461,670
General Revenues						
Property taxes	5,744,859	5,760,141	-	-	5,744,859	5,760,141
Other taxes	182,191	34,302	-	-	182,191	34,302
Intergovernmental	227,151	233,664	-	-	227,151	233,664
Investment income	8,310	12,114	1,539	3,205	9,849	15,319
Miscellaneous	190,578	291,600	1,693	11,527	192,271	303,127
Total Revenues	<u>8,351,263</u>	<u>8,121,314</u>	<u>2,475,630</u>	<u>2,792,390</u>	<u>10,826,893</u>	<u>10,913,704</u>
Expenses						
General government	874,562	981,071	-	-	874,562	981,071
Public safety	2,915,780	3,044,403	-	-	2,915,780	3,044,403
Health and social services	189,120	185,139	-	-	189,120	185,139
Public works	2,198,884	1,917,257	-	-	2,198,884	1,917,257
Leisure activities	1,056,353	1,034,825	-	-	1,056,353	1,034,825
Conservation and development	72,481	31,697	-	-	72,481	31,697
Interest and fiscal charges	408,746	504,980	18,364	58,712	427,110	563,692
Water, sewer and stormwater	-	-	1,935,721	1,802,795	1,935,721	1,802,795
Total Expenses	<u>7,715,926</u>	<u>7,699,372</u>	<u>1,954,085</u>	<u>1,861,507</u>	<u>9,670,011</u>	<u>9,560,879</u>
Increases in Net Position Before Transfers	635,337	421,942	521,545	930,883	1,156,882	1,352,825
Transfers	<u>205,016</u>	<u>79,878</u>	<u>(205,016)</u>	<u>(79,878)</u>	<u>-</u>	<u>-</u>
Change in Net Position	840,353	501,820	316,529	851,005	1,156,882	1,352,825
NET POSITION – Beginning of Year	<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>
NET POSITION – End of Year	<u>\$ 28,270,502</u>	<u>\$ 27,430,149</u>	<u>\$ 16,216,280</u>	<u>\$ 15,899,751</u>	<u>\$ 44,486,782</u>	<u>\$ 43,329,900</u>

VILLAGE OF MCFARLAND

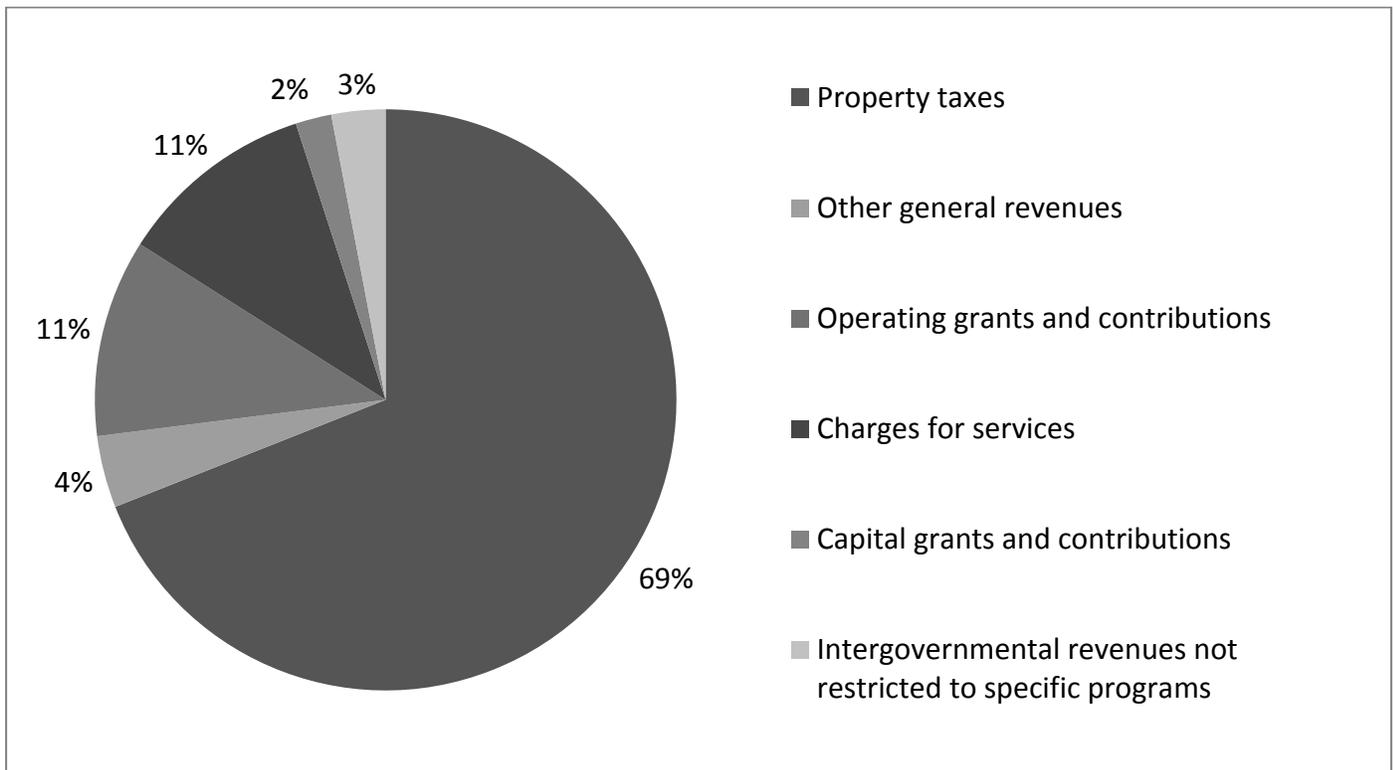
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2013

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

GOVERNMENTAL ACTIVITIES

The Village received a total of \$8,351,263 in governmental activity revenues in 2013. This is an increase of \$229,949 (2.8%) from the prior year as the amount of various intergovernmental aids received from the State of Wisconsin stabilized after sharp reductions in the prior year. As the following chart indicates, property taxes account for more than two-thirds of all revenues.

Revenue by Source – Governmental Activities



Total governmental activities expenses were \$7,715,926 in 2013 virtually unchanged from the \$7,699,372 expended in 2012. Expenditures in the areas of general government, and interest charges declined significantly, while there was a sizeable increase in expenditures for public works purposes. Revenues exceeded expenses by \$635,337, up \$213,395 (50.6%) from the prior year. After transfers, there was an increase in net position of \$840,353 (3.0%).

In 2013, Public Safety (police, fire, EMS, emergency management) activities accounted for the largest share of Village expenditures at 37.8%, down from 39.5% the prior year. This was followed by expenditures on Public Works activities at 28.5%, up from 24.9%. Other expenditure areas included General Government at 11.3%, Leisure Activities at 13.7%, Conservation and Development at 0.9%, and Health and Social Services at 2.5%. Interest and fiscal charges accounted for the remaining 5.3% of governmental activity expenses, down from 6.6% in 2012.

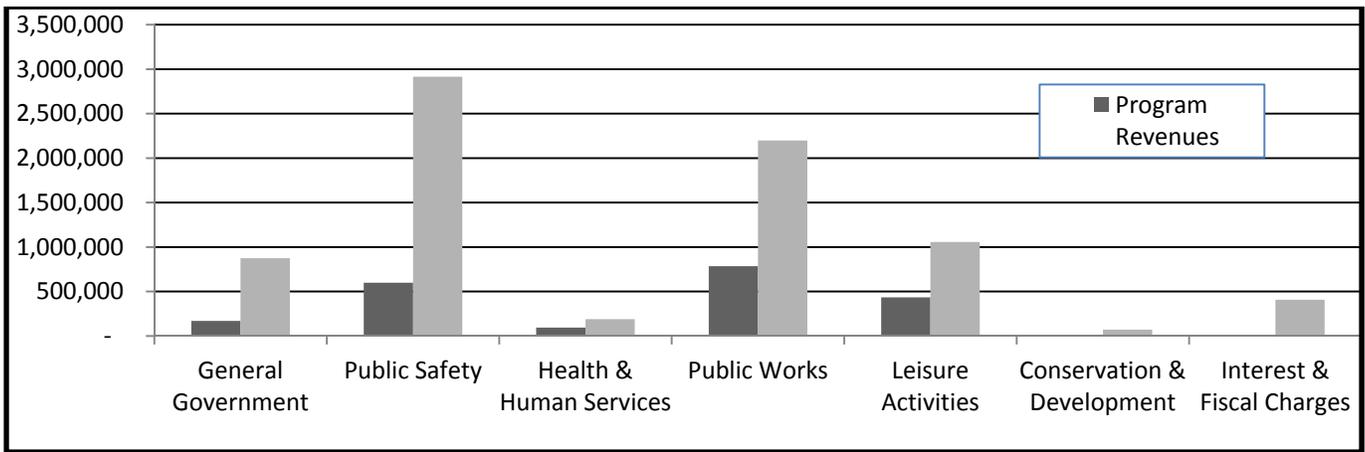
VILLAGE OF MCFARLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Year Ended December 31, 2013

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

GOVERNMENTAL ACTIVITIES (cont.)

Expenses and Program Revenue – Governmental Activities



BUSINESS-TYPE ACTIVITIES

The Village generated \$2,475,630 in business-type activity revenue in 2013 from its Water, Sewer and Stormwater Funds. This is an 11.3% decrease compared to 2012 when revenues were \$2,792,390 but most of the decrease was in the form of reduced capital grants and contributions. Charges for services are by far the largest revenue source for these operations, representing 97% of revenues. Customer revenues showed a very slight decrease despite higher sewer rates implemented in January 2013. Revenues were unusually high in 2012, when extremely dry weather conditions caused customer usage to spike to an all time high.

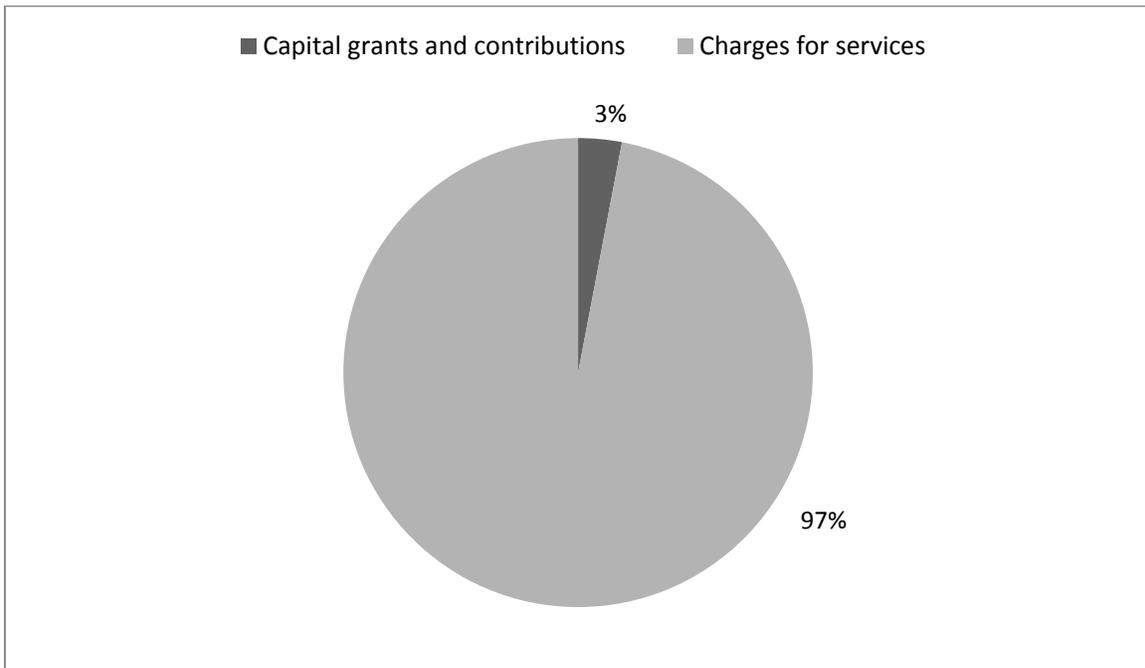
VILLAGE OF MCFARLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Year Ended December 31, 2013

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

BUSINESS-TYPE ACTIVITIES (cont.)

Revenue by Source – Business-type Activities



Business-type activities increased the Village's net position by \$316,529 (2.0%) in 2013. This compares to an increase of \$851,005 (5.6%) in 2012. The net operating income of the business-type activities was \$490,071, down \$134,658 (21.5%) 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 2013 was 5.44%, down from 6.01% in 2012. The water rates in effect during 2013 were implemented on October 10, 2010, the sewer rates became effective January 1, 2013, and the stormwater rates were implemented on August 1, 2010.

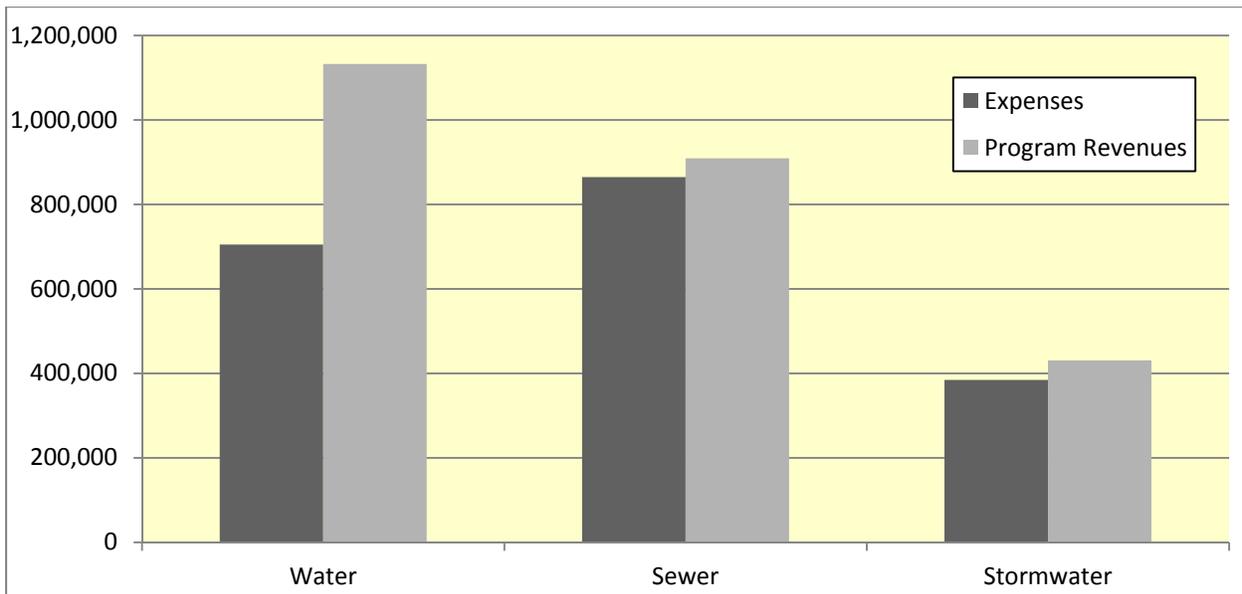
VILLAGE OF MCFARLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Year Ended December 31, 2013

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

BUSINESS-TYPE ACTIVITIES (cont.)

Expenses and Program Revenues – Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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 \$4,132,690, up \$260,086 (6.3%) from 2012. Approximately 20% of this total amount (\$803,411) constitutes unassigned fund balance, a decrease of \$82,788 (9.3%) from 2012. The remainder of the fund balance, an increase of \$342,874 (11.5%), is reported in the following categories: 1) nonspendable (\$182,061), 2) restricted (\$2,302,892); 3) committed (\$376,616); and 4) assigned (\$437,510).

VILLAGE OF MCFARLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2013

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

GOVERNMENTAL FUNDS (cont.)

General Fund: The General Fund is the main operating fund of the village. The general fund balance increased from \$1,781,487 to \$2,088,578, an increase of \$307,091 (17.2%). This increase was due to the fact that actual revenues and other financing sources were \$295,441 higher than anticipated in the original budget, due in part to borrowing proceeds of \$200,000.

General Debt Service Fund: The General Debt Service Fund balance decreased \$8,939 from \$499,007 to \$490,068. Approximately \$203,000 of this balance was used in early 2014 to pay off a 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 \$1,622 during the year, with the improvement limited by high capital expenditures. 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 \$480,117.

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 \$69,909 during the year, due to the fact that no tax increment was generated in 2013. At year end, TIF No. 4 owed TIF No. 3 \$480,117 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 \$22,429 (4.7%) during the year.

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, 2013

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

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 2013, excluding depreciation, increased \$59,136 (5.0%) from \$1,190,845 in 2012 to \$1,249,981 in 2013. Operating revenues of the Utility decreased \$19,019 (0.9%) from \$1,996,829 in 2012 to \$1,977,810 in 2013. This compares to a \$96,420 (5.1%) increase in 2012. The lower operating revenue resulted primarily from a decrease in water sold compared to 2012 when usage was very high due to extremely dry weather conditions. The Utility is completely debt-free and maintains a strong unrestricted cash balance of \$1,235,112.

Stormwater Utility: The Stormwater Utility was created July 1, 2008 and is an enterprise fund of the Village of McFarland. Operating expenses in 2013, excluding depreciation, were \$43,558 (19.4%) higher than those in 2012 due in large measure to unexpected costs incurred to repair storm damage to infrastructure. Operating revenues were virtually unchanged from the prior year. The unrestricted cash balance at year end was a healthy \$332,794 or the rough equivalent of 4.5 bimonthly billing cycles.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total expenditures in the General Fund budget for 2013 were \$11,650 less than the approved budget. The adopted appropriations were \$5,005,149, while the actual expenditures totaled \$4,993,499.

On the revenue side, the actual operating revenues and other financing sources of \$5,300,590 exceeded the original budgeted revenues by \$295,441. \$200,000 of this revenue was from borrowing proceeds that will be used to fund current and projected retirement liabilities.

The net operating results for the General Fund budget for 2013 thus generated a surplus of \$307,091 with \$155,279 restricted for future retirement liabilities.

CAPITAL ASSETS

At the end of 2013, the Village had invested a total of \$48,574,866 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, 2013

CAPITAL ASSETS (cont.)

2013 was a year in which there were no major capital asset additions. Minor asset additions included:

>	Police Squad	\$	27,671
>	Debrillator		25,471
>	DPW Pickup Truck		16,995
>	McDaniel Park Pier		10,000

CAPITAL ASSETS AT YEAR-END NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 13,794,341	\$ 13,794,341	\$ 325,845	\$ 325,845	\$ 14,120,186	\$ 14,120,186
Land improvements	783,425	773,425	-	-	783,425	773,425
Buildings	10,495,225	10,495,225	-	-	10,495,225	10,495,225
Machinery and equipment	1,638,610	1,613,139	-	-	1,638,610	1,613,139
Vehicles	2,931,031	2,921,457	-	-	2,931,031	2,921,457
Library improvements/collection	706,426	664,051	-	-	706,426	664,051
Streets	15,703,712	15,609,596	-	-	15,703,712	15,609,596
Sidewalks	3,922,353	3,889,365	-	-	3,922,353	3,889,365
Water plant	-	-	11,308,599	11,219,874	11,308,599	11,219,874
Sewer plant	-	-	5,011,021	4,962,479	5,011,021	4,962,479
Stormwater	-	-	3,988,106	3,962,937	3,988,106	3,962,937
	49,975,123	49,760,599	20,633,571	20,471,135	70,608,694	70,231,734
Total Capital Assets						
Less: Accumulated depreciation	(15,679,041)	(14,799,751))	(6,354,787)	(5,938,272))	(22,033,828)	(20,738,023))
Capital Assets - Net of Accumulated Depreciation	\$ 34,296,082	\$ 34,960,848	\$ 14,278,784	\$ 14,532,863	\$ 48,574,866	\$ 49,493,711

VILLAGE OF MCFARLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2013

LONG-TERM DEBT

During 2013, the Village issued new debt of \$200,000 for governmental activities and \$1,464,700 of debt was retired. A total of \$9,928,458 in general obligation debt for governmental activities was outstanding at the end of 2013, some of which was incurred for future capital projects.

In 2013, the water and sewer utility had zero outstanding debt. The stormwater utility had total general obligation debt outstanding of \$710,000.

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 \$10,638,458 which was 29% of the maximum allowed of \$36,582,710. \$2,915,000 (27.4%) 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	
	2013	2012	2013	2012	2013	2012
	General obligation bonds and notes payable	\$ 9,928,458	\$ 11,193,158	\$ 710,000	790,000	\$ 10,638,458
Capital lease	56,038	65,664	55,888	65,514	11,926	131,178
Total Outstanding Debt	\$ 9,984,496	\$ 11,258,822	\$ 765,888	855,514	\$ 10,750,384	\$ 12,114,336

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 strengthened significantly in 2013, 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 2013 population was 7,876, a small increase from 2012. 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, 2013

CURRENTLY KNOWN FACTS / ECONOMIC CONDITIONS (cont.)

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 continued to rebound in 2013. Building permit activity for new construction in 2013 remained relatively slow due to the small inventory of residential lots and a depressed real estate construction market, conditions which are expected to exhibit gradual improvement in 2014. Building permit activity for alterations and improvements to existing properties again showed strong in 2013.

The McFarland Village Board adopted the 2014 budget in November 2013. The budget authorizes General Fund expenditures of \$5,110,225, up 2.1% over the previous year. The combined property tax levy for all funds is \$5,225,971, an increase of 4.4%. The assessed mill rate increased 3.9% and the equalized mill rate increased 7.0%. \$30,200 in fund balance was appropriated to balance the 2014 budget. The General Fund retains unassigned reserves well in excess of the Village's policy of maintaining a minimum 20% of budgeted expenditures.

REQUESTS FOR INFORMATION

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, PO Box 110, McFarland, WI 53558-0110 or at (608) 838-3153.

General information relating to the Village of McFarland, Wisconsin, can be found at the village's website, www.mcfarland.wi.us.

VILLAGE OF MCFARLAND

STATEMENT OF NET POSITION As of December 31, 2013

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 4,189,967	\$ 2,052,743	\$ 6,242,710
Receivables (net)			
Taxes receivable	6,275,119	-	6,275,119
Delinquent taxes	1,825	-	1,825
Accounts	279,842	319,777	599,619
Special assessments	38,842	36,109	74,951
Delinquent special assessments	5,004	-	5,004
Loans	238,508	-	238,508
Due from other governments	11,237	-	11,237
Internal balances	179,306	(179,306)	-
Assets held for resale	149,370	-	149,370
Materials and supplies	-	16,082	16,082
Prepaid items	160,232	80,163	240,395
Restricted cash and investments	-	265,794	265,794
Other assets	-	460,458	460,458
Capital Assets (net of accumulated depreciation)			
Land	13,794,341	325,845	14,120,186
Other capital assets, net of depreciation	<u>20,501,741</u>	<u>13,952,939</u>	<u>34,454,680</u>
Total Assets	<u>45,825,334</u>	<u>17,330,604</u>	<u>63,155,938</u>
LIABILITIES			
Accounts payable	349,646	189,989	539,635
Accrued liabilities	304,570	8,932	313,502
Deposits	66,623	6,675	73,298
Due to other governments	482	-	482
Noncurrent Liabilities			
Due within one year	1,755,080	162,419	1,917,499
Due in more than one year	<u>8,852,650</u>	<u>746,309</u>	<u>9,598,959</u>
Total Liabilities	<u>11,329,051</u>	<u>1,114,324</u>	<u>12,443,375</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues	<u>6,225,781</u>	<u>-</u>	<u>6,225,781</u>
NET POSITION			
Net investment in capital assets	27,211,844	13,505,888	39,744,056
Restricted for			
Debt service	597,315	-	597,315
Equipment replacement	-	240,100	240,100
Impact fees	-	25,694	25,694
Library	71,826	-	71,826
TIF No. 3	1,335,719	-	1,335,719
Unrestricted (deficit)	<u>(946,202)</u>	<u>2,444,598</u>	<u>2,472,072</u>
TOTAL NET POSITION	<u>\$ 28,270,502</u>	<u>\$ 16,216,280</u>	<u>\$ 44,486,782</u>

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 874,562	\$ 42,032	\$ 110,072	\$ 18,765
Public safety	2,915,780	531,979	35,958	31,272
Health and social services	189,120	-	95,302	-
Public works	2,198,884	273,679	384,331	127,104
Leisure activities	1,056,353	69,896	264,408	340
Conservation and development	72,481	13,036	-	-
Interest and fiscal charges	408,746	-	-	-
Total Governmental Activities	7,715,926	930,622	890,071	177,481
Business-type Activities				
Water Utility	705,005	1,105,083	-	27,362
Sewer Utility	864,554	872,727	-	36,282
Stormwater Utility	384,526	430,944	-	-
Total Business-type Activities	1,954,085	2,408,754	-	63,644
Totals	\$ 9,670,011	\$ 3,339,376	\$ 890,071	\$ 241,125

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>
\$ (703,693)	\$ -	\$ (703,693)
(2,316,571)	-	(2,316,571)
(93,818)	-	(93,818)
(1,413,770)	-	(1,413,770)
(721,709)	-	(721,709)
(59,445)	-	(59,445)
<u>(408,746)</u>	<u>-</u>	<u>(408,746)</u>
<u>(5,717,752)</u>	<u>-</u>	<u>(5,717,752)</u>
-	427,440	427,440
-	44,455	44,455
-	<u>46,418</u>	<u>46,418</u>
-	<u>518,313</u>	<u>518,313</u>
<u>(5,717,752)</u>	<u>518,313</u>	<u>(5,199,439)</u>
3,851,484	-	3,851,484
1,183,259	-	1,183,259
710,116	-	710,116
182,191	-	182,191
227,151	-	227,151
15,214	-	15,214
8,310	1,539	9,849
175,364	1,693	177,057
<u>205,016</u>	<u>(205,016)</u>	<u>-</u>
<u>6,558,105</u>	<u>(201,784)</u>	<u>6,356,321</u>
840,353	316,529	1,156,882
<u>27,430,149</u>	<u>15,899,751</u>	<u>43,329,900</u>
<u>\$ 28,270,502</u>	<u>\$ 16,216,280</u>	<u>\$ 44,486,782</u>

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2013

	General	General Debt Service	TIF No. 3 Capital Project	TIF No. 4 Capital Project
ASSETS				
Cash and investments	\$ 2,009,567	\$ 490,068	\$ 822,792	\$ 407
Receivables				
Taxes	3,296,643	1,242,982	704,314	-
Delinquent taxes	1,825	-	-	-
Accounts	157,360	-	92,743	-
Special assessments	38,842	-	-	-
Delinquent special assessments	5,004	-	-	-
Loans	15,000	163,458	-	43,750
Due from other governments	3,448	-	-	-
Due from other funds	187,401	-	-	-
Prepaid items	160,232	-	-	-
Advances to other funds	-	-	480,117	-
	<u>\$ 5,875,322</u>	<u>\$ 1,896,508</u>	<u>\$ 2,099,966</u>	<u>\$ 44,157</u>
TOTAL ASSETS				
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 153,727	\$ -	\$ 13	\$ -
Accrued liabilities	245,021	-	407	407
Deposits	66,623	-	-	-
Due to other governments	482	-	-	-
Due to other funds	8,095	-	-	-
Advances from other funds	-	-	-	480,117
Total Liabilities	<u>473,948</u>	<u>-</u>	<u>420</u>	<u>480,524</u>
Deferred Inflows of Resources				
Unearned revenues	3,247,305	1,242,982	704,314	-
Unavailable revenues	65,491	163,458	59,513	43,750
Total Deferred Inflows of Resources	<u>3,312,796</u>	<u>1,406,440</u>	<u>763,827</u>	<u>43,750</u>
Fund Balances				
Nonspendable	182,061	-	-	-
Restricted	155,279	490,068	1,335,719	-
Committed	-	-	-	-
Assigned	467,710	-	-	-
Unassigned (deficit)	1,283,528	-	-	(480,117)
Total Fund Balances	<u>2,088,578</u>	<u>490,068</u>	<u>1,335,719</u>	<u>(480,117)</u>
	<u>\$ 5,875,322</u>	<u>\$ 1,896,508</u>	<u>\$ 2,099,966</u>	<u>\$ 44,157</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				

See accompanying notes to financial statements.

Capital Equipment and Projects	Nonmajor Governmental Funds	Totals
\$ 597,656	\$ 269,477	\$ 4,189,967
301,900	729,280	6,275,119
-	-	1,825
7,162	22,577	279,842
-	-	38,842
-	-	5,004
1,300	15,000	238,508
-	7,789	11,237
-	-	187,401
-	-	160,232
-	-	480,117
<u>\$ 908,018</u>	<u>\$ 1,044,123</u>	<u>\$ 11,868,094</u>
\$ 151,540	\$ 44,366	\$ 349,646
-	2,524	248,359
-	-	66,623
-	-	482
-	-	8,095
-	-	480,117
<u>151,540</u>	<u>46,890</u>	<u>1,153,322</u>
301,900	729,280	6,225,781
<u>1,300</u>	<u>22,789</u>	<u>356,301</u>
<u>303,200</u>	<u>752,069</u>	<u>6,582,082</u>
-	-	182,061
250,000	71,826	2,302,892
203,278	173,338	376,616
-	-	467,710
-	-	803,411
<u>453,278</u>	<u>245,164</u>	<u>4,132,690</u>
<u>\$ 908,018</u>	<u>\$ 1,044,123</u>	<u>\$ 11,868,094</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, 2013

Total Fund Balances - Governmental Funds	\$ 4,132,690
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.	34,296,082
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. See Note IV.B.	356,301
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>(10,663,941)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 28,270,502</u></u>

VILLAGE OF MCFARLAND

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

For the Year Ended December 31, 2013

	General	General Debt Service	TIF No. 3 Capital Project	TIF No. 4 Capital Project
REVENUES				
Taxes	\$ 3,348,360	\$ 1,183,259	\$ 790,220	\$ -
Intergovernmental	679,896	-	10,495	789
Licenses and permits	112,054	-	-	-
Fines, forfeitures and penalties	64,358	-	-	-
Public charges for services	229,882	13,996	-	-
Intergovernmental charges for services	207,448	-	-	-
Investment income	6,700	54	445	-
Miscellaneous	221,707	80,775	15,779	-
Total Revenues	4,870,405	1,278,084	816,939	789
EXPENDITURES				
Current				
General government	758,717	-	35,609	2,078
Public safety	2,826,965	-	-	-
Health and social services	185,496	-	-	-
Public works	933,519	-	-	-
Leisure activities	214,385	-	-	-
Conservation and development	74,417	-	-	-
Capital Outlay	-	-	239,332	32,762
Debt Service				
Principal retirement	-	1,059,700	380,000	25,000
Other interest and fiscal charges	-	250,257	160,376	10,858
Total Expenditures	4,993,499	1,309,957	815,317	70,698
Excess (deficiency) of revenues over expenditures	(123,094)	(31,873)	1,622	(69,909)
OTHER FINANCING USES				
Debt issued	200,000	-	-	-
Transfers in	230,185	22,934	-	-
Transfers out	-	-	-	-
Total Other Financing Uses	430,185	22,934	-	-
Net Change in Fund Balances	307,091	(8,939)	1,622	(69,909)
FUND BALANCES (DEFICIT) - Beginning of Year	1,781,487	499,007	1,334,097	(410,208)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 2,088,578	\$ 490,068	\$ 1,335,719	\$ (480,117)

See accompanying notes to financial statements.

Capital Equipment and Projects	Nonmajor Governmental Funds	Totals
\$ -	\$ 595,251	\$ 5,917,090
31,272	196,571	919,023
-	88,695	200,749
-	-	64,358
-	295,549	539,427
-	-	207,448
995	116	8,310
<u>2,298</u>	<u>27,985</u>	<u>348,544</u>
<u>34,565</u>	<u>1,204,167</u>	<u>8,204,949</u>
-	-	796,404
-	-	2,826,965
-	-	185,496
-	453,722	1,387,241
-	658,521	872,906
-	-	74,417
56,994	16,340	345,428
-	-	1,464,700
-	-	<u>421,491</u>
<u>56,994</u>	<u>1,128,583</u>	<u>8,375,048</u>
<u>(22,429)</u>	<u>75,584</u>	<u>(170,099)</u>
-	-	200,000
-	-	253,119
-	<u>(22,934)</u>	<u>(22,934)</u>
-	<u>(22,934)</u>	<u>430,185</u>
(22,429)	52,650	260,086
<u>475,707</u>	<u>192,514</u>	<u>3,872,604</u>
<u>\$ 453,278</u>	<u>\$ 245,164</u>	<u>\$ 4,132,690</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, 2013

Net change in fund balances - total governmental funds	\$	260,086
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Amounts reported for governmental activities in the statement of net position are different because:

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.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	345,428
Some items are reported as capital outlay, but are not capitalized	(76,009)
Depreciation is reported in the government-wide financial statements	(930,676)
Net book value of assets retired	(3,509)

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.	(67,999)
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net 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.

Debt issued	(200,000)
Principal repaid - debt	1,464,700
Principal repaid - capital lease	9,626

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	25,961
Accrued interest and other debt expenses	12,745

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>840,353</u>
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VILLAGE OF MCFARLAND

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2013

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water and Sewer Utility</u>	<u>Stormwater Utility</u>	<u>Totals</u>
ASSETS			
Current Assets			
Cash and investments	\$ 1,235,112	\$ 332,794	\$ 1,567,906
Receivables			
Accounts	206,330	63,061	269,391
Other	42,502	7,884	50,386
Due from other funds	-	8,095	8,095
Materials and supplies	16,082	-	16,082
Prepaid items	<u>65,583</u>	<u>14,580</u>	<u>80,163</u>
Total Current Assets	<u>1,565,609</u>	<u>426,414</u>	<u>1,992,023</u>
Noncurrent Assets			
Restricted Assets			
Replacement account	240,100	-	240,100
Impact fee account	25,694	-	25,694
Capital Assets			
Land	165,570	160,275	325,845
Property and equipment	16,319,620	3,988,106	20,307,726
Less: Accumulated depreciation	(5,061,629)	(1,293,158)	(6,354,787)
Other Assets			
Water tower reserve	324,337	-	324,337
Depreciation reserve	78,000	82,500	160,500
Preliminary survey and investigation	16,141	-	16,141
Special assessment receivable	36,109	-	36,109
Property held for future use	<u>224,112</u>	<u>220,205</u>	<u>444,317</u>
Total Noncurrent Assets	<u>12,368,054</u>	<u>3,157,928</u>	<u>15,525,982</u>
Total Assets	<u>13,933,663</u>	<u>3,584,342</u>	<u>17,518,005</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>	
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 152,613	\$ 37,376	\$ 189,989
Due to other funds	187,401	-	187,401
Customer deposits	5,000	1,675	6,675
Accrued wages	1,984	752	2,736
Accrued interest	-	4,955	4,955
Compensated absences	21,106	5,425	26,531
Other current liabilities	1,241	-	1,241
Current portion of lease	37,259	18,629	55,888
Current portion of general obligation debt	-	80,000	80,000
Total Current Liabilities	<u>406,604</u>	<u>148,812</u>	<u>555,416</u>
Noncurrent Liabilities			
Long-Term Debt			
General obligation debt	-	630,000	630,000
Unamortized debt premium	-	7,008	7,008
Other Liabilities			
Compensated absences	<u>82,015</u>	<u>27,286</u>	<u>109,301</u>
Total Noncurrent Liabilities	<u>82,015</u>	<u>664,294</u>	<u>746,309</u>
Total Liabilities	<u>488,619</u>	<u>813,106</u>	<u>1,301,725</u>
NET POSITION			
Net investment in capital assets	11,386,302	2,119,586	13,505,888
Restricted for			
Equipment replacement	240,100	-	240,100
Impact fees	25,694	-	25,694
Unrestricted	<u>1,792,948</u>	<u>651,650</u>	<u>2,444,598</u>
TOTAL NET POSITION	<u>\$ 13,445,044</u>	<u>\$ 2,771,236</u>	<u>\$ 16,216,280</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, 2013

	Business-type Activities - Enterprise Funds		
	Water and Sewer Utility	Stormwater Utility	Totals
OPERATING REVENUES			
Water	\$ 1,105,083	\$ -	\$ 1,105,083
Sewer	872,727	-	872,727
Stormwater	-	430,944	430,944
Total Operating Revenues	1,977,810	430,944	2,408,754
OPERATING EXPENSES			
Operation and maintenance	1,249,981	268,079	1,518,060
Depreciation	318,273	82,350	400,623
Total Operating Expenses	1,568,254	350,429	1,918,683
Operating Income	409,556	80,515	490,071
NONOPERATING REVENUES (EXPENSES)			
Investment income	789	750	1,539
Interest expense	(1,305)	(17,059)	(18,364)
Rental expense	-	(10,030)	(10,030)
Miscellaneous revenues	-	1,693	1,693
Amortization of debt issuance costs	-	(8,707)	(8,707)
Amortization of debt premium	-	1,699	1,699
Total Nonoperating Revenues (Expenses)	(516)	(31,654)	(32,170)
Income Before Contributions and Transfers	409,040	48,861	457,901
CONTRIBUTIONS AND TRANSFERS			
Capital contributions	63,644	-	63,644
Capital contributions - municipal	-	25,169	25,169
Transfers - tax equivalent	(230,185)	-	(230,185)
Total Contributions and Transfers	(166,541)	25,169	(141,372)
Change in Net Position	242,499	74,030	316,529
NET POSITION - Beginning of Year	13,202,545	2,697,206	15,899,751
NET POSITION - END OF YEAR	\$ 13,445,044	\$ 2,771,236	\$ 16,216,280

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2013

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water and Sewer Utility</u>	<u>Stormwater Utility</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 1,690,870	\$ 422,225	\$ 2,113,095
Received from village for services	309,202	-	309,202
Paid to suppliers for goods and services	(1,031,798)	(162,927)	(1,194,725)
Paid to employees for services	<u>(257,941)</u>	<u>(82,982)</u>	<u>(340,923)</u>
Net Cash Flows From Operating Activities	<u>710,333</u>	<u>176,316</u>	<u>886,649</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>789</u>	<u>750</u>	<u>1,539</u>
Net Cash Flows From Investing Activities	<u>789</u>	<u>750</u>	<u>1,539</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Paid to municipality for tax equivalent	<u>(223,409)</u>	<u>-</u>	<u>(223,409)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(223,409)</u>	<u>-</u>	<u>(223,409)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	-	(80,000)	(80,000)
Interest paid	(1,305)	(17,527)	(18,832)
Acquisition and construction of capital assets	(130,738)	(29,893)	(160,631)
Impact fees received	21,125	-	21,125
Capital lease payments	<u>(6,417)</u>	<u>(3,209)</u>	<u>(9,626)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(117,335)</u>	<u>(130,629)</u>	<u>(247,964)</u>
Net Change in Cash and Cash Equivalents	370,378	46,437	416,815
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,532,865</u>	<u>368,857</u>	<u>1,901,722</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,903,243</u>	<u>\$ 415,294</u>	<u>\$ 2,318,537</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Water and Sewer Utility	Stormwater Utility	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 409,556	\$ 80,515	\$ 490,071
Nonoperating revenue	-	(8,337)	(8,337)
Adjustments to Reconcile Operating Income to Net Cash			
Flows From Operating Activities			
Depreciation	318,273	82,350	400,623
Depreciation charged to other funds	15,600	-	15,600
Changes in assets and liabilities			
Accounts receivable	339	172	511
Other receivables	(6,221)	(6,490)	(12,711)
Due to municipality	11,303	-	11,303
Prepaid items	(61,704)	(13,287)	(74,991)
Accounts payable	10,146	33,524	43,670
Accrued wages	3,511	649	4,160
Other current liabilities	1,241	-	1,241
Compensated absences	8,289	1,284	9,573
Due from municipality	-	5,936	5,936
	<u>-</u>	<u>5,936</u>	<u>5,936</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 710,333</u>	<u>\$ 176,316</u>	<u>\$ 886,649</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS			
Cash and investments	\$ 1,235,112	\$ 332,794	\$ 1,567,906
Replacement account	240,100	-	240,100
Impact fee account	25,694	-	25,694
Water tower reserve	324,337	-	324,337
Depreciation reserve	78,000	82,500	160,500
	<u>78,000</u>	<u>82,500</u>	<u>160,500</u>
CASH AND CASH EQUIVALENTS	<u>\$ 1,903,243</u>	<u>\$ 415,294</u>	<u>\$ 2,318,537</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Developer financed additions to utility plant	<u>\$ 6,237</u>	<u>\$ -</u>	
Municipality financed additions to utility plant	<u>\$ -</u>	<u>\$ 25,169</u>	

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
As of December 31, 2013

	<u>Tax Collection Fund</u>
ASSETS	
Cash and investments	\$ 9,688,021
Taxes	<u>2,605,273</u>
TOTAL ASSETS	<u><u>\$ 12,293,294</u></u>
LIABILITIES	
Due to other governments	<u>\$ 12,293,294</u>
TOTAL LIABILITIES	<u><u>\$ 12,293,294</u></u>

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND

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VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The reporting entity for the village consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The village has not identified any organizations that meet this criteria.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In March 2012, the GASB issued statement No. 65 - *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented effective January 1, 2013.

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.

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.

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

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

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, deferred inflows of resources, net position/fund equity, revenues, and expenditures/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/deferred inflows of resources, 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, 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.
- 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

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

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

Fund Financial Statements (cont.)

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:

Agency Fund - 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

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.

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

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 unearned 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 unavailable revenues. Amounts received before eligibility requirements (excluding time) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

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 unavailable revenues. Delinquent special assessments being held for collection by the county are reported as receivables and nonspendable fund balance in the general fund.

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.

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.

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

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

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.

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, 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:

Custodial credit risk
Credit risk

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

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.

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, 2013, 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 statement of assets and liabilities - agency fund.

Property tax calendar - 2013 tax roll:

Lien date and levy date	December 2013
Tax bills mailed	December 2013
Payment in full, or	January 31, 2014
First installment due	January 31, 2014
Second installment due	July 31, 2014
Personal property taxes in full	January 31, 2014
Tax sale - 2013 delinquent real estate taxes	October 2016

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.

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

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.

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, 2013, the principal to be repaid by the Curling Club is \$163,458.

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, 2013, the principal to be repaid by the foundation is \$15,000.

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, 2013, 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 from 2012 - 2016. This is an interest free loan. As of December 31, 2013, the principal to be repaid by the association is \$15,000.

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.

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

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.

5. Assets Held for Resale

For the government-wide type financial statements, assets held for resale in the amount of \$149,370 represent 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.

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

6. Capital Assets (cont.)

Government-Wide Statements (cont.)

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	4-100 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.

7. Other Assets

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, 2013, are determined on the basis of current salary rates and include salary related payments.

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

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 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 premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for gains/losses is shown as a deferred outflow/inflow in 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.

10. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

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.

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

11. Equity Classifications (cont.)

Government-Wide Statements (cont.)

- 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	\$ 27,211,844	\$ 13,505,888	\$ (973,676)	\$ 39,744,056
Unrestricted	(946,202)	2,444,598	973,676	2,472,072

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.

Fund Statements

Governmental fund equity is classified as fund balance and displayed 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 Board. 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 Board that originally created the commitment.

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

11. Equity Classifications (cont.)

Fund Statements (cont.)

- 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.

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 \$1,283,528, or 25.1%, 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 10, 2012 and implemented on January 1, 2013.

Stormwater

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

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

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.

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	\$	9,928,458	
Compensated absences		623,234	
Accrued interest		56,211	
Capital lease payable		<u>56,038</u>	
Combined Adjustment for Long-Term Liabilities	\$	<u><u>10,663,941</u></u>	

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
General debt service	\$ 1,259,957	\$ 1,309,957	\$ 50,000
Cable	80,100	90,245	10,145
Parks	2,500	17,126	14,626

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.

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

B. DEFICIT BALANCES

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

As of December 31, 2013, the following individual fund held a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
TIF No. 4 capital project	\$ 480,117	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.

C. LIMITATIONS ON THE VILLAGE'S TAX LEVY

Wisconsin law 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. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The village is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

A. DEPOSITS AND INVESTMENTS (cont.)

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 3,272,677	\$ 3,311,768	Custodial credit risk
LGIP	12,922,998	12,922,998	Credit risk
Petty cash	850	-	N/A
 Total Deposits and Investments	 \$ 16,196,525	 \$ 16,234,766	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 6,242,710		
Restricted cash and investments	265,794		
Per statement of assets and liabilities -			
agency fund			
Tax collection fund	9,688,021		
 Total Deposits and Investments	 \$ 16,196,525		

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) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). 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 nature of this fund, 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.

As of December 31, 2013, \$2,382,685 of the village's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,382,685
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VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

A. DEPOSITS AND INVESTMENTS (cont.)

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 (\$1,825), special assessments (\$38,842), delinquent special assessments (\$5,004), and loans receivable (\$190,230).

Governmental funds report *unavailable or unearned 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 *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 6,225,781	\$ -
Special assessments not yet due	-	38,842
Accounts receivable	-	95,251
Loans not yet due	-	<u>222,208</u>
 Total Unearned/Unavailable Revenue for Governmental Funds	 <u>\$ 6,225,781</u>	 <u>\$ 356,301</u>

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

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, 2013:

Restricted Assets	
Replacement account	\$ 240,100
Impact fee account	<u>25,694</u>
Total Restricted Assets	<u>\$ 265,794</u>

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
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	10,000	-	783,425
Buildings	10,495,225	-	-	10,495,225
Machinery and equipment	1,613,139	25,471	-	1,638,610
Streets	15,609,596	94,116	-	15,703,712
Sidewalks	3,889,365	32,988	-	3,922,353
Vehicles	2,921,457	44,666	35,092	2,931,031
Library improvements and collection	664,051	62,178	19,803	706,426
Total Capital Assets Being Depreciated	<u>35,966,258</u>	<u>269,419</u>	<u>54,895</u>	<u>36,180,782</u>
Total Capital Assets	<u>49,760,599</u>	<u>269,419</u>	<u>54,895</u>	<u>49,975,123</u>
Less: Accumulated depreciation for				
Land improvements	(205,395)	(25,394)	-	(230,789)
Buildings	(1,298,114)	(118,754)	-	(1,416,868)
Machinery and equipment	(853,420)	(79,042)	-	(932,462)
Streets	(8,455,895)	(386,708)	-	(8,842,603)
Sidewalks	(2,403,310)	(122,820)	-	(2,526,130)
Vehicles	(1,234,967)	(149,658)	31,583	(1,353,042)
Library improvements and collection	(348,650)	(48,300)	19,803	(377,147)
Total Accumulated Depreciation	<u>(14,799,751)</u>	<u>(930,676)</u>	<u>51,386</u>	<u>(15,679,041)</u>
Net Capital Assets Being Depreciated	<u>21,166,507</u>	<u>(661,257)</u>	<u>3,509</u>	<u>20,501,741</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 34,960,848</u>	<u>\$ (661,257)</u>	<u>\$ 3,509</u>	<u>\$ 34,296,082</u>

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 61,845
Public safety	129,857
Public works, which includes the depreciation of infrastructure	594,163
Leisure activities	<u>144,811</u>
Total Governmental Activities Depreciation Expense	<u><u>\$ 930,676</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	10,420,625	88,725	-	10,509,350
General	<u>225,802</u>	<u>-</u>	<u>-</u>	<u>225,802</u>
Total Capital Assets Being Depreciated	<u>11,219,874</u>	<u>88,725</u>	<u>-</u>	<u>11,308,599</u>
Total Capital Assets	<u>11,307,424</u>	<u>88,725</u>	<u>-</u>	<u>11,396,149</u>
Less: Accumulated depreciation for				
General	<u>(3,083,254)</u>	<u>(238,487)</u>	<u>-</u>	<u>(3,321,741)</u>
Total Accumulated Depreciation	<u>(3,083,254)</u>	<u>(238,487)</u>	<u>-</u>	<u>(3,321,741)</u>
Net Capital Assets Being Depreciated	<u>8,136,620</u>	<u>(149,762)</u>	<u>-</u>	<u>7,986,858</u>
Net Water Capital Assets	<u><u>\$ 8,224,170</u></u>	<u><u>\$ (149,762)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,074,408</u></u>

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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	4,230,311	48,542	-	4,278,853
Collecting system pumping	596,075	-	-	596,075
General	<u>136,093</u>	<u>-</u>	<u>-</u>	<u>136,093</u>
Total Capital Assets Being Depreciated	<u>4,962,479</u>	<u>48,542</u>	<u>-</u>	<u>5,011,021</u>
Total Capital Assets	<u>5,040,499</u>	<u>48,542</u>	<u>-</u>	<u>5,089,041</u>
Less: Accumulated depreciation for				
General	<u>(1,644,210)</u>	<u>(95,678)</u>	<u>-</u>	<u>(1,739,888)</u>
Total Accumulated Depreciation	<u>(1,644,210)</u>	<u>(95,678)</u>	<u>-</u>	<u>(1,739,888)</u>
Net Capital Assets Being Depreciated	<u>3,318,269</u>	<u>(47,136)</u>	<u>-</u>	<u>3,271,133</u>
Net Sewer Capital Assets	<u>\$ 3,396,289</u>	<u>\$ (47,136)</u>	<u>\$ -</u>	<u>\$ 3,349,153</u>

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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	3,962,937	25,169	-	3,988,106
Total Capital Assets Being Depreciated	3,962,937	25,169	-	3,988,106
Total Capital Assets	4,123,212	25,169	-	4,148,381
Less: Accumulated depreciation for				
Stormwater	(1,210,808)	(82,350)	-	(1,293,158)
Total Accumulated Depreciation	(1,210,808)	(82,350)	-	(1,293,158)
Net Capital Assets Being Depreciated	2,752,129	(57,181)	-	2,694,948
Net Stormwater Capital Assets	\$ 2,912,404	\$ (57,181)	\$ -	\$ 2,855,223
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 14,532,863	\$ (254,079)	\$ -	\$ 14,278,784

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 222,595
Sewer	95,678
Storm	82,350

Total Business-type Activities Depreciation Expense \$ 400,623

Depreciation expense may be different from business-type activity accumulated depreciation additions because of joint metering, salvage, cost of removal, internal allocations, or costs associated with the disposal of assets.

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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	\$ 187,401
Stormwater utility	General fund	<u>8,095</u>
Total - Fund Financial Statements		195,496
Less: Fund eliminations		<u>(16,190)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u><u>\$ 179,306</u></u>
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 187,401
Business-type Activities	Governmental Activities	<u>(8,095)</u>
Total Government-Wide Financial Statements		<u><u>\$ 179,306</u></u>

All amounts are due within one year.

The principal purpose of this interfund is for the 2013 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 2013 was 0.10%. No repayment schedule has been established.

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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	\$ 480,117	\$ 480,117
Total - Fund Financial Statements		480,117	
Less: Fund eliminations		<u>(480,117)</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	\$ 230,185	2013 Water PILOT
General debt service	Solid waste	<u>22,934</u>	Debt service
Total - Fund Financial Statements		253,119	
Less: Fund eliminations		(22,934)	
Less: Transfer to business-type activities for capital assets funded by governmental activities		<u>(25,169)</u>	
Total Transfers - Government-Wide Statement of Activities		<u><u>\$ 205,016</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.

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

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 11,193,158	\$ 200,000	\$ 1,464,700	\$ 9,928,458	\$ 1,463,203
Sub-totals	<u>11,193,158</u>	<u>200,000</u>	<u>1,464,700</u>	<u>9,928,458</u>	<u>1,463,203</u>
Other Liabilities					
Vested compensated absences	649,195	259,497	285,458	623,234	235,839
Capital leases	<u>65,664</u>	<u>-</u>	<u>9,626</u>	<u>56,038</u>	<u>56,038</u>
Total Other Liabilities	<u>714,859</u>	<u>259,497</u>	<u>295,084</u>	<u>679,272</u>	<u>291,877</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 11,908,017</u>	<u>\$ 459,497</u>	<u>\$ 1,759,784</u>	<u>\$ 10,607,730</u>	<u>\$ 1,755,080</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 790,000	\$ -	\$ 80,000	\$ 710,000	\$ 80,000
(Discounts)/Premiums	<u>8,707</u>	<u>-</u>	<u>1,699</u>	<u>7,008</u>	<u>-</u>
Sub-totals	<u>798,707</u>	<u>-</u>	<u>81,699</u>	<u>717,008</u>	<u>80,000</u>
Other Liabilities					
Vested compensated absences	131,478	27,137	22,783	135,832	26,531
Capital leases	<u>65,514</u>	<u>-</u>	<u>9,626</u>	<u>55,888</u>	<u>55,888</u>
Total Other Liabilities	<u>196,992</u>	<u>27,137</u>	<u>32,409</u>	<u>191,720</u>	<u>82,419</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 995,699</u>	<u>\$ 27,137</u>	<u>\$ 114,108</u>	<u>\$ 908,728</u>	<u>\$ 162,419</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, 2013, was \$36,582,710. Total general obligation debt outstanding at year end was \$10,638,458.

General Obligation Debt

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

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2013
G.O. refunding bonds	05/15/05	12/01/20	3.5-4.2%	\$ 3,240,000	\$ 1,925,000
State trust fund loan	04/15/06	03/15/16	4.75%	379,000	163,458
Taxable G.O. promissory note	12/15/08	12/01/17	4.10-6.15%	2,635,000	1,280,000
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	1,340,000
G.O. promissory notes	12/01/11	09/01/21	2.00-2.50%	3,700,000	3,605,000
State trust fund loan	07/12/13	03/15/15	2.00%	200,000	<u>200,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 9,928,458</u>

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2013
G.O. promissory notes	12/01/11	09/01/21	2.00-2.50%	\$ 875,000	<u>\$ 710,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 710,000</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2014	\$ 1,463,203	\$ 357,924	\$ 80,000	\$ 14,865
2015	1,729,450	305,895	85,000	13,265
2016	1,665,805	250,599	85,000	11,565
2017	1,410,000	188,178	90,000	9,865
2018	1,225,000	140,937	90,000	8,065
2019-2023	<u>2,435,000</u>	<u>251,819</u>	<u>280,000</u>	<u>13,058</u>
Totals	<u>\$ 9,928,458</u>	<u>\$ 1,495,352</u>	<u>\$ 710,000</u>	<u>\$ 70,683</u>

Capital Leases

Refer to Note IV. G.

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information

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

G. LEASE DISCLOSURES

Lessee - Capital Leases

In 2012 the village and water, sewer and storm utilities acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$149,775, which are included in capital assets in the governmental and business-type activities. The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2013, are as follows:

<u>Years</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	<u>\$ 56,038</u>	<u>\$ 1,645</u>	<u>\$ 57,683</u>	<u>\$ 55,888</u>	<u>\$ 2,192</u>	<u>\$ 58,080</u>

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2013, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 13,794,341
Other capital assets, net of accumulated depreciation	20,501,741
Less: Long-term debt and capital lease outstanding	(9,984,496)
Plus: Unspent capital related debt proceeds	250,000
Plus: Noncapital debt proceeds	<u>2,650,258</u>
Total Net Investment in Capital Assets	<u>27,211,844</u>
Restricted	
Debt service	597,315
Library	71,826
TIF No. 3	<u>1,335,719</u>
Total Restricted	<u>2,004,860</u>
Unrestricted (deficit)	<u>(946,202)</u>
Total Governmental Activities Net Position	<u><u>\$ 28,270,502</u></u>

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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, 2013, 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
Fund Balances							
Nonspendable:							
Delinquent taxes and specials	\$ 6,829	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,829
Loans	15,000	-	-	-	-	-	15,000
Prepaid items	160,232	-	-	-	-	-	160,232
Restricted for:							
Debt service	-	490,068	-	-	-	-	490,068
TIF related purposes	-	-	1,335,719	-	-	-	1,335,719
Capital projects	-	-	-	-	250,000	-	250,000
Retiree payouts	155,279	-	-	-	-	-	155,279
Library purposes	-	-	-	-	-	71,826	71,826
Committed to:							
Capital projects	-	-	-	-	203,278	44,376	247,654
Cable TV	-	-	-	-	-	111,311	111,311
Solid waste	-	-	-	-	-	17,651	17,651
Assigned to:							
Carryovers	30,200	-	-	-	-	-	30,200
PILOT	230,185	-	-	-	-	-	230,185
Developer capital project deposits	103,228	-	-	-	-	-	103,228
Outreach	6,982	-	-	-	-	-	6,982
Equipment replacement	36,000	-	-	-	-	-	36,000
Police seizures	3,434	-	-	-	-	-	3,434
Police grants	7,730	-	-	-	-	-	7,730
Act 102	23,192	-	-	-	-	-	23,192
Revaluation	7,500	-	-	-	-	-	7,500
Police K-9	19,259	-	-	-	-	-	19,259
Unassigned (deficit):	1,283,528	-	-	(480,117)	-	-	803,411
Total Fund Balances (Deficit)	\$ 2,088,578	\$ 490,068	\$ 1,335,719	\$ (480,117)	\$ 453,278	\$ 245,164	\$ 4,132,690

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets		
Land	\$	325,845
Other capital assets, net of accumulated depreciation		13,952,939
Less: Long-term debt and capital lease outstanding		(765,888)
Less: Unamortized debt premium		<u>(7,008)</u>
Total Net Investment in Capital Assets		<u>13,505,888</u>
Restricted		
Equipment replacement		240,100
Impact fees		<u>25,694</u>
Total Restricted		<u>265,794</u>
Unrestricted		<u>2,444,598</u>
Total Business-type Activities Net Position	\$	<u><u>16,216,280</u></u>

NOTE V - OTHER INFORMATION

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.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective employees 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, 2013 are:

	<u>Employee</u>	<u>Employer</u>
General	6.65%	6.65%
Executives and Elected Officials	7.00%	7.00%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

The payroll for village employees covered by the WRS for the year ended December 31, 2013 was \$2,762,055; the employer's total payroll was \$3,013,973. The total required contribution for the year ended December 31, 2013 was \$431,974 or 15.6% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending 2012 and 2011 were \$394,821 and \$383,365, 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. A 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 WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report 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, 2013 there was no pension related debt for the village.

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

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.

VILLAGE OF MCFARLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

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.

D. SUBSEQUENT EVENTS

New sewer and stormwater utility rates were approved to go into effect on January 1, 2014.

The Village paid off the full amount of the 2013 State Trust Fund Loan on January 2, 2014.

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

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*
- > Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- > Statement No. 69, *Government Combinations and Disposals of Government Operations*
- > Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

When they become effective, 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, 2013

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 3,350,559	\$ 3,348,360	\$ (2,199)
Intergovernmental	670,590	679,896	9,306
Licenses and permits	79,350	112,054	32,704
Fines, forfeitures and penalties	74,000	64,358	(9,642)
Public charges for services	204,750	229,882	25,132
Intergovernmental charges for services	202,410	207,448	5,038
Investment income	7,500	6,700	(800)
Miscellaneous	199,990	221,707	21,717
Total Revenues	<u>4,789,149</u>	<u>4,870,405</u>	<u>81,256</u>
EXPENDITURES			
Current:			
General government	780,090	758,717	21,373
Public safety	2,806,898	2,826,965	(20,067)
Health and social services	184,670	185,496	(826)
Public works	939,459	933,519	5,940
Leisure activities	219,659	214,385	5,274
Conservation and development	74,373	74,417	(44)
Total Expenditures	<u>5,005,149</u>	<u>4,993,499</u>	<u>11,650</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(216,000)</u>	<u>(123,094)</u>	<u>92,906</u>
OTHER FINANCING SOURCES			
Debt issued	-	200,000	200,000
Transfers in	216,000	230,185	14,185
Total Other Financing Sources	<u>216,000</u>	<u>430,185</u>	<u>214,185</u>
Net Change in Fund Balance	-	307,091	307,091
FUND BALANCE - Beginning of Year	<u>1,781,487</u>	<u>1,781,487</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,781,487</u>	<u>\$ 2,088,578</u>	<u>\$ 307,091</u>

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

VILLAGE OF MCFARLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2013

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.

The budgeted amounts presented are as presented in the original budget and no amendments were adopted during the year. 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.

SUPPLEMENTARY INFORMATION

VILLAGE OF MCFARLAND

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

For the Year Ended December 31, 2013

	Original and Final Budget	Actual	Variance with Final Budget
TAXES			
General property taxes	\$ 3,256,233	\$ 3,256,233	\$ -
Payments in lieu of taxes	90,326	90,174	(152)
Interest on taxes	4,000	1,953	(2,047)
Total Taxes	<u>3,350,559</u>	<u>3,348,360</u>	<u>(2,199)</u>
INTERGOVERNMENTAL			
State shared revenues	109,226	104,026	(5,200)
Expenditure restraint payment	100,881	100,881	-
Fire insurance tax from state	25,000	24,694	(306)
State aid - exempt computer	6,000	10,489	4,489
State aid - municipal services	315	353	38
State aid - general transportation aids	362,884	362,672	(212)
State aid - conservation land	118	118	-
State aid - EMS	-	10,264	10,264
State aid - tank inspections	2,500	1,032	(1,468)
State aid - law enforcement	-	1,000	1,000
County aid - outreach	41,615	41,615	-
County aid - nutrition program	22,051	22,051	-
Miscellaneous	-	701	701
Total Intergovernmental	<u>670,590</u>	<u>679,896</u>	<u>9,306</u>
LICENSES AND PERMITS			
Liquor and malt beverage licenses	10,000	11,998	1,998
Operators' license	5,000	5,847	847
Other business and occupational licenses	1,700	1,700	-
Bicycle licenses	150	80	(70)
Dog and cat licenses	3,500	4,180	680
Dog park permits	6,000	5,306	(694)
Nonbusiness licenses	1,200	1,480	280
Building permits	21,000	34,536	13,536
Heating permits	7,000	10,528	3,528
Plumbing permits	7,000	11,851	4,851
Electrical permits	12,000	17,119	5,119
Erosion control permits	1,200	2,600	1,400
Other permits	3,600	4,829	1,229
Total Licenses And Permits	<u>79,350</u>	<u>112,054</u>	<u>32,704</u>
FINES, FORFEITURES AND PENALTIES			
Court penalties and costs	65,000	57,013	(7,987)
Parking violations	8,000	7,345	(655)
Other law and ordinance violations	1,000	-	(1,000)
Total Fines, Forfeitures And Penalties	<u>74,000</u>	<u>64,358</u>	<u>(9,642)</u>

VILLAGE OF MCFARLAND

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

For the Year Ended December 31, 2013

	Original and Final	Actual	Variance with Final Budget
PUBLIC CHARGES FOR SERVICES			
Clerk's fees	\$ 3,000	\$ 4,343	\$ 1,343
Police department fees	3,000	2,138	(862)
Fire department fees	200	10	(190)
Ambulance fees	182,500	201,900	19,400
Publication fees	1,200	1,193	(7)
Park user fees	4,000	4,965	965
Highway maintenance and construction	1,000	1,180	180
Plan review fees	4,000	7,457	3,457
Developers' fees	5,000	5,578	578
Other public charges for services	850	1,118	268
Total Public Charges For Services	<u>204,750</u>	<u>229,882</u>	<u>25,132</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES			
Local - law enforcement services	21,050	20,813	(237)
Local - fire services	106,178	106,154	(24)
Local - ambulance services	50,682	50,681	(1)
Outreach	24,500	29,800	5,300
Total Intergovernmental Charges For Services	<u>202,410</u>	<u>207,448</u>	<u>5,038</u>
INVESTMENT INCOME			
Investment income	<u>7,500</u>	<u>6,700</u>	<u>(800)</u>
MISCELLANEOUS			
Rent of village buildings	37,380	36,175	(1,205)
Sale of property	2,000	14,567	12,567
Insurance recoveries and refunds	22,500	17,919	(4,581)
Miscellaneous revenues	15,380	13,838	(1,542)
Utilities - rent and transport reimbursement	80,530	80,530	-
Building inspector reimbursement	40,500	41,288	788
Donations	1,700	17,390	15,690
Total Miscellaneous	<u>199,990</u>	<u>221,707</u>	<u>21,717</u>
OTHER FINANCING SOURCES			
Debt issued	-	200,000	200,000
Transfers in	216,000	230,185	14,185
Total Other Financing Sources	<u>216,000</u>	<u>430,185</u>	<u>214,185</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES			
	<u>\$ 5,005,149</u>	<u>\$ 5,300,590</u>	<u>\$ 295,441</u>

VILLAGE OF MCFARLAND

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2013

	Original and Final Budget	Actual	Variance with Final Budget
GENERAL GOVERNMENT			
Village board	\$ 40,685	\$ 36,841	\$ 3,844
Municipal court	52,099	52,842	(743)
Administrator	66,637	60,932	5,705
General administration	175,440	171,676	3,764
Elections	6,772	5,548	1,224
Legislative support	2,500	1,305	1,195
Data processing	11,000	15,917	(4,917)
Financial administration	117,328	109,581	7,747
Legal counseling	78,000	56,867	21,133
Municipal buildings	124,897	113,140	11,757
Risk management	<u>104,732</u>	<u>134,068</u>	<u>(29,336)</u>
Total General Government	<u>780,090</u>	<u>758,717</u>	<u>21,373</u>
PUBLIC SAFETY			
Police	1,598,286	1,658,171	(59,885)
Fire suppression	362,782	320,952	41,830
Hydrant rental	312,000	310,566	1,434
Inspections	89,245	96,082	(6,837)
Emergency medical services	439,207	435,628	3,579
Emergency government	<u>5,378</u>	<u>5,566</u>	<u>(188)</u>
Total Public Safety	<u>2,806,898</u>	<u>2,826,965</u>	<u>(20,067)</u>
HEALTH AND SOCIAL SERVICES			
Outreach program	99,070	99,137	(67)
Special services	47,964	47,814	150
Nutrition program	<u>37,636</u>	<u>38,545</u>	<u>(909)</u>
Total Health and Social Services	<u>184,670</u>	<u>185,496</u>	<u>(826)</u>
PUBLIC WORKS			
Consulting engineering	6,000	6,784	(784)
DPW building/street maintenance	822,459	817,017	5,442
Street lighting	101,000	99,395	1,605
Sidewalks	<u>10,000</u>	<u>10,323</u>	<u>(323)</u>
Total Public Works	<u>939,459</u>	<u>933,519</u>	<u>5,940</u>
LEISURE ACTIVITIES			
Parks	<u>219,659</u>	<u>214,385</u>	<u>5,274</u>
CONSERVATION AND DEVELOPMENT			
Community development - planning	<u>74,373</u>	<u>74,417</u>	<u>(44)</u>
TOTAL EXPENDITURES	<u>\$ 5,005,149</u>	<u>\$ 4,993,499</u>	<u>\$ 11,650</u>

VILLAGE OF MCFARLAND

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of December 31, 2013

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Cable	Library	Parks	Solid Waste	
ASSETS					
Cash and investments	\$ 99,266	\$ 92,426	\$ 59,954	\$ 17,831	\$ 269,477
Receivables					
Taxes	-	392,639	-	336,641	729,280
Accounts	22,577	-	-	-	22,577
Loans	-	-	15,000	-	15,000
Due from other governments	-	-	7,789	-	7,789
	-	-	7,789	-	7,789
TOTAL ASSETS	\$ 121,843	\$ 485,065	\$ 82,743	\$ 354,472	\$ 1,044,123
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 10,221	\$ 18,542	\$ 15,578	\$ 25	\$ 44,366
Accrued liabilities	311	2,058	-	155	2,524
Total Liabilities	10,532	20,600	15,578	180	46,890
Deferred Inflows of Resources					
Unearned revenues	-	392,639	-	336,641	729,280
Unavailable revenues	-	-	22,789	-	22,789
Total Deferred Inflows of Resources	-	392,639	22,789	336,641	752,069
Fund Balances					
Restricted	-	71,826	-	-	71,826
Committed	111,311	-	44,376	17,651	173,338
Total Fund Balances	111,311	71,826	44,376	17,651	245,164
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 121,843	\$ 485,065	\$ 82,743	\$ 354,472	\$ 1,044,123

VILLAGE OF MCFARLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Cable	Library	Parks	Solid Waste	
REVENUES					
Taxes	\$ -	\$ 385,662	\$ -	\$ 209,589	\$ 595,251
Intergovernmental	-	174,912	-	21,659	196,571
Licenses and permits	88,695	-	-	-	88,695
Public charges for services	-	21,820	11,429	262,300	295,549
Investment income	-	-	116	-	116
Miscellaneous	-	100	25,000	2,885	27,985
Total Revenues	88,695	582,494	36,545	496,433	1,204,167
EXPENDITURES					
Current					
Public works	-	-	-	453,722	453,722
Leisure activities	73,905	567,490	17,126	-	658,521
Capital Outlay	16,340	-	-	-	16,340
Total Expenditures	90,245	567,490	17,126	453,722	1,128,583
Excess (deficiency) of revenues over expenditures	(1,550)	15,004	19,419	42,711	75,584
OTHER FINANCING USES					
Transfers out	-	-	-	(22,934)	(22,934)
Net Change in Fund Balances	(1,550)	15,004	19,419	19,777	52,650
FUND BALANCES (DEFICIT)					
- Beginning of Year	112,861	56,822	24,957	(2,126)	192,514
FUND BALANCES - END OF YEAR	\$ 111,311	\$ 71,826	\$ 44,376	\$ 17,651	\$ 245,164