

**ADDENDUM DATED AUGUST 15, 2012  
TO PRELIMINARY OFFICIAL STATEMENT DATED JULY 26, 2012**

New Issue

Rating: Moody's Investors Service "Aa2"

**\$3,765,000  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012B**

**CITY OF RIVER FALLS, WISCONSIN**

**Schedule of Maturity Dates, Principal Amounts, Interest Rates and Yields**

Serial Bonds

<u>Maturity (May 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Base 768177</u>	<u>Maturity (May 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Base 768177</u>
2013	\$440,000	1.000%	0.400%	NA1	2019	\$295,000	2.500%	1.250%	NG8
2014	\$455,000	1.500%	0.500%	NB9	2020	\$305,000	2.500%	1.500%	NH6
2015	\$460,000	2.000%	0.600%	NC7	2021	\$315,000	2.000%	*1.600%	NJ2
2016	\$270,000	2.000%	0.700%	ND5	2022	\$325,000	2.000%	*1.650%	NK9
2017	\$275,000	2.000%	0.900%	NE3	2023	\$340,000	2.000%	*1.700%	NL7
2018	\$285,000	2.500%	1.050%	NF0					

\*Priced to call

RAYMOND JAMES | Morgan Keegan has agreed to purchase the Bonds from the City for an aggregate price of \$3,902,348.91 plus accrued interest to the date of delivery. It is expected that the Bonds will be available for delivery on or about September 20, 2012.

**Book-Entry-Only:** This offering will be issued as fully registered Bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments on the Bonds will be made.

**Paying Agent:** U.S. Bank National Association, St. Paul, Minnesota.

THIS ADDENDUM TOGETHER WITH THE OFFICIAL STATEMENT DATED JULY 26, 2012, SHALL CONSTITUTE A "FINAL OFFICIAL STATEMENT" OF THE ISSUER WITH RESPECT TO THE BONDS AS THAT TERM IS DEFINED IN RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

**RAYMOND JAMES | Morgan Keegan  
Memphis, Tennessee**

On April 2, 2012, Raymond James Financial, Inc. ("RJF"), the parent company of Raymond James & Associates, Inc. ("Raymond James"), acquired all of the stock of Morgan Keegan & Company, Inc. from Regions Financial Corporation. Morgan Keegan and Raymond James are each registered broker-dealers. Both Morgan Keegan and Raymond James are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing the trade name "Raymond James | Morgan Keegan" that appears on the cover of this Official Statement. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined.

In the opinion of Quarles & Brady LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended, under existing law interest on the Bonds is excludable from gross income and is not an item of tax preference for federal income tax purposes. See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Bonds. The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

**New Issue**

**Rating Application Made: Moody's Investors Service**

**PRELIMINARY OFFICIAL STATEMENT DATED JULY 26, 2012**

**CITY OF RIVER FALLS, WISCONSIN**  
(Pierce and St. Croix Counties)

**\$3,950,000\* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012B**

**BID OPENING:** August 14, 2012, 10:00 A.M., C.T.

**CONSIDERATION:** August 14, 2012, 6:30 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$3,950,000 General Obligation Refunding Bonds, Series 2012B (the "Bonds") of the City of River Falls, Wisconsin (the "City") are being issued pursuant to Wisconsin Statutes, Section 67.04 to provide funds to finance (i) the current refunding of the 2013 through 2015 maturities of the City's \$1,630,000 General Obligation Library Refunding Bonds, Series 2004A, dated January 1, 2004; and (ii) the full-net cash advance refunding of the 2013 through 2024 maturities of the City's \$4,750,000 Sewerage System Revenue Bonds, Series 2004B, dated August 1, 2004. The Bonds are valid and binding general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Bonds as they become due which tax may, under current law, be levied without limitation as to rate or amount. Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

**DATE OF BONDS:** September 20, 2012

**MATURITY:** May 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2013	\$475,000	2017	\$290,000	2021	\$325,000
2014	480,000	2018	300,000	2022	335,000
2015	485,000	2019	310,000	2023	345,000
2016	290,000	2020	315,000		

**MATURITY ADJUSTMENTS:** \* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**TERM BONDS:** See "Term Bond Option" herein.

**INTEREST:** May 1, 2013 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Bonds maturing May 1, 2021 and thereafter are subject to call for prior redemption on May 1, 2020 and any date thereafter, at par.

**MINIMUM BID:** \$3,910,500.

**GOOD FAITH DEPOSIT:** \$79,000.

**PAYING AGENT/**

**ESCROW AGENT:** U.S. Bank National Association, St. Paul, Minnesota.

**BOOK-ENTRY-ONLY:** See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date, and Syndicate Manager and Syndicate Members, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as defined in S.E.C. Rule 15c2-12.

[www.ehlers-inc.com](http://www.ehlers-inc.com)



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Roseville, MN 55113-1122

## REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of these Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement except as described herein and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers, payable entirely by the City, is contingent upon the sale of the issue.

## COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure (the "Rule").

**Preliminary Official Statement:** This Preliminary Official Statement was prepared for the City for dissemination to potential customers. Its primary purpose is to disclose information regarding these Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

**Review Period:** This Preliminary Official Statement has been distributed to members of the legislative body and other public officials of the City as well as to prospective bidders for an objective review of its disclosure. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum at least one business day prior to the sale.

**Final Official Statement:** Upon award of sale of these Bonds, the Preliminary Official Statement together with any previous addendum of corrections or additions will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date, and Syndicate Manager and Syndicate Members, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as defined in S.E.C. Rule 15c2-12. Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

**Continuing Disclosure:** Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which these Bonds are exempt or required to comply with the Rule.

## CLOSING CERTIFICATES

Upon delivery of these Bonds, the purchaser (underwriter) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of these Bonds and all times subsequent thereto up to and including the time of the delivery of these Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for these Bonds; (3) a certificate evidencing the due execution of these Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of these Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of these Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of these Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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## COMMON COUNCIL

		<u>Term Expires</u>
Dan Toland	Mayor	April 2014
Randy Kusilek	Aldersperson	April 2013
David Cronk	Aldersperson	April 2014
Scott Morrissette	Aldersperson	April 2014
Tom Caflisch	Aldersperson	April 2013
Christopher Gagne	Aldersperson	April 2014
Jim Nordgren	Aldersperson	April 2013
David Reese	Aldersperson	April 2013

## ADMINISTRATION

Scot Simpson, Administrator

Julie Bergstrom, Assistant Administrator/Finance Director/Treasurer

Lu Ann Hecht, City Clerk

## PROFESSIONAL SERVICES

William G. Thiel, City Attorney, River Falls, Wisconsin

Quarles & Brady LLP, Bond Counsel, Milwaukee, Wisconsin

Ehlers & Associates, Inc., Financial Advisors, Roseville, Minnesota  
*(Other offices located in Brookfield, Wisconsin and Lisle, Illinois)*

# INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of River Falls, Wisconsin (the "City") and the issuance of its \$3,950,000 General Obligation Refunding Bonds, Series 2012B (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the sale of the Bonds ("Award Resolution") to be adopted by the Common Council on August 14, 2012.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Financial Advisor"), Roseville, Minnesota, (651) 697-8500, the City's Financial Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the link to the Bond Sales and following the directions at the top of the site.

## THE BONDS

### GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of September 20, 2012. The Bonds will mature on May 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on May 1 and November 1 of each year, commencing May 1, 2013, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 3.00% is proposed for the 2021 maturity, then the lowest rate that may be proposed for any later maturity is 2.00%.)** All Bonds of the same maturity will bear interest from date of issue until paid at a single, uniform rate.

Unless otherwise specified by the purchaser the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its Participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the resolution awarding the sale of the Bonds.

The City has selected U.S. Bank National Association, St. Paul, Minnesota, to act as paying agent (the "Paying Agent") and escrow agent (the "Escrow Agent"). The City will pay the charges for Paying Agent and Escrow Agent services. The City reserves the right to remove the Paying Agent and/or Escrow Agent and to appoint a successor.

## OPTIONAL REDEMPTION

At the option of the City, Bonds maturing on or after May 1, 2021 shall be subject to redemption prior to maturity on May 1, 2020 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, or overnight delivery service not fewer than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

## AUTHORITY; PURPOSE

The Bonds are authorized pursuant to Wisconsin Statutes, Chapter 67.04, to provide funds to finance (i) the current refunding of the 2013 through 2015 maturities of the City's \$1,630,000 General Obligation Library Refunding Bonds, Series 2004A, dated January 1, 2004 (the "Series 2004A Bonds"); and (ii) the full-net cash advance refunding of the 2013 through 2024 maturities of the City's \$4,750,000 Sewerage System Revenue Bonds, Series 2004B, dated August 1, 2004 (the "Series 2004B Bonds").

Following are the maturities of the Series 2004A Bonds being refunded by the Bonds:

<b>Issue Being Refunded</b>	<b>Date of Refunded Issue</b>	<b>Call Date</b>	<b>Call Price</b>	<b>Maturities Being Refunded</b>	<b>Interest Rates</b>	<b>Principal to be Refunded</b>
Series 2004A Bonds	1/01/04	10/01/12	Par	2013	3.45%	\$195,000
				2014	3.60%	200,000
				2015	3.70%	<u>205,000</u>
						\$600,000

A portion of the proceeds of the Bonds will be used by the City to call and prepay the maturities described above and to pay all or a portion of the costs of issuance. The City will pay the principal and interest payment due on October 1, 2012 from the Debt Service Fund for the Series 2004A Bonds. The Series 2004A Bonds will not be paid through an escrow agent.

Following are the maturities of the Series 2004B Bonds being refunded by the Bonds:

<b>Issue Being Refunded</b>	<b>Date of Refunded Issue</b>	<b>Call Date</b>	<b>Call Price</b>	<b>Maturities Being Refunded</b>	<b>Interest Rates</b>	<b>Principal to be Refunded</b>	
Series 2004B Bonds	8/01/04	Paid at maturity		2013	3.950%	\$ 210,000	
				2014	3.950%	220,000	
		5/01/14	Par	2015	3.950%	230,000	
	2016			4.050%	245,000		
	2017			4.125%	255,000		
	2018			4.200%	270,000		
	2019			4.250%	285,000		
	2020			4.375%	300,000		
	2021			4.450%	315,000		
	2022			4.500%	335,000		
	2023			4.550%	355,000		
	2024			4.600%	<u>375,000</u>		
	Total Series 2004B Bonds Being Refunded						\$3,395,000

The Bonds are being sold in advance of the call date of the Series 2004B Bonds and a portion of the proceeds of the Bonds will be invested in accordance with the Internal Revenue Code of 1986, as amended. Acceptance of a bid is dependent upon a satisfactory escrow account being established in an amount sufficient to pay all principal and interest payments due on the Series 2004B Bonds from September 20, 2012 through May 1, 2014 and to pay the principal being called on the Series 2004B Bonds on May 1, 2014. The City will establish an escrow account with direct obligations of the U.S. Government. Actuarial services necessary to ensure adequacy of the escrow account to provide timely payment of the Series 2004B Bonds to be refunded on the call date will be performed by a certified public accountant.

## ESTIMATED SOURCES AND USES

### Sources

Par Amount of Bonds	\$3,950,000
Transfer from Prior Issue Debt Service Reserve Fund	335,673
Transfer from Prior Issue Debt Service Fund	<u>72,792</u>
<b>Total Sources</b>	<b>\$4,358,465</b>

### Uses

Deposit to Escrow Fund for Series 2004B Bonds	\$3,664,340
Deposit to Current Refunding Fund for Series 2004A Bonds	600,000
Finance Related Expenses	50,000
Discount Allowance	39,500
Contingency	<u>4,625</u>
<b>Total Uses</b>	<b>\$4,358,465</b>

## SECURITY

For the prompt payment of the Bonds with interest thereon and for the levy of taxes sufficient for this purpose, the full faith, credit and resources of the City will be irrevocably pledged. The City will levy a direct, annual, irrepealable tax on all taxable property in the City sufficient to pay the interest on the Bonds when it becomes due and also to pay and discharge the principal on the Bonds at maturity, in compliance with Article XI, Section 3 of the Wisconsin Constitution. Such tax may, under current law, be levied without limitation as to rate or amount.

## RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "Aa2" by Moody's Investors Service. The City has requested a rating on this issue from Moody's Investors Service, and bidders will be notified as to the assigned rating prior to the sale. Such a rating, if and when received, will reflect only the view of the rating agency and any explanation of the significance of such rating may only be obtained from Moody's Investors Service. There is no assurance that such rating, if and when received, will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of the rating may have an effect on the market price of the Bonds.

## CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the City shall covenant pursuant to a Resolution adopted by the Governing Body to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Bonds to provide certain financial information and operating data relating to the City annually to the Municipal Securities Rulemaking Board (the "MSRB"), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the City at the time the Bonds are delivered. Such Certificate will be in substantially the form attached hereto as Appendix D.

**In connection with the issuance of other debt issues, the City has entered into previous undertakings similar to the Undertaking. When filing its annual reports for the fiscal years ending December 31, 2008 and December 31, 2010, the City inadvertently linked some but not all outstanding cusip numbers to its annual report on the Electronic Municipal Market Access ("EMMA") system. Currently, all cusips are linked to all relevant annual reports on EMMA.**

**Other than described above**, in the previous five years, the City has not failed to comply in any material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City will file its continuing disclosure information using EMMA. Investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

## **LEGAL OPINION**

An opinion as to the validity of the Bonds and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, bond counsel to the City, and will accompany the Bonds. The legal opinion will be issued on the basis of existing law and will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

## **STATEMENT REGARDING BOND COUNSEL PARTICIPATION**

Bond Counsel has not assumed responsibility for this Official Statement or participated in its preparation (except with respect to the section entitled "Tax Exemption" in the Official Statement and the "Form of Legal Opinion" found in the Appendix B) and has not performed any investigation as to its accuracy, completeness or sufficiency.

## **TAX EXEMPTION**

Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the Bonds under existing law substantially in the following form:

"The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The City has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds."

The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors as to collateral federal income tax consequences.

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether, or in what form, any proposal that could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Bonds may be enacted. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

## QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

## FINANCIAL ADVISOR

Ehlers has served as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor will not participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Financial Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board as a Municipal Advisor.

## RISK FACTORS

Following is a description of possible risks to holders of these Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

**Taxes:** The Bonds of this offering are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service.

**State Actions:** Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Past and future actions of the State may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy property taxes.

**Ratings; Interest Rates:** In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

**Tax Exemption:** If the federal government taxes all or a portion of the interest on municipal bonds or notes or if the state government increases its tax on interest on bonds and notes, directly or indirectly, or if there is a change in federal or state tax policy, then the value of these Bonds may fall for purposes of resale. Noncompliance by the City with the covenants in the Award Resolution relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Bonds in gross income of the recipient for United States income tax purposes, retroactive to the date of issuance.

**Continuing Disclosure:** A failure by the City to comply with the Undertaking for continuing disclosure (see "Continuing Disclosure") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

**Book-Entry-Only System:** The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

**Depository Risk:** Wisconsin Statutes direct the local treasurer to immediately deposit upon receipt thereof, the funds of the municipality in a public depository designated by the governing body. A public depository means a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank or national bank in Wisconsin or the local government pooled investment fund operated by the state investment board. It is not uncommon for the municipality to have deposits exceeding limits of federal and state insurance programs. Failure of a depository could result in loss of public funds or a delay in obtaining them. Such a loss or delay could interrupt a timely payment of municipal debt.

**Economy:** A combination of economic, climatic, political or civil disruptions or terrorist actions could affect the local economy and result in reduced tax collections and/or increased demands upon local government.

# VALUATIONS

## WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

### **Equalized Value**

Wisconsin Statutes, Section 70.57, requires the Department of Revenue to annually determine the equalized value (also referred to as full equalized value or aggregate full value) of all taxable property in each county and taxation district. The equalized value is an independent estimate of value used to equate individual local assessment policies so that property taxes are uniform throughout the various subdivisions in the State. Equalized value is calculated based on the history of comparable sales and information about value changes or taxing status provided by the local assessor. A comparison of the State-determined equalized value and the local assessed value, expressed as a percentage, is known as the assessment ratio or level of assessment. The Department of Revenue notifies each county and taxing jurisdiction of its equalized value on August 15; school districts are notified on October 15. The equalized value of each county is the sum of the valuations of all cities, villages, and towns within its boundaries. Taxing jurisdictions lying in more than one municipality, such as counties, school districts, or special taxing districts, use the equalized value of the underlying units in calculating and levying their respective levies. Equalized values are also used to apportion state aids and calculate municipal general obligation debt limits.

### **Assessed Value**

The "assessed value" of taxable property in a municipality is determined by the local assessor, except for manufacturing properties which are valued by the State. Each city, village or town retains its own local assessor, who must be certified by the State Department of Revenue. Assessed value is used by these municipalities to determine tax levy mill rates and to apportion levies among individual property owners. Beginning in 1986, the State required that the assessed values must be within 10% of State equalized values at least once every five years. The local assessor values property as of January 1 each year and submits those values to each municipality the second Monday in May. The assessor also reports any value changes taking place since the previous year, to the Department of Revenue, by this same date.

## CURRENT PROPERTY VALUATIONS

	<b>Pierce County</b>	<b>St. Croix County</b>	<b>Total</b>
2011 Equalized Value	\$ 536,442,700	\$288,589,900	\$ 825,032,600
2011 Equalized Value Reduced by Tax Increment Valuation	528,258,400	256,720,300	784,978,700
2011 Assessed Value	605,471,900	319,057,900	924,529,800

## 2011 EQUALIZED VALUE BY CLASSIFICATION

	<b>2011 Equalized Value</b>	<b>Percent of Total Equalized Value</b>
Residential	\$ 609,121,200	73.830%
Commercial	173,863,300	21.074%
Manufacturing	23,585,500	2.859%
Agricultural	25,400	0.003%
Undeveloped	86,700	0.011%
Forest	190,000	0.023%
Personal Property	18,160,500	2.201%
Total	<u>\$ 825,032,600</u>	<u>100.000%</u>

## TREND OF VALUATIONS

<b>Year</b>	<b>Assessed Value</b>	<b>Equalized Value</b>	<b>Percent Increase/Decrease in Equalized Value</b>
2007	\$858,770,900	\$834,151,100	3.36%
2008	888,991,800	869,671,600	4.26%
2009	903,748,700	852,887,300	-1.93%
2010	917,257,500	837,562,700	-1.80%
2011	924,529,800	825,032,600	-1.50%

**Source:** Wisconsin Department of Revenue, Bureau of Equalization.

## LARGER TAXPAYERS

<b>Taxpayer</b>	<b>Type of Business/Property</b>	<b>2011 Equalized Value</b>	<b>Percent of City's Total Estimated Equalized Value</b>
Goldridge Group <sup>1</sup>	Senior Housing	\$ 8,948,300	1.08%
Martinsen Investment & Land	Hotel/Restaurant	7,705,100	0.93%
Best Maid Cookies	Cookie Manufacturing	4,442,900	0.54%
Wisota LLC (St. Croix County)	Apartments	3,992,100	0.48%
Shopko	Retail	3,809,100	0.46%
AIM2B	Manufacturer	3,440,700	0.42%
Wisota (Pierce County)	Housing	3,422,200	0.41%
Quadion Corporation	Plastics Manufacturer	2,782,170	0.34%
Allina Corporation	Hospital/Clinic	2,669,600	0.32%
Erickson Diversified	Retail Mall	<u>2,657,900</u>	<u>0.32%</u>
<b>Total</b>		<b>\$43,870,070</b>	<b>5.32%</b>
City's Total 2011 Equalized Value		\$825,032,600	

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<sup>1</sup> Formerly listed as Comforts of Home.

## DEBT

### DIRECT DEBT<sup>1</sup>

#### General Obligation Debt (see schedules following)

Total General Obligation Debt (includes the Bonds of this offering)	<u><u>\$17,928,076</u></u>
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### OTHER DEBT<sup>1</sup>

#### Revenue Debt (see schedules following)

Total revenue debt secured by electric revenues	<u><u>\$1,660,000</u></u>
Total revenue debt secured by sewer revenues	<u><u>\$3,155,558</u></u>
Total revenue debt secured by water revenues	<u><u>\$2,125,000</u></u>

### DEBT LIMIT

The constitutional and statutory general obligation debt limit for most Wisconsin municipalities, including towns, cities, villages, and counties (Article XI, Section 3 of the Wisconsin Constitution and Section 67.03, Wisconsin Statutes) is 5% of the current equalized value.

Equalized Value	\$ 825,032,600
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 41,251,630
Less: General Obligation Debt	<u>(17,928,076)</u>
Unused Debt Limit	<u><u>\$ 23,323,554</u></u>

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<sup>1</sup> Outstanding debt is as of the dated date of the Bonds.

**CITY OF RIVER FALLS, WISCONSIN**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Outstanding**  
**(As of 9/20/12)**

Fiscal Year Ending	Refunding 1) Series 2003A		Promissory Notes		Refunding 2) Series 2004A		STFL		STFL	
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	2/04/03 \$645,000	2/01	0	0	2/2003 \$1,300,000	1/01/04 \$1,630,000	3/15/05 \$301,737	7/19/05 \$468,706	0	0
2013			80,000	2,240	Monthly Final Maturity 2/04	10/01			50,697	6,330
2014									52,724	4,302
2015									54,833	2,193
2016										
2017										
2018										
2019										
2020										
2021										
2022										
2023										
2024										
2025										
2026										
2027										
2028										
2029			80,000	2,240	66,907	771	185,000	13,809	158,254	12,826
									103,250	8,368

1) This issue refunded the 2007 through 2015 maturities of the City's \$2,555,000 General Obligation Library Bonds, Series 1996A, dated July 1, 1996.

2) This issue refunded the 2007 through 2016 maturities of the City's \$430,000 General Obligation Promissory Note of 2006, dated November 17, 2006, the 2008 maturity of the City's \$2,095,000 General Obligation Promissory Notes, Series 1998B, dated November 1, 1998, and the 2008 through 2010 maturities of the City's \$700,000 RFSB Fire Truck Loan of 2005, dated March 15, 2005.

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**CITY OF RIVER FALLS, WISCONSIN**  
**Schedule of Bonded Indebtedness - continued.**  
**General Obligation Debt Outstanding**  
**(As of 9/20/12)**

Fiscal Year Ending	Promissory Notes 3) Series 2007A		STFL		Refunding 4) Series 2009A		Refunding 5) Series 2011B		Promissory Notes	
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	290,000	10/17/07	0	0	0	0	0	0	22,000	2,803
2013	295,000	10/17/07	32,462	9,208	105,000	211,445	130,000	35,675	44,000	4,631
2014	315,000	10/17/07	33,842	7,829	100,000	208,295	135,000	33,025	44,000	3,396
2015	320,000	10/17/07	35,280	6,390	75,000	205,045	145,000	30,225	44,000	2,160
2016	325,000	10/17/07	36,766	4,904	255,000	202,608	345,000	25,325	44,000	928
2017	200,000	10/17/07	38,342	3,328	280,000	193,045	360,000	17,375	44,000	
2018		10/17/07	39,972	1,699	300,000	182,545	370,000	8,250		
2019		10/17/07			290,000	170,545	145,000	1,813		
2020		10/17/07			300,000	158,945				
2021		10/17/07			310,000	146,195				
2022		10/17/07			320,000	133,020				
2023		10/17/07			335,000	119,260				
2024		10/17/07			350,000	104,855				
2025		10/17/07			365,000	89,805				
2026		10/17/07			385,000	74,110				
2027		10/17/07			400,000	57,170				
2028		10/17/07			420,000	39,370				
2029		10/17/07			445,000	10,235				
	1,745,000		216,665	33,359	5,035,000	2,306,493	1,630,000	170,175	198,000	13,918

3) This issue refunded the 2007 through 2016 maturities of the City's \$430,000 General Obligation Promissory Note of 2006, dated November 17, 2006, the 2008 maturity of the City's \$2,095,000 General Obligation Promissory Notes, Series 1998B, dated November 1, 1998 and the 2008 through 2010 maturities of the City's \$700,000 RFSB Fire Truck Loan of 2005, dated March 15, 2005

4) This issue refunded the 2009 maturity of the City's \$5,000,000 Note Anticipation Notes of 2008.

5) This issue refunded the 2012 through 2019 maturities of the City's \$2,790,000 Sewerage System Revenue Bonds, Series 2002A, dated August 1, 2002.

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**CITY OF RIVER FALLS, WISCONSIN**  
**Schedule of Bonded Indebtedness - continued.**  
**General Obligation Debt Outstanding**  
**(As of 9/20/12)**

Fiscal Year Ending	Tx Refunding (6) Series 2012A		Refunding (7) Series 2012B		Total P & I	Total Interest	Total Principal	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	9/20/12	5/01						
	\$4,560,000	3/01	\$3,950,000	5/01						
						Estimated Interest				
2012	0	0	0	0	605,235	536,991	17,391,085	3.00%	2012	
2013	340,000	123,745	475,000	58,028	2,122,211	1,612,151	15,778,934	11.99%	2013	
2014	380,000	83,695	480,000	48,343	2,010,361	1,574,965	14,203,969	20.77%	2014	
2015	385,000	81,111	485,000	44,119	1,984,613	1,579,889	12,624,080	29.58%	2015	
2016	385,000	76,780	290,000	40,293	2,051,653	1,680,766	10,943,314	38.96%	2016	
2017	390,000	70,724	290,000	37,030	1,887,544	1,558,342	9,384,972	47.65%	2017	
2018	395,000	64,099	300,000	33,190	1,694,754	1,404,972	7,980,000	55.49%	2018	
2019	420,000	56,180	310,000	28,610	1,422,148	1,165,000	6,815,000	61.99%	2019	
2020	420,000	46,730	315,000	23,295	1,263,970	1,035,000	5,780,000	67.76%	2020	
2021	425,000	36,643	325,000	17,373	1,260,210	1,060,000	4,720,000	73.67%	2021	
2022	135,000	29,720	335,000	10,851	963,591	790,000	3,930,000	78.08%	2022	
2023	135,000	25,974	345,000	3,709	963,943	815,000	3,115,000	82.63%	2023	
2024	140,000	21,950	490,000	126,805	616,805	490,000	2,625,000	85.36%	2024	
2025	145,000	17,603	510,000	107,408	617,408	510,000	2,115,000	88.20%	2025	
2026	150,000	12,955	535,000	87,065	622,065	535,000	1,580,000	91.19%	2026	
2027	155,000	7,998	555,000	65,168	620,168	555,000	1,025,000	94.28%	2027	
2028	160,000	2,720	580,000	42,090	622,090	580,000	445,000	97.52%	2028	
2029			445,000	10,235	455,235	445,000	0	100.00%	2029	
	4,560,000	758,625	3,950,000	344,839	3,855,928	17,928,076	21,784,004			

6) This issue refunded the 2013 through 2028 maturities of the City's \$824,651 State Trust Fund Loan of 2008, dated July 30, 2008; the 2013 through 2028 maturities of the \$750,000 State Trust Fund Loan of 2008, dated November 4, 2008; the 2013 through 2028 maturities of the \$250,000 State Trust Fund Loan of 2008, dated December 23, 2008; the 2013 through 2028 maturities of the \$505,000 State Trust Fund Loan of 2009, dated February 9, 2009; the 2013 through 2021 maturities of the \$1,220,000 State Trust Fund Loan of 2011, dated December 20, 2011; the 2013 through 2021 maturities of the \$325,000 State Trust Fund Loan of 2011, dated December 28, 2011; and the 2013 through 2021 maturities of the \$875,000 State Trust Fund Loan of 2011, dated December 28, 2011.

7) This issue refunds the 2013 through 2015 maturities of the City's \$1,630,000 General Obligation Library Refunding Bonds, Series 2004A, dated January 1, 2004. These maturities will be called for prior redemption on October 1, 2012 and have not been included in the calculation of Debt Ratios.

This issue also refunds the 2013 through 2024 maturities of the City's \$4,750,000 Sewerage System Revenue Bonds, Series 2004B, dated August 1, 2004. These maturities will be called for prior redemption on May 1, 2014 and have not been included in the calculation of Debt Ratios.

**CITY OF RIVER FALLS, WISCONSIN**  
**Schedule of Bonded Indebtedness**  
**Debt Being Paid From Electric Revenues**  
**(As of 9/20/12)**

**Electric Utility Series 2002A**      **Refunding 1) Series 2009B**

Fiscal Year Ending	11/01/02 \$3,320,000		11/19/09 \$1,595,000		Total P & I	Total Interest	Total Principal	Principal Outstanding	% Paid	Fiscal Year Ending
	Maturity 10/01	Principal	Interest	Maturity 10/01						
2012	0	16,834	465,000	9,106	490,940	25,940	465,000	1,195,000	28.01%	2012
2013	0	33,668	310,000	7,750	351,418	41,418	310,000	885,000	46.69%	2013
2014	250,000	33,668	250,000	33,668	283,668	33,668	250,000	635,000	61.75%	2014
2015	260,000	24,605	260,000	24,605	284,605	24,605	260,000	375,000	77.41%	2015
2016	275,000	14,725	275,000	14,725	289,725	14,725	275,000	100,000	93.98%	2016
2017	100,000	4,000	100,000	4,000	104,000	4,000	100,000	0	100.00%	2017
	885,000	127,499	775,000	16,856	1,804,355	144,355	1,660,000	1,804,355		

1) This issue refunded the 2010 through 2013 maturities of the City's \$4,285,000 Electric Utility Revenue Bonds, Series 1998A, dated July 1, 1998.

**CITY OF RIVER FALLS, WISCONSIN**  
**Schedule of Bonded Indebtedness**  
**Debt Being Paid From Sewer Revenues**  
**(As of 9/20/12)**

Fiscal Year Ending	Clean Water Fund Loan		Clean Water Fund Loan		Refunding 1) Series 2008A		Total P & I	Total Interest	Total Principal	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity						
2012							48,692	0	0	3,155,558	0.00%	2012
2013							85,223	12,760	405,467	2,750,091	12.85%	2013
2014							72,376	16,525	416,800	2,333,291	26.06%	2014
2015							59,075	10,103	428,317	1,904,974	39.63%	2015
2016							50,002	3,413	168,125	1,736,849	44.96%	2016
2017							45,322		172,742	1,564,107	50.43%	2017
2018							40,514		177,486	1,386,621	56.06%	2018
2019							35,573		182,359	1,204,262	61.84%	2019
2020							30,496		187,367	1,016,895	67.77%	2020
2021							25,281		192,512	824,383	73.88%	2021
2022							19,922		197,798	626,585	80.14%	2022
2023							14,416		203,230	423,355	86.58%	2023
2024							8,758		208,811	214,544	93.20%	2024
2025							2,946		214,544	0	100.00%	2025
							538,596	42,800	3,155,558	3,694,154		

1) This issue refunded the 2009 through 2015 maturities of the City's \$2,330,000 Sewerage System Revenue Bonds, Series 1999B, dated August 1, 1999.

**CITY OF RIVER FALLS, WISCONSIN**  
**Schedule of Bonded Indebtedness**  
**Debt Being Paid From Water Revenues**  
**(As of 9/20/12)**

**Water**  
**Series 2011A**

Dated Amount	7/06/11 \$2,125,000	Maturity	5/01
Fiscal Year Ending	Principal	Interest	
2012	0	35,774	
2013	85,000	70,698	
2014	85,000	68,998	
2015	90,000	67,248	
2016	90,000	65,448	
2017	95,000	63,479	
2018	95,000	61,175	
2019	100,000	58,640	
2020	100,000	55,840	
2021	105,000	52,765	
2022	105,000	49,405	
2023	110,000	45,750	
2024	115,000	41,695	
2025	120,000	37,230	
2026	125,000	32,450	
2027	130,000	27,350	
2028	135,000	21,915	
2029	140,000	16,140	
2030	145,000	10,010	
2031	155,000	3,410	
	2,125,000	885,418	

Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
0	35,774	35,774	2,125,000	0.00%	2012
85,000	70,698	155,698	2,040,000	4.00%	2013
85,000	68,998	153,998	1,955,000	8.00%	2014
90,000	67,248	157,248	1,865,000	12.24%	2015
90,000	65,448	155,448	1,775,000	16.47%	2016
95,000	63,479	158,479	1,680,000	20.94%	2017
95,000	61,175	156,175	1,585,000	25.41%	2018
100,000	58,640	158,640	1,485,000	30.12%	2019
100,000	55,840	155,840	1,385,000	34.82%	2020
105,000	52,765	157,765	1,280,000	39.76%	2021
105,000	49,405	154,405	1,175,000	44.71%	2022
110,000	45,750	155,750	1,065,000	49.88%	2023
115,000	41,695	156,695	950,000	55.29%	2024
120,000	37,230	157,230	830,000	60.94%	2025
125,000	32,450	157,450	705,000	66.82%	2026
130,000	27,350	157,350	575,000	72.94%	2027
135,000	21,915	156,915	440,000	79.29%	2028
140,000	16,140	156,140	300,000	85.88%	2029
145,000	10,010	155,010	155,000	92.71%	2030
155,000	3,410	158,410	0	100.00%	2031
2,125,000	885,418	3,010,418			

## OVERLAPPING DEBT<sup>1</sup>

<b>Taxing District</b>	<b>2011 Equalized Value</b>	<b>% In City</b>	<b>Total G.O. Debt</b>	<b>City's Proportionate Share</b>
Pierce County	\$ 2,826,286,000	18.9805%	\$ 3,830,000	\$ 726,953
St. Croix County	7,335,670,300	3.9341%	6,155,000	242,144
School District of River Falls	1,685,583,264	48.9464%	33,420,000	16,357,887
Chippewa Valley Technical College District	20,768,940,568	3.9724%	21,020,000	834,998
City's Share of Total Overlapping Debt				<u>\$18,161,982</u>

## DEBT RATIOS

	<b>G.O. Debt</b>	<b>Debt/Equalized Value \$825,032,600</b>	<b>Debt/2011 Estimated Population 15,038</b>
Total General Obligation Debt	\$17,928,076	2.17%	\$1,192.18
City's Share of Total Overlapping Debt	\$18,161,982	2.20%	\$1,207.74
Total	\$36,090,058	4.37%	\$2,399.92

## DEBT PAYMENT HISTORY

The City has never defaulted in the payment of principal and interest on its debt.

## FUTURE FINANCING

The City reports no plans for additional financing in the next three months.

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<sup>1</sup> Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

## TAX LEVIES AND COLLECTIONS

### TAX LEVIES AND COLLECTIONS

#### Pierce County

Tax Year	Levy for City Purposes Only (Including TIF Levy)	% Collected	Equalized Value	Levy/Equalized Value in Dollars per \$1,000
2007/08	\$2,856,328	100.00%	\$557,892,200	\$5.12
2008/09	2,995,820	100.00%	577,459,900	5.19
2009/10	2,996,776	100.00%	561,700,800	5.34
2010/11	3,053,640	100.00%	545,150,700	5.60
2011/12	3,075,053	[ In Process ]	536,442,700	5.73

#### St. Croix County

Tax Year	Levy for City Purposes Only (Including TIF Levy)	% Collected	Equalized Value	Levy/Equalized Value in Dollars per \$1,000
2007/08	\$1,414,683	100.00%	\$276,258,900	\$5.12
2008/09	1,515,626	100.00%	292,211,700	5.19
2009/10	1,552,471	100.00%	291,186,500	5.33
2010/11	1,636,881	100.00%	292,412,000	5.60
2011/12	1,650,881	[ In Process ]	288,589,900	5.72

Property tax statements are distributed to taxpayers by the town, village, and city clerks in December of the levy year. Current state law requires counties to pay 100% of the real property taxes levied to cities, villages, towns, school districts and other taxing entities on or about August 20 of the collection year.

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31, unless the municipality, by ordinance, permits special assessments to be paid in installments. Real property taxes must be paid in full by January 31 or in two equal installments by January 31 and July 31. Alternatively, municipalities may adopt a payment plan which permits real property taxes to be paid in three or more equal installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31, are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. On or before January 15 and February 20 the town, city or village treasurer settles with other taxing jurisdictions for all collections through December and January, respectively. In municipalities which have authorized the payment of real property taxes in three or more installments, the town, city or village treasurer settles with the other taxing jurisdictions on January 15, February 20 and on the fifteenth day of each month following the month in which an installment payment is required. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. Any county board may authorize its county treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Uncollected personal property taxes owed by an entity that has ceased operations or filed a petition for bankruptcy, or are due on personal property that has been removed from the next assessment roll are collected from each taxing entity in the year following the levy year.

## PROPERTY TAX RATES

Full value rates for property taxes expressed in dollars per \$1,000 of equalized value (excluding TIF) that have been collected in recent years have been as follows:

### Pierce County

Year Levied/ Year Collected	Schools <sup>1</sup>	County	Local	Other <sup>2</sup>	Total Full Value Effective Rate <sup>3</sup>
2007/08	\$10.36	\$4.37	\$5.12	\$0.17	\$18.53
2008/09	10.04	4.33	5.19	0.17	18.15
2009/10	11.40	4.74	5.34	0.19	20.07
2010/11	12.16	5.18	5.60	0.51	21.49
2011/12	12.62	5.50	5.75	0.54	22.38

### St. Croix County

Year Levied/ Year Collected	Schools <sup>4</sup>	County	Local	Other <sup>5</sup>	Total Full Value Effective Rate <sup>6</sup>
2007/08	\$10.36	\$2.97	\$5.12	\$2.01	\$17.39
2008/09	10.04	2.96	5.19	2.16	16.99
2009/10	11.40	3.27	5.33	2.90	18.81
2010/11	12.16	3.53	5.60	3.17	20.09
2011/12	12.62	3.70	5.72	2.93	20.80

**Source:** Property Tax Rates were extracted from bulletins prepared by the Wisconsin Department of Revenue, Division of State and Local Finance.

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<sup>1</sup> The Schools tax rate reflects the composite rate of all local school districts and technical college district.

<sup>2</sup> Includes the state reforestation tax which is apportioned to each county on the basis of its full value. Counties, in turn, apportion the tax to the tax districts within their borders on the basis of full value. It also includes any tax increments and taxes levied for special purpose districts such as metropolitan sewerage districts, sanitary districts, and public inland lake protection districts.

<sup>3</sup> Property tax less state property tax credit (not including lottery credit).

<sup>4</sup> The Schools tax rate reflects the composite rate of all local school districts and technical college district.

<sup>5</sup> Includes the state reforestation tax which is apportioned to each county on the basis of its full value. Counties, in turn, apportion the tax to the tax districts within their borders on the basis of full value. It also includes any tax increments and taxes levied for special purpose districts such as metropolitan sewerage districts, sanitary districts, and public inland lake protection districts.

<sup>6</sup> Property tax less state property tax credit (not including lottery credit).

## LEVY LIMITS

Section 66.0602 of the Wisconsin Statutes, as recently amended by 2011 Wisconsin Act 32, imposes a limit on property tax levies by cities, villages, towns and counties. No city, village, town or county is permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed or zero percent). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

A political subdivision that did not levy its full allowable levy in the prior year can carry forward the difference between the allowable levy and the actual levy, up to a maximum of 0.5% of the prior year's actual levy. In addition, for property tax levies imposed in 2011 and 2012, the use of the carry forward levy adjustment needs to be approved by a super majority vote of the political subdivision's governing body (three-quarters vote if the governing body is comprised of five or more members, two-thirds vote if the governing body is comprised of fewer than five members, and for towns, a majority vote of the annual town meeting or special town meeting after the town board has adopted a resolution in favor of the adjustment by two-thirds vote or more).

Special provisions are made with respect to property taxes levied to pay general obligation debt service. Those are described below. In addition, the statute provides for certain other exclusions from and adjustments to the tax levy limit. Among the items excluded from the limit are amounts levied for any revenue shortfall for debt service on a revenue bond issued under Section 66.0621. Among the adjustments permitted is an adjustment applicable when a tax increment district terminates, which allows an amount equal to the prior year's allowable levy multiplied by 50% of the political subdivision's percentage growth due to the district's termination.

With respect to general obligation debt service, the following provisions are made:

(a) If a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision and interest on outstanding obligations of the political subdivision, on debt originally issued before July 1, 2005, is less in the current year than in the previous year, the political subdivision is required to reduce its levy limit in the current year by the amount of the difference between the previous year's levy and the current year's levy. Under the Act, this required adjustment is suspended for property tax levies that will be imposed in 2011 for political subdivisions that did not claim the carry forward adjustment described above.

(b) For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. This adjustment is based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact political subdivisions that experience a reduction in offsetting revenues.

(c) The levy limits do not apply to property taxes levied to pay debt service on general obligation debt authorized on or after July 1, 2005.

The Obligations were authorized after July 1, 2005.

# THE ISSUER

## CITY GOVERNMENT

The City was incorporated in 1885 and is governed by a Mayor and a seven-member Common Council. The Mayor does not vote except in the case of a tie. All Council Members are elected to two-year terms. The appointed City Administrator, City Clerk, and Assistant Administrator/Finance Director/Treasurer are responsible for administrative details and financial records.

## EMPLOYEES; PENSIONS

The City has 84 full-time, 22 part-time and 10 seasonal employees. The City is a participant in the Wisconsin Retirement System (WRS) covering all protective employees on a non-contributory basis. The annual employer's contribution rate, which is actuarially determined by the State, covers only current expenses. The City has no outstanding prior costs. See the Notes to Financial Statements in Appendix A for a detailed description of the plan.

### Recognized and Certified Bargaining Units

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
AFSCME	December 31, 2012
CWA - Electrical Utility - Power Plant	December 31, 2012
Police Association	December 31, 2012
CWA - All other units	December 31, 2012

## LIABILITIES FOR OTHER POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits (some mandated by State Statute and others that cover a portion of the cost of health insurance during retirement) for the majority of its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 45 (GASB 45). The City has completed an actuarial study of its obligations. The study shows an actuarial accrued liability of \$1,840,339 with a discount rate of 4.5% as of December 31, 2010.

## LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver these Bonds or otherwise questioning the validity of these Bonds.

**FUNDS ON HAND** (as of June 30, 2012)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$ 4,438,614
Special Revenue	3,543,385
Debt Service	568,039
Capital Projects	679,446
Enterprise (Ambulance and Storm Water)	485,455
Enterprise (Utility)	4,309,880
Tax Agency Fund	<u>52,138</u>
Total Funds on Hand	<u><u>\$ 14,076,957</u></u>

**ENTERPRISE FUNDS**

Cash flows for the City's enterprise funds have been as follows as of December 31 each year:

<b>Electric</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Total Operating Revenues	\$12,413,932	\$13,681,321	\$13,580,863
Less: Operating Expenses	<u>(11,677,224)</u>	<u>(12,798,687)</u>	<u>(12,746,650)</u>
Operating Income	\$ 736,708	\$ 882,634	\$ 834,213
Plus: Depreciation	978,066	973,038	970,401
Interest Income	<u>58,466</u>	<u>47,925</u>	<u>26,423</u>
Revenues Available for Debt Service	<u><u>\$ 1,773,240</u></u>	<u><u>\$ 1,903,597</u></u>	<u><u>\$ 1,831,037</u></u>
<b>Water</b>			
Total Operating Revenues	\$ 1,454,817	\$ 1,451,204	\$ 1,471,449
Less: Operating Expenses	<u>(1,015,419)</u>	<u>(1,036,814)</u>	<u>(1,064,292)</u>
Operating Income	\$ 439,398	\$ 414,390	\$ 407,157
Plus: Depreciation	280,477	279,718	271,978
Interest Income	<u>8,881</u>	<u>3,959</u>	<u>5,920</u>
Revenues Available for Debt Service	<u><u>\$ 728,756</u></u>	<u><u>\$ 698,067</u></u>	<u><u>\$ 685,055</u></u>
<b>Sewer</b>			
Total Operating Revenues	\$ 2,493,135	\$ 2,784,541	\$ 2,809,684
Less: Operating Expenses	<u>(2,180,266)</u>	<u>(2,141,355)</u>	<u>(2,114,282)</u>
Operating Income	\$ 312,869	\$ 643,186	\$ 695,402
Plus: Depreciation	520,012	527,675	533,679
Interest Income	<u>61,842</u>	<u>48,335</u>	<u>26,088</u>
Revenues Available for Debt Service	<u><u>\$ 894,723</u></u>	<u><u>\$ 1,219,196</u></u>	<u><u>\$ 1,255,169</u></u>

## SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund for the fiscal years shown below. These summaries are not purported to be the complete audited financial statements of the City. Copies of the complete audited financial statements are available upon request. See Appendix A for excerpts from the City's 2011 audited financial statement.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2007	2008	2009	2010	2011
<b>REVENUES</b>					
Taxes	\$ 2,150,154	\$ 2,255,895	\$ 2,623,395	\$ 2,678,830	\$ 2,605,307
Special assessments	3,829	4,222	1,533	4,433	3,838
Intergovernmental	3,208,671	3,165,992	3,163,062	3,082,793	3,312,865
Licenses and permits	290,086	219,982	200,193	151,596	128,784
Fines, forfeitures and penalties	211,238	199,240	197,020	204,916	186,942
Public charges for services	298,227	256,788	279,874	257,127	228,895
Intergovernmental charges for services	0	31,437	26,541	20,698	14,641
Investment income	262,651	239,343	80,765	163,710	191,541
Miscellaneous	108,046	115,519	152,663	298,745	297,673
<b>Total Revenues</b>	<b>\$ 6,532,902</b>	<b>\$ 6,488,418</b>	<b>\$ 6,725,046</b>	<b>\$ 6,862,848</b>	<b>\$ 6,970,486</b>
<b>EXPENDITURES</b>					
Current					
General government	\$ 1,263,450	\$ 1,329,494	\$ 1,326,807	\$ 1,180,987	\$ 1,330,341
Public safety	2,715,421	2,805,848	2,903,941	2,929,668	3,086,658
Public works	1,784,633	1,984,823	1,885,380	1,926,496	1,664,438
Health services	7,164	5,249	7,199	10,262	10,172
Leisure	514,255	577,537	570,044	580,005	549,740
Conservation and development	546,230	560,261	574,595	493,827	506,110
Public service enterprises	3,120	2,113	2,679	2,435	2,127
Debt Service	182,856	180,754	168,078	152,802	155,486
<b>Total Expenditures</b>	<b>\$ 7,017,129</b>	<b>\$ 7,446,079</b>	<b>\$ 7,438,723</b>	<b>\$ 7,276,482</b>	<b>\$ 7,305,072</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ (484,227)</b>	<b>\$ (957,661)</b>	<b>\$ (713,677)</b>	<b>\$ (413,634)</b>	<b>\$ (334,586)</b>
<b>Other Financing Sources (Uses)</b>					
Long-term debt issued	602,439	0	0	0	0
Current refunding of debt	(577,736)	0	0	0	0
Sale of capital assets	868	0	0	0	0
Transfers from other funds	817,605	1,092,074	968,842	1,245,645	1,455,562
Transfers to other funds	(121,546)	(178,196)	(147,161)	(608,910)	(731,029)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 721,630</b>	<b>\$ 913,878</b>	<b>\$ 821,681</b>	<b>\$ 636,735</b>	<b>\$ 724,533</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ 237,403</b>	<b>\$ (43,783)</b>	<b>\$ 108,004</b>	<b>\$ 223,101</b>	<b>\$ 389,947</b>
General Fund Balance January 1	5,447,942	5,685,345	5,641,562	5,749,566	5,972,667
General Fund Balance December 31	\$ 5,685,345	\$ 5,641,562	\$ 5,749,566	\$ 5,972,667	\$ 6,362,614
<b>DETAILS OF DECEMBER 31 FUND BALANCE</b>					
Reserved	\$ 1,210,758	\$ 1,441,459	\$ 2,199,302	\$ 2,290,866	\$ 0
Unreserved:					
Designated	265,000	842,092	0	0	0
Undesignated	4,209,587	3,358,011	3,550,264	3,681,801	0
Nonspendable	0	0	0	0	1,362,626
Unassigned	0	0	0	0	4,999,988
<b>Total</b>	<b>\$ 5,685,345</b>	<b>\$ 5,641,562</b>	<b>\$ 5,749,566</b>	<b>\$ 5,972,667</b>	<b>\$ 6,362,614</b>

## GENERAL INFORMATION

### LOCATION

The City of River Falls, with a 2010 U.S. Census population of 15,000 and a 2011 population estimate of 15,038, comprises an area of 6.56 square miles is located approximately 30 miles east of the Minneapolis-St. Paul Metropolitan area. For additional information regarding the City, please visit their website at [www.rfcity.org](http://www.rfcity.org).

### LARGER EMPLOYERS

Larger employers in the City include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees<sup>1</sup></b>
University of Wisconsin - River Falls	Post-secondary education	756
School District of River Falls	Elementary and secondary education	455
River Falls Area Hospital	Hospital	265
EconoFoods	Grocery store	130
City of River Falls	Municipal government and services	116
River Falls Medical Clinic	Medical clinic	115
Sajan Inc.	Software	112
Biodiagnostics, Inc.	Seed testing and research	110
Lutheran Home - River Falls	Nursing home	100
ShopKo	Retail store	100

The City is located within the Minneapolis-St. Paul-Bloomington, MN-WI Metropolitan Statistical Area (the "MSA"). Larger employers in the MSA include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
Allina Hospitals & Clinics	Healthcare	28,898
State of Minnesota	State government and services	21,656 <sup>2</sup>
Target Corporation	Corporate headquarters and retail stores	18,170
Fairview Hospitals & Clinics	Healthcare	17,064
University of Minnesota - Twin Cities	Schools-Universities & Colleges Academic	17,053
Park Nicollet Hospitals & Clinics	Healthcare	14,300
3M	Manufacturers, distributors and ind. products	12,000
West Thomson Reuters	Legal research	7,500
Ameriprise Financial	Financial advisory services	7,000
Best Buy, Inc.	Electronics equipment and service	6,001

**Source:** *Infogroup ([www.salesgenie.com](http://www.salesgenie.com)), written and telephone survey (February 2012), and the Minnesota Department of Employment and Economic Development.*

<sup>1</sup> Includes full-time, part-time, and seasonal employees.

<sup>2</sup> Minnesota Management & Budget, Workforce Report 2010.

**Employment by market sector in the MSA:**

<b>Employment Sector</b>	<b>% of Market Sector within the MSA</b>
Mining, Logging & Construction	3.72%
Manufacturing	11.35%
Trade, Transportation & Utilities	18.30%
Information	1.97%
Financial Activities	6.53%
Professional & Business Services	12.62%
Education and Health Services	17.65%
Leisure and Hospitality	8.44%
Other Services	4.32%
Government	<u>15.10%</u>
<b>Total<sup>1</sup></b>	<b>100.00%</b>

**Source:** U.S. Bureau of Labor Statistics (June 2012).

**BUILDING PERMITS**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012<sup>2</sup></b>
<u>New Single Family Homes</u>					
No. of building permits	37	41	49	17	12
Valuation	\$5,048,943	\$5,935,520	\$7,275,666	\$2,485,000	\$1,606,000
<u>New Multiple Family Buildings</u>					
No. of building permits	3	3	4	2	1
Valuation	\$3,584,578	\$1,155,000	\$2,965,000	\$2,175,000	\$156,600
<u>New Commercial/Industrial Buildings</u>					
No. of building permits	5	0	2	3	0
Valuation	\$14,304,000	\$0	\$1,675,000	\$1,925,000	\$0
<u>No. of All Building Permits</u> <i>(including additions and remodelings)</i>	495	448	306	187	85
<u>Valuation of All Building Permits</u> <i>(including additions and remodelings)</i>	\$26,812,848	\$10,764,258	\$14,734,020	\$11,767,697	\$4,920,314

<sup>1</sup> Non-farm wage and salary employment.

<sup>2</sup> As of June 30, 2012.

## U.S. CENSUS DATA

### Population Trend: City of River Falls

2000 U.S. Census	12,560
2010 U.S. Census	15,000
2011 Population Estimate <sup>1</sup>	15,038
Percent of Change 2000 - 2010	+ 19.43%

### Income and Age Statistics

	<b>City of River Falls</b>	<b>Pierce County</b>	<b>St. Croix County</b>	<b>State of Wisconsin</b>	<b>United States</b>
1999 per capita income	\$17,667	\$20,172	\$23,937	\$21,271	\$21,587
1999 median household income	\$41,184	\$49,551	\$54,930	\$43,791	\$41,994
1999 median family income	\$60,253	\$58,121	\$63,816	\$52,911	\$50,046
2000 median gross rent	\$565	\$542	\$587	\$540	\$602
2000 median value owner occupied housing	\$127,000	\$123,100	\$139,500	\$112,200	\$119,600
2000 median age	23.6 yrs.	32.1 yrs.	35.0 yrs.	36.0 yrs.	53.3 yrs.
	<b>State of Wisconsin</b>			<b>United States</b>	
City % of per capita income	83.06%			81.84%	
City % of median family income	113.88%			120.40%	

### Housing Statistics

	<b><u>City of River Falls</u></b>		<b>Percent of Change</b>
	<b>2000</b>	<b>2010</b>	
All Housing Units	4,349	5,449	25.29%

**Source:** 2000 and 2010 Census of Population and Housing.

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities with populations under 25,000.

<b>Year</b>	<b><u>Average Employment</u></b>		<b><u>Average Unemployment</u></b>		
	<b>Pierce County</b>	<b>St. Croix County</b>	<b>Pierce County</b>	<b>St. Croix County</b>	<b>State of Wisconsin</b>
2008	22,976	45,401	4.3%	4.4%	4.8%
2009	21,771	43,657	7.7%	8.2%	8.7%
2010	22,085	43,789	6.8%	7.3%	8.5%
2011	22,420	44,453	5.8%	5.9%	7.5%
2012, May	22,820	45,247	4.7%	4.9%	6.8%

**Source:** Wisconsin Department of Workforce Development.

<sup>1</sup> **Source:** Wisconsin Department of Administration.

## **APPENDIX A**

### **EXCERPTS FROM FINANCIAL STATEMENTS**

Reproduced on the following pages are excerpts from the City's audited Financial Statements for the fiscal year ending December 31, 2011. The Financial Statements have been prepared by the City and audited by a certified public accountant. The Management's Discussion and Analysis and the Notes to Financial Statements are an integral part of the audit and any judgment of the Financial Statements should be based on the Financial Statements as a whole.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of River Falls  
River Falls, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of River Falls, Wisconsin as of and for the year ended December 31, 2011, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the city's management. Our responsibility is to express opinions on these financial statements based upon our audit. We did not audit the limited liability corporation (LLC) presented as a component unit of the City of River Falls Housing Authority (HA). The LLC of the HA represents 51 percent, 61 percent and 19 percent, respectively of the assets, net assets, and operating revenues of combined HA component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to amounts included for the LLC, is based on the report of the other auditors. The prior year comparative information has been derived from the city's 2010 financial statements and, in our report dated July 12, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on the our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of River Falls, Wisconsin as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2011, the Housing Authority changed its financial reporting to present the component unit, Windmill Place, LLC, as a discretely presented component unit rather than a blended component unit. Accounting policies are further discussed in Note I.I to the financial statements.

To the City Council  
River Falls, Wisconsin

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

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

*Baker Tilly Vuchow Krume, LLP*

July 9, 2012

## CITY OF RIVER FALLS, WISCONSIN MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of River Falls' financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2011. This narrative is intended to offer readers an objective, easy to read reporting of the accompanying financial statements.

### FINANCIAL HIGHLIGHTS

- The City of River Falls had total assets of \$135.7 million and liabilities of \$43.9 million, resulting in net assets of \$91.8 million at the end of 2011. Of the net assets, \$76.2 million represents capital assets, net of related debt, \$5.4 million is held for restricted purposes, and \$10.2 million is available to meet the government's ongoing obligations to citizens and creditors.
- At the end of 2011, the City of River Falls' governmental funds reported combined ending fund balances of \$9,293,915, an increase of \$1,824,618 as compared to the prior fiscal year. This increase is partially due to a multi-year financial agreement with the Wisconsin Department of Transportation to transfer connecting highway 35/29 from Cascade Avenue to Cemetery Road. The agreement provides a net total of \$3.7 million over a 4 year period from 2011 to 2014 as reimbursement for this transfer. The 2011 payment of \$1,030,000 was received, and along with an increase in tax increment and room tax revenues, have increased the governmental fund revenues by \$1.3 million over 2010 revenues. Expenditures correspondingly increased by \$1.1 million largely for capital projects.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$5.0 million, or 68.4% of general fund expenditures. This is an increase of \$389,947 over the prior year.
- Total debt increased by \$818,021 during the current fiscal year. The City issued \$6,505,000 of new general obligation and revenue debt and retired \$5,686,979 of existing general obligation and revenue debt.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements:** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

- The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as 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 vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other 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 City include public safety (police and fire services), public works (roads, traffic controls, and transit), culture and recreation (parks, library and recreation), community development, general government, and interest on long-term debt. The business-type activities of the City include electric, water, sewer, storm water, and ambulance services.

The government-wide financial statements include not only the City of River Falls itself (known as the *primary government*), but also legally distinct entities for which the City has financial responsibility and accountability, known as component units. The component units of the City include the Housing Authority and the Business Improvement District. These entities are described in Note III.1. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. Separately issued financial statements of the Housing Authority may be obtained from the Executive Director at the River Falls Housing Authority, 625 North Main Street, River Falls, WI 54022. Separately issued financial statements are not issued by the Business Improvement District.

The government-wide financial statements can be found on pages 1-3 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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into two categories: governmental funds and proprietary funds.

- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, 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 and is typically the basis that is used in developing the next annual budget.
- Because the focus of the 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. 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.
- The City has two major governmental funds: general fund and the general capital projects fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for these major funds. Data from all other non-major governmental funds is combined into a single aggregated presentation and are referenced under a single column as "Other Governmental Funds". Individual fund data on each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.
- The City adopts an annual appropriated budget for all governmental funds as required by state statute. Budget comparisons have been provided for the general fund to demonstrate compliance with the adopted budget.
- The basic governmental funds financial statements can be found on pages 4 and 6 of this report.
- Proprietary funds are used when the City charges customers for the services it provides; whether to outside customers or to other units of the City. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer, storm water and ambulance service.
- The proprietary funds financial statements can be found on pages 9 - 13 of this report.
- 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 City's own programs. The accounting for fiduciary funds is similar to that used for proprietary funds. The City of River Falls uses fiduciary funds to account for taxes collected for the benefit of overlapping tax jurisdictions.
- The fiduciary financial statement can be found on page 14.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 - 73 of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information containing general fund budgetary comparison information and supplementary information that includes additional information for non-major governmental funds. Required supplementary information can be found on pages 74 - 76 of this report; supplementary information can be found on pages 77 - 93 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$91,770,053, at the close of the fiscal year ending December 31, 2011. This is an increase in net assets of \$3,350,792 over the previous fiscal year. Approximately \$1.5 million of this increase is due to operating surpluses and capital contributions to the city's enterprise funds.

#### Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	20,855,230	15,534,100	15,009,602	12,143,262	35,864,832	27,677,362
Capital assets	<u>47,338,094</u>	<u>45,606,547</u>	<u>52,470,937</u>	<u>53,086,888</u>	<u>99,809,031</u>	<u>98,693,435</u>
Total assets	68,193,324	61,140,647	67,480,539	65,230,150	135,673,863	126,370,797
Current liabilities	11,445,794	7,760,683	3,666,668	2,410,010	15,112,462	10,170,693
Noncurrent liabilities	<u>14,628,118</u>	<u>13,108,584</u>	<u>14,163,230</u>	<u>14,672,259</u>	<u>28,791,348</u>	<u>27,780,843</u>
Total liabilities	26,073,912	20,869,267	17,829,898	17,082,269	43,903,810	37,951,536
Net assets:						
Invested in capital, net of related debt	35,073,377	34,955,126	41,110,284	41,568,914	76,183,661	76,524,040
Restricted net assets	4,323,817	1,116,875	1,056,018	1,013,388	5,379,835	2,130,263
Unrestricted net assets	<u>2,722,218</u>	<u>4,199,379</u>	<u>7,484,339</u>	<u>5,565,579</u>	<u>10,206,557</u>	<u>9,764,958</u>
Total net assets	<u>42,119,412</u>	<u>40,271,380</u>	<u>49,650,641</u>	<u>48,147,881</u>	<u>91,770,053</u>	<u>88,419,261</u>
Total net assets as a % of total liabilities	162%	193%	278%	282%	209%	233%
Unrestricted net assets as a % of total liabilities	10%	20%	42%	33%	23%	26%

The largest portion of the City's net assets (83%) reflects its investment in capital assets (e.g. land and easements, structures and improvements, infrastructure and equipment, less any related debt used to acquire those assets that is still outstanding). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net assets comprise 11% of the City’s net assets, an increase of \$441,599 from the previous year. Unrestricted assets may be used to meet the City’s ongoing obligations to citizens and creditors. Approximately 73% of the total unrestricted assets are related to business-type activities, and as such, are generally not available to fund governmental operations.

The remaining balance of the City’s net assets (6%), represent resources that are subject to internal or external restrictions on how they may be used.

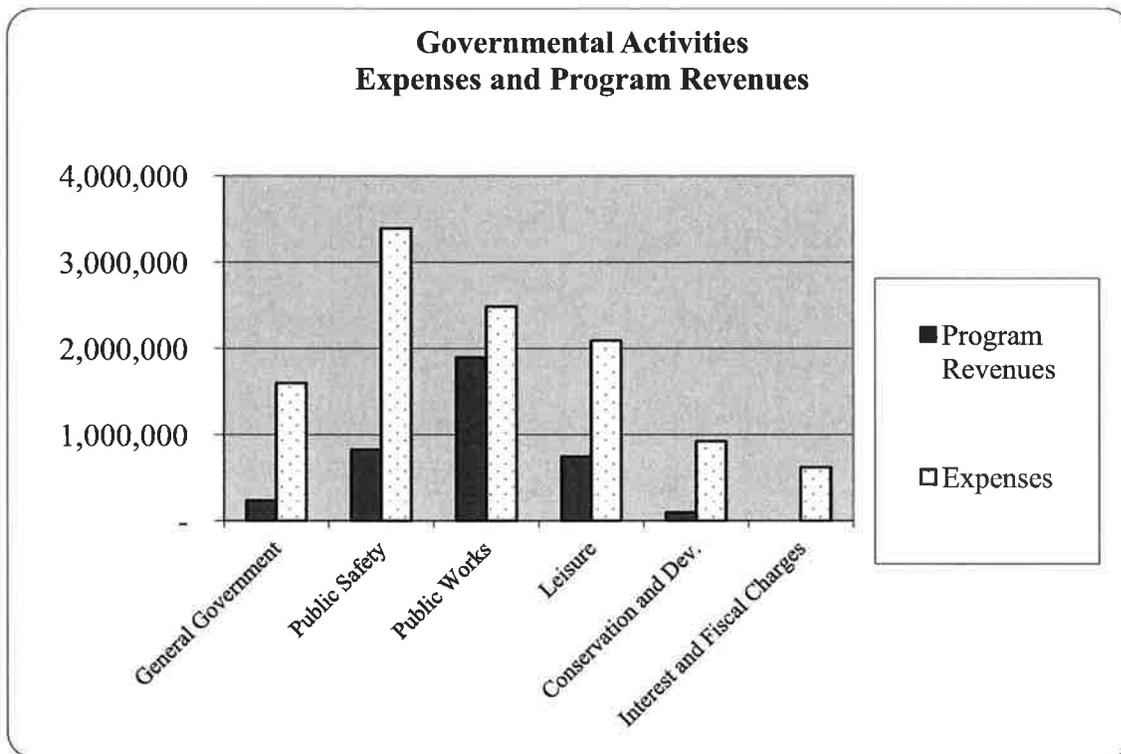
The table below and the narrative that follows consider the operations of governmental and business-type activities separately.

	<b>Statement of Activities</b>					
	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>						
Program revenues:						
Charges for Services	\$1,048,194	\$1,161,978	\$19,184,072	\$19,174,406	\$20,232,266	\$20,336,384
Operating grants and contributions	1,609,985	1,448,716	6,156	7,233	1,616,141	1,455,949
Capital grants and contributions	1,145,335	313,241	156,958	321,165	1,302,293	634,406
General revenues:						
Property taxes	5,390,098	5,086,684			5,390,098	5,086,684
Other taxes	153,624	123,646			153,624	123,646
Intergovernmental Revenues	2,208,836	2,182,763			2,208,836	2,182,763
Investment earnings	228,480	216,934	76,643	117,384	305,123	334,318
Miscellaneous	<u>379,381</u>	<u>256,897</u>	<u>105,191</u>	<u>86,966</u>	<u>484,572</u>	<u>343,863</u>
Total revenues	12,163,933	10,790,859	19,529,020	19,707,154	31,692,953	30,498,013
<b>Expenses:</b>						
General government	1,597,090	1,497,940			1,597,090	1,497,940
Public safety	3,394,173	3,229,989			3,394,173	3,229,989
Public works	2,489,897	3,023,988			2,489,897	3,023,988
Health services	12,298	12,697			12,298	12,697
Leisure	2,092,168	2,047,930			2,092,168	2,047,930
Conservation and development	922,887	635,071			922,887	635,071
Interest and fiscal charges	618,506	642,726			618,506	642,726
Electric utility			12,473,346	12,922,297	12,473,346	12,922,297
Water utility			1,092,298	1,075,819	1,092,298	1,075,819
Sewer utility			2,513,653	2,548,893	2,513,653	2,548,893
Storm water Utility			369,106	378,019	369,106	378,019
Ambulance Service	-	-	766,739	758,804	766,739	758,804
Total expenses	11,127,019	11,090,341	17,215,142	17,683,832	28,342,161	28,774,173
Change in net assets before transfers	1,036,914	(299,482)	2,313,878	2,023,322	3,350,792	1,723,840
Special items						
Transfers	<u>811,118</u>	<u>729,329</u>	<u>(811,118)</u>	<u>(729,329)</u>	-	-
Increase in net assets	1,848,032	429,847	1,502,760	1,293,993	3,350,792	1,723,840
Net assets 1/1/11	<u>40,271,380</u>	<u>39,841,533</u>	<u>48,147,881</u>	<u>46,853,888</u>	<u>88,419,261</u>	<u>86,695,421</u>
Net assets 12/31/11	<u>42,119,412</u>	<u>40,271,380</u>	<u>49,650,641</u>	<u>48,147,881</u>	<u>91,770,053</u>	<u>88,419,261</u>

**Governmental Activities:**

Revenues for the City’s governmental activities including transfers from other funds totaled \$13.0 million, with property taxes accounting for 42% of the total. Intergovernmental revenues include \$2.2 million in state shared revenue and grants, or 17% of annual revenues. Charges for services make up 8% of total revenues and include solid waste and environmental fees, as well as permits, licenses and miscellaneous fees.

Governmental activities expenses totaled \$11.1 million, with public safety (\$3,394,173), public works (\$2,489,897), and leisure services (\$2,092,168) accounting for 72% of the expenses. The following graph displays the governmental activities expenses in comparison to program revenues. When all sources of revenue are combined, such as property tax, investment earnings, including transfers, grants and contributions not restricted to specific programs are included, total revenues exceeded expenditures by \$1,848,032.



## **Business-Type Activities:**

Business-type activities increased the City's net assets by \$1,502,760. Due to the enterprise nature of these activities, over 98% of annual revenues are generated by charges for services.

Key elements of the business-type activities in 2011 are as follows:

### **Electric**

- In 2011, the City accepted a financial buyout package from its power supply contractor ending a long-term agreement that provided electric generation capacity revenue. An analysis was completed regarding the future of the City's power plant without these revenues, including the effect on long term rates and the need to generate locally if necessary. River Falls is served by three major transmission sources, minimizing the need to generate should any one source be unavailable, which is advantageous to the community and negates the need for maintaining the power plant for this purpose. Through the City's affiliation with WPPI, and their investment in generation assets, the long-term outlook for wholesale rates are expected to be competitive with other sources. With these factors, the decision was made to decommission the plant at the end of 2011.
- The electric utility's net assets increased \$703,874 or 4.7 percent from the prior year. This increase is \$342,251 higher than last year due to adjustments made as a result of a buyout of the generating capacity agreement with WPPI. Unrestricted net assets grew by \$1,600,411 with the future payments from WPPI included as a receivable.
- The electric utility's operating income decreased by \$ 48,421 or 5.5 percent in 2011 compared to 2010. Operating revenues excluding sales for resale, were three percent higher in 2011, due to increased power supply costs, which are passed on to the consumer. Revenue from sales for resale which accounted for seven percent of operating revenues in 2010, will no longer be available due to the power plant closure. A year over year reduction of 44 percent in operating expenses related to the power plant was realized in 2011.
- Electric utility net capital assets decreased \$2,149,649 as a result of retiring the power plant operations. Capital assets net of related debt were reduced by \$875,730 at the end of 2011.

### **Water**

- The water utility's net assets increased \$148,269 or 1.13 percent in 2011. In comparison, the water utility's net assets increased by \$226,776 in 2010, with the difference largely due to lower capital contribution revenue in 2011.
- Operating revenues for the utility increased \$20,245 or 1.40 percent in 2011 compared to 2010. Approximately 61 percent of this increase is related to additional metered water sales, with the remaining increase from public fire protection charges. The water utility's operating expenses increased \$27,478 or 2.6 percent in 2011 compared to 2010. This increase was largely due to costs related to the water rate study.

- Net capital assets increased by \$2,015,628 from the improvements made to Well Number 6 and the North booster station projects. Net capital assets net of related debt increased by \$490,779.

**Sewer**

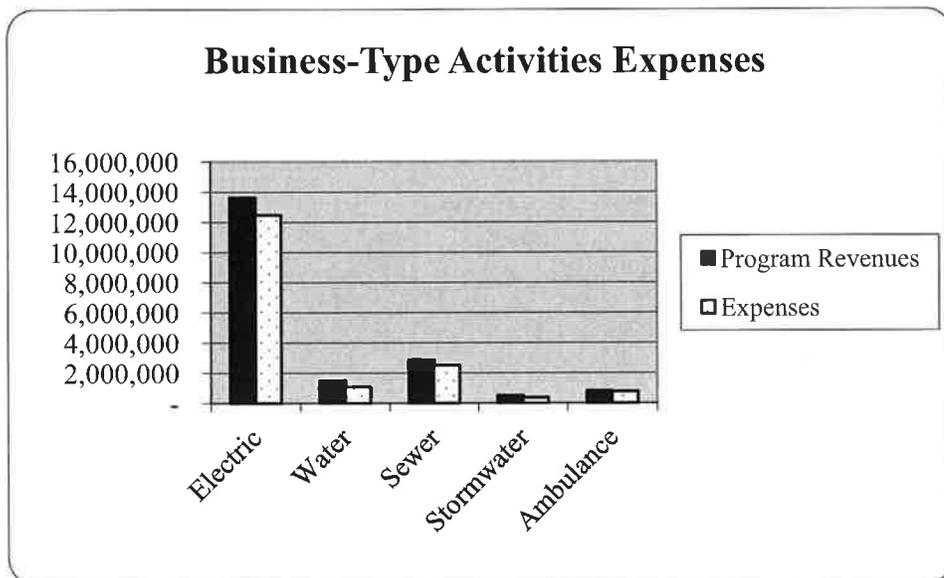
- The sewer utility’s net assets increased \$409,106 or 3.0 percent in 2011. This was a 14.7 percent reduction in the change in net assets from 2010 due to lower capital contribution revenue.
- Operating income for the sewer utility increased \$52,216 or 8.1 percent in 2011 as compared to 2010. Increased residential sewer usage and reduced costs for the collection system comprised the majority of this increase.
- The net capital assets of the sewer fund decreased by \$417,018 due to annual depreciation expense.

**Storm Water**

- The storm water utility fund net assets increased \$71,715 or 1.3% from the prior year. Net operating income increased by 5% from 2010, due to expenses less than anticipated. Additionally, costs related to the Cascade Avenue reconstruction project will not be realized until 2012.

**Ambulance**

- The ambulance services net assets increased by \$169,797 or 16.1% due a service rate increase implemented in May, 2010. This resulted in an increase of 8.7% in operating revenues, with expenses held to a 1% increase.



## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

As the City completed the year, its governmental funds reported a combined fund balance of \$9,293,915; an increase of \$1,824,618 from 2010. Approximately 30% or \$2,775,203 of the combined fund balance constitutes unassigned fund balance, which is available to meet the City's current and future needs. An additional \$742,057 is committed for special revenue and capital project funds.

The remaining fund balance is nonspendable and restricted and therefore not available for new spending. Funds are committed for the following: 1) prepaid expenses of \$105,958; 2) to reflect the amount due from other funds that are long term in nature and do not represent spendable resources of \$1,269,700; and 3) for special purpose funds such as impact fees, library and housing, or debt service notes of \$4,400,997.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The 2011 budget was adopted at the function level of expenditures. During the year, the budget was amended to account for cost savings and increased transfers to other funds for deficit reduction and debt repayment. General fund revenues exceeded expenditures by \$389,947 after these additional transfers were made.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities at December 31, 2011, amounted to \$99.8 million (net of accumulated depreciation), an increase of 1.2% over 2010. The investment in capital assets includes land and easements, infrastructure, structures and improvements, equipment, and construction in progress.

In accordance with the implementation of GASB No. 34, the City has recorded historical costs and depreciation expense associated with all of its capital assets, including infrastructure. The City has elected to use the straight-line depreciation method of reporting capital assets.

Further details of the City's capital assets can be found on page 36 in the notes to the financial statements.

### **Long-term Debt**

At December 31, 2011, the City had \$15,982,808 of general obligation bonds and promissory notes outstanding. Of this amount, \$2,686,582, or 16.8% will be paid from business-type activity revenues. The City maintains an Aa2 rating from Moody's Investor Service on general obligation issues. Under current state statutes, the City's general obligation indebtedness may not exceed five percent (5%) of the equalized value of taxable property in the City. As of

December 31, 2011, the City's total amount applicable to debt margin (outstanding notes less debt service fund balance) was \$15,982,808 or 38.7% of the legal limit of \$41,251,630. The net debt per capita equaled \$1,063 at year-end.

Further details of the City's long-term debt activity can be found in the notes to the financial statements within Note III section F.

#### Economic Factors and the 2012 Budget and Rates

The 2012 budget was approved in November 2011, with a levy increase of \$51,087, or 1.1%. Additional allocations to other funds and diversified revenues were proposed to reduce the reliance on property tax revenues. The 2012 general fund budget does not include the use of fund balance. It is anticipated that increased revenues and additional cost savings in operations will result in a secure year end financial condition.

Water and Sewer utility will implement new rates effective April 13, 2012. This change results in annual water revenues increasing 3% or approximately \$42,000 per year. The sewer rates will increase by an average 8.35% for approximately \$234,000 additional revenue per year.

Reductions in value due to economic conditions caused a decrease of 1.5% in the City's 2011 equalized values. Residential and commercial properties were the most affected by the change. Manufacturing added \$3,468,600 in increased equalized value in 2011, with a citywide increase in net new construction of \$13.3 million.

#### Request for Information

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of River Falls, Finance Director, 222 Lewis Street, River Falls, WI 54022.

**CITY OF RIVER FALLS**

**STATEMENT OF NET ASSETS**

As of December 31, 2011

(With Comparative Totals - Primary Government for December 31, 2010)

	Primary Government				Component Units	
	Governmental Activities	Business- Type Activities	Totals		Housing Authority	Business Improvement District
			2011	2010		
<b>ASSETS</b>						
Cash and investments	\$ 11,265,227	\$ 5,982,616	\$ 17,247,843	\$ 14,001,200	\$ 439,793	\$ 22,111
Taxes receivable	5,420,348	-	5,420,348	5,430,968	-	-
Accounts receivable (net)	3,420,169	1,621,290	5,041,459	2,215,626	19,400	-
Special assessments receivable	159,866	12,257	172,123	178,498	-	42,178
Interest receivable	17,296	-	17,296	26,150	-	-
Notes receivable	343,838	95,122	438,960	358,733	-	-
Prepaid items and inventories	113,910	363,160	477,070	475,178	22,628	-
Due from other governments	53,383	-	53,383	50,136	-	-
Other receivables	-	3,207,532	3,207,532	151,317	11,587	-
Restricted cash and investments	-	3,383,421	3,383,421	3,645,017	563,765	-
Restricted receivable	-	66,556	66,556	67,972	-	-
Other investments	-	31,180	31,180	793,968	44,942	-
Debt issuance costs	61,193	246,468	307,661	282,599	-	-
Capital Assets						
Land	12,909,634	359,167	13,268,801	11,044,824	751,516	-
Construction in progress	614,384	2,814,437	3,428,821	706,877	47,942	-
Other capital assets, net of depreciation	33,814,076	49,297,333	83,111,409	86,941,734	4,583,038	-
Total Assets	<u>68,193,324</u>	<u>67,480,539</u>	<u>135,673,863</u>	<u>126,370,797</u>	<u>6,484,611</u>	<u>64,289</u>
<b>LIABILITIES</b>						
Accounts payable	396,528	1,509,695	1,906,223	1,625,761	2,758	-
Accrued liabilities	245,596	272,471	518,067	621,210	33,672	-
Accrued interest	201,038	129,011	330,049	321,474	-	-
Deposits	39,100	79,547	118,647	91,589	-	-
Unearned revenues	10,323,532	93,415	10,416,947	7,034,597	22,895	-
Customer advances for construction	-	555,919	555,919	476,062	-	-
Due to other governments	-	-	-	-	39,645	-
Other liabilities	240,000	-	240,000	-	62,657	-
Unamortized gain on early retirement	-	1,026,610	1,026,610	-	-	-
Noncurrent liabilities						
Due within one year	1,211,944	2,571,622	3,783,566	3,042,278	31,019	-
Due in more than one year	13,416,174	11,591,608	25,007,782	24,738,565	3,810,566	-
Total Liabilities	<u>26,073,912</u>	<u>17,829,898</u>	<u>43,903,810</u>	<u>37,951,536</u>	<u>4,003,212</u>	<u>-</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	35,073,377	41,110,284	76,183,661	76,524,040	1,561,044	-
Restricted for						
Debt service	-	716,905	716,905	685,993	-	-
Capital asset repair and replacement	-	110,372	110,372	75,255	-	-
Impact fees	267,952	228,741	496,693	585,619	-	-
Library trust	114,684	-	114,684	112,870	-	-
Housing	670,144	-	670,144	670,526	332,298	-
Parking meters	174,883	-	174,883	-	-	-
Refuse/solid waste	292,952	-	292,952	-	-	-
Environmental fee	2,618,672	-	2,618,672	-	-	-
Library	184,530	-	184,530	-	-	-
Unrestricted	2,722,218	7,484,339	10,206,557	9,764,958	588,057	64,289
<b>TOTAL NET ASSETS</b>	<u>\$ 42,119,412</u>	<u>\$ 49,650,641</u>	<u>\$ 91,770,053</u>	<u>\$ 88,419,261</u>	<u>\$ 2,481,399</u>	<u>\$ 64,289</u>

# CITY OF RIVER FALLS

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

(With Comparative Totals - Primary Government for the Year Ended December 31, 2010)

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,597,090	\$ 237,195	\$ -	\$ -
Public safety	3,394,173	237,018	590,830	-
Public works	2,489,897	88,423	665,133	1,144,585
Health services	12,298	-	-	-
Leisure	2,092,168	391,105	354,022	750
Conservation and development	922,887	94,453	-	-
Interest and fiscal charges	618,506	-	-	-
Total Governmental Activities	<u>11,127,019</u>	<u>1,048,194</u>	<u>1,609,985</u>	<u>1,145,335</u>
Business-type Activities				
Electric Utility	12,473,346	13,580,863	-	56,287
Water Utility	1,092,298	1,471,449	-	31,069
Sewer Utility	2,513,653	2,809,684	-	69,602
Stormwater Utility	369,106	504,265	-	-
Ambulance	766,739	817,811	6,156	-
Total Business-type Activities	<u>17,215,142</u>	<u>19,184,072</u>	<u>6,156</u>	<u>156,958</u>
Total Primary Government	<u>\$ 28,342,161</u>	<u>\$ 20,232,266</u>	<u>\$ 1,616,141</u>	<u>\$ 1,302,293</u>
Component Units				
River Falls Housing Authority	\$ 2,013,344	\$ 895,475	\$ 775,694	\$ 398,413
Business Improvement District	57,830	42,594	-	-
Total Component Units	<u>\$ 2,071,174</u>	<u>\$ 938,069</u>	<u>\$ 775,694</u>	<u>\$ 398,413</u>
General Revenues				
Taxes				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Property taxes, levied for tax increment districts				
Other taxes				
Intergovernmental revenues not restricted to specific programs				
Investment income				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
<b>Change in Net Assets</b>				
NET ASSETS - Beginning of Year				
<b>NET ASSETS - END OF YEAR</b>				

Net (Expenses) Revenues and Changes in Net Assets					
Governmental Activities	Business-type Activities	Totals		Housing Authority	Business Improvement District
		Primary Government			
		2011	2010		
\$ (1,359,895)	\$ -	\$ (1,359,895)	\$ (1,215,343)	\$ -	\$ -
(2,566,325)	-	(2,566,325)	(2,582,261)	-	-
(591,756)	-	(591,756)	(1,864,821)	-	-
(12,298)	-	(12,298)	(12,697)	-	-
(1,346,291)	-	(1,346,291)	(1,310,435)	-	-
(828,434)	-	(828,434)	(538,123)	-	-
(618,506)	-	(618,506)	(642,726)	-	-
<u>(7,323,505)</u>	<u>-</u>	<u>(7,323,505)</u>	<u>(8,166,406)</u>	<u>-</u>	<u>-</u>
-	1,163,804	1,163,804	776,930	-	-
-	410,220	410,220	479,572	-	-
-	365,633	365,633	415,376	-	-
-	135,159	135,159	146,061	-	-
-	57,228	57,228	1,033	-	-
-	<u>2,132,044</u>	<u>2,132,044</u>	<u>1,818,972</u>	<u>-</u>	<u>-</u>
(7,323,505)	2,132,044	(5,191,461)	(6,347,434)	-	-
-	-	-	-	56,238	-
-	-	-	-	-	(15,236)
-	-	-	-	<u>56,238</u>	<u>(15,236)</u>
3,537,403	-	3,537,403	3,446,693	-	-
914,294	-	914,294	917,255	-	-
938,401	-	938,401	722,736	-	-
153,624	-	153,624	123,646	-	-
2,208,836	-	2,208,836	2,182,763	-	-
228,480	76,643	305,123	334,318	2,565	-
379,381	105,191	484,572	343,863	-	-
811,118	(811,118)	-	-	-	-
<u>9,171,537</u>	<u>(629,284)</u>	<u>8,542,253</u>	<u>8,071,274</u>	<u>2,565</u>	<u>-</u>
1,848,032	1,502,760	3,350,792	1,723,840	58,803	(15,236)
<u>40,271,380</u>	<u>48,147,881</u>	<u>88,419,261</u>	<u>86,695,421</u>	<u>2,422,596</u>	<u>79,525</u>
<u>\$ 42,119,412</u>	<u>\$ 49,650,641</u>	<u>\$ 91,770,053</u>	<u>\$ 88,419,261</u>	<u>\$ 2,481,399</u>	<u>\$ 64,289</u>

**CITY OF RIVER FALLS**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2011

	General Fund	General Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 5,333,475	\$ 2,118,201	\$ 3,813,542	\$ 11,265,218
Receivables				
Taxes	2,642,874	50,022	2,727,452	5,420,348
Accounts	146,813	3,109,426	125,434	3,381,673
Special assessments	128,348	31,518	-	159,866
Interest	12,877	-	4,419	17,296
Notes	-	-	343,838	343,838
Prepaid items	92,926	-	13,032	105,958
Due from other governments	29,290	-	24,093	53,383
Due from other funds	38,987	-	25,806	64,793
Advances to other funds	1,269,700	-	1,112,131	2,381,831
<b>TOTAL ASSETS</b>	<b>\$ 9,695,290</b>	<b>\$ 5,309,167</b>	<b>\$ 8,189,747</b>	<b>\$ 23,194,204</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 192,230	\$ 108,856	\$ 85,275	\$ 386,361
Accrued liabilities	228,148	-	16,340	244,488
Deposits	39,100	-	-	39,100
Deferred revenues	2,871,757	4,802,924	3,108,270	10,782,951
Due to other funds	-	-	64,082	64,082
Due to other governments	1,441	-	35	1,476
Advances from other funds	-	112,131	2,269,700	2,381,831
Total Liabilities	<u>3,332,676</u>	<u>5,023,911</u>	<u>5,543,702</u>	<u>13,900,289</u>
Fund Balances				
Nonspendable	1,362,626	-	13,032	1,375,658
Restricted	-	-	4,400,997	4,400,997
Committed	-	285,256	456,801	742,057
Unassigned (deficit)	4,999,988	-	(2,224,785)	2,775,203
Total Fund Balances	<u>6,362,614</u>	<u>285,256</u>	<u>2,646,045</u>	<u>9,293,915</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,695,290</b>	<b>\$ 5,309,167</b>	<b>\$ 8,189,747</b>	<b>\$ 23,194,204</b>

**CITY OF RIVER FALLS**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
As of December 31, 2011

Total fund balance - governmental funds	\$	9,293,915
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in government activities are not financial resources and, therefore, are not reported in the fund statements. Capital assets at year end consist of:</p>		
Capital assets	\$ 59,562,047	
Accumulated depreciation	<u>(12,223,953)</u>	47,338,094
<p>Special assessments, loans receivable, and various other receivables are reported as deferred revenue in the fund financial statements and are recognized as revenue when earned in the government-wide financial statements. These types of deferred revenues at year end consist of:</p>		
Grants receivable	23,154	
Loans receivable	343,838	
Special assessments	26,733	
Other receivables	<u>65,694</u>	459,419
<p>Internal service funds are used by management to charge the costs of the city hall to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.</p>		
		35,945
<p>Governmental funds report the effect of issuance costs, losses on refunding, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts include:</p>		
Loss on refunding	16,029	
Debt issuance costs	61,193	
Debt discount	<u>70,513</u>	147,735
<p>Some other liabilities are not due in the current period and, therefore, are not reported in the fund statements.</p>		
		(240,000)
<p>Long-term liabilities, including bonds and notes payable, are not due in the current period and, therefore, are not reported in the fund statements. Long-term liabilities at year end consist of:</p>		
General obligation debt	(13,296,226)	
Vested compensated absences	(856,152)	
Landfill post-closure care cost	(243,858)	
Other postemployment benefits	(318,424)	
Accrued interest on general obligation debt	<u>(201,036)</u>	(14,915,696)
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>42,119,412</u></b>

## CITY OF RIVER FALLS

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

For the Year Ended December 31, 2011

	General Fund	General Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,605,307	\$ 38,990	\$ 2,916,654	\$ 5,560,951
Special assessments	3,838	6,921	2,500	13,259
Intergovernmental	3,312,865	1,030,000	495,898	4,838,763
Licenses and permits	128,784	-	-	128,784
Fines, forfeitures and penalties	186,942	-	-	186,942
Public charges for services	228,895	-	475,875	704,770
Intergovernmental charges for services	14,641	-	-	14,641
Investment income	191,541	2,068	34,523	228,132
Miscellaneous	297,673	100,750	200,483	598,906
<b>Total Revenues</b>	<u>6,970,486</u>	<u>1,178,729</u>	<u>4,125,933</u>	<u>12,275,148</u>
<b>EXPENDITURES</b>				
Current				
General government	1,330,341	-	-	1,330,341
Public safety	3,086,658	-	64,679	3,151,337
Public works	1,664,438	-	214,710	1,879,148
Health services	10,172	-	-	10,172
Leisure	549,740	-	1,220,491	1,770,231
Conservation and development	506,110	-	278,118	784,228
Public service enterprises	2,127	-	-	2,127
Capital Outlay	-	572,757	2,361,366	2,934,123
Debt Service				
Principal retirement	130,685	-	928,772	1,059,457
Interest and fiscal charges	24,801	4,471	585,139	614,411
<b>Total Expenditures</b>	<u>7,305,072</u>	<u>577,228</u>	<u>5,653,275</u>	<u>13,535,575</u>
Excess (deficiency) of revenues over expenditures	<u>(334,586)</u>	<u>601,501</u>	<u>(1,527,342)</u>	<u>(1,260,427)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	875,000	1,599,000	2,474,000
Transfers from other funds	1,455,562	88,000	583,024	2,126,586
Transfers to other funds	(731,029)	(127,335)	(657,177)	(1,515,541)
<b>Total Other Financing Sources</b>	<u>724,533</u>	<u>835,665</u>	<u>1,524,847</u>	<u>3,085,045</u>
<b>Net change in fund balances</b>	389,947	1,437,166	(2,495)	1,824,618
FUND BALANCES (DEFICIT) - Beginning of Year	<u>5,972,667</u>	<u>(1,151,910)</u>	<u>2,648,540</u>	<u>7,469,297</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 6,362,614</u>	<u>\$ 285,256</u>	<u>\$ 2,646,045</u>	<u>\$ 9,293,915</u>

## CITY OF RIVER FALLS

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

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Net change in fund balances - total governmental funds	\$ 1,824,618
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	2,934,123
Some items reported as capital outlay in the fund financial statements are not capitalized in the government-wide financial statements	(197,154)
Depreciation is reported in the government-wide financial statements	(981,575)

In the fund financial statements, proceeds from the sale of capital assets are reported because the proceeds increase financial resources. In the statement of activities, only the gain or loss on the disposal of capital assets is reported.	(23,847)
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Special assessments, special charges, and the related interest are reported as deferred revenue in the fund statements, but are recognized as revenue when earned in the government-wide financial statements. This is the net effect of those amounts recognized as revenue in prior years on the government-wide financial statements and deferred in the fund financial statements.	2,541
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Receivables that are not received within 60 days of year end are recorded as deferred revenue in the fund statements. This is the net effect of amounts deferred in the prior year and the current year.	(3,502)
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Repayment of debt principal is an expenditure in the fund financial statements, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of principal payments made.	1,059,457
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Issuing debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. This is the amount of debt issued during the year.	(2,474,000)
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Interest on long-term debt in the statement of activities differs from the amount reported in the fund financial statements because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities interest expense is recognized as the interest accrues regardless of when it is due.	11,761
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Governmental funds report the effect of issuance costs, losses on refunding, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of those differences.	(15,938)
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Delinquent charges placed on tax roll were deferred in the fund statements because they were not available, but were recognized in the government-wide statements.	(18,155)
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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. This amount is the change in the following liabilities.

Compensated absences	\$ (59,828)
Landfill liability	14,474
Other postemployment benefits	(50,824)
Other liabilities	(240,000)

Governmental funds report repayments of housing loans and notes receivables as revenue and issuing new loans as expenditures. However, in the statement of activities, these amounts are not reported as revenue and expenses.

Repayment of principal on loans and notes recognized as revenue on fund statements	51,722
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Internal service funds are used by management to charge the costs of the city hall to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

<u>14,159</u>
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**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**

<u>\$ 1,848,032</u>
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**CITY OF RIVER FALLS**

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

	Business-type Activities - Enterprise Funds						Internal Service Fund City Hall
	Major Funds				Non-major Fund	Totals	
	Electric Utility	Water Utility	Sewer Utility	Stormwater Utility	Ambulance		
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and investments	\$ 2,114,358	\$ 1,935,801	\$ 1,199,729	\$ 142,431	\$ 590,297	\$ 5,982,616	\$ 10
Accounts receivable	1,106,636	118,089	243,683	90,062	62,820	1,621,290	38,497
Other accounts receivable	267,743	4,415	12,314	-	-	284,472	-
Current portion of advance	57,396	-	-	-	-	57,396	-
Current portion of loan receivable	24,710	-	-	-	-	24,710	-
Current portion of special assessments	-	2,564	9,693	-	-	12,257	-
Current portion of West Central Biosolids receivable	-	-	48,247	-	-	48,247	-
Current portion of WPPI receivable	757,034	-	-	-	-	757,034	-
Interest receivable	-	-	4,739	-	-	4,739	-
Inventories	276,812	14,199	666	-	-	291,677	-
Prepaid items	33,854	5,281	2,563	2,578	27,207	71,483	7,955
<b>Restricted Assets</b>							
Cash	167,007	35,012	601,717	-	-	803,736	-
Interest receivable	492	132	2,481	-	-	3,105	-
West Central Biosolids receivable	-	-	63,451	-	-	63,451	-
<b>Total Current Assets</b>	<b>4,806,042</b>	<b>2,115,493</b>	<b>2,189,283</b>	<b>235,071</b>	<b>680,324</b>	<b>10,026,213</b>	<b>46,462</b>
<b>Non-Current Assets</b>							
<b>Restricted Assets</b>							
Reserve account	668,463	159,446	610,395	-	-	1,438,304	-
Construction account	-	-	301,806	-	-	301,806	-
Impact fee account	-	477,732	251,471	-	-	729,203	-
Replacement account	-	-	110,372	-	-	110,372	-
<b>Other Assets</b>							
Loan receivable	55,289	-	-	-	-	55,289	-
Solar renewable note receivable	15,123	-	-	-	-	15,123	-
Advances to other funds	496,906	-	-	-	-	496,906	-
Preliminary survey and investigation	-	16,240	14,940	-	-	31,180	-
Special assessments receivable	-	-	-	-	-	-	-
West Central Biosolids Facility receivable	-	-	357,689	-	-	357,689	-
WPPI receivable	1,755,351	-	-	-	-	1,755,351	-
Unamortized debt issuance costs	54,714	59,076	132,678	-	-	246,468	-
<b>Capital Assets</b>							
Land	107,127	3,120	147,622	-	101,298	359,167	-
Construction in progress	107,408	2,638,282	68,747	-	-	2,814,437	-
Property and equipment	22,382,814	15,328,836	26,969,848	7,116,976	1,290,095	73,088,569	-
Accumulated depreciation	(10,675,133)	(3,940,917)	(7,139,027)	(1,230,276)	(805,883)	(23,791,236)	-
<b>Total Non-Current Assets</b>	<b>14,968,062</b>	<b>14,741,815</b>	<b>21,826,541</b>	<b>5,886,700</b>	<b>585,510</b>	<b>58,008,628</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 19,774,104</b>	<b>\$ 16,857,308</b>	<b>\$ 24,015,824</b>	<b>\$ 6,121,771</b>	<b>\$ 1,265,834</b>	<b>\$ 68,034,841</b>	<b>\$ 46,462</b>

	Business-type Activities - Enterprise Funds						
	Major Funds				Non-major Fund	Totals	Internal Service Fund
	Electric Utility	Water Utility	Sewer Utility	Stormwater Utility	Ambulance		City Hall
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Accounts payable	\$ 956,569	\$ 486,159	\$ 43,091	\$ 17,088	\$ 6,788	\$ 1,509,695	\$ 8,732
Customer deposits	79,547	-	-	-	-	79,547	-
Accrued liabilities	177,329	26,842	42,592	2,035	23,673	272,471	1,074
Accrued interest	575	11,963	22,747	3,757	-	39,042	-
Due to other funds	-	-	-	-	-	-	711
Current portion of general obligation debt	15,030	181,284	175,025	183,015	-	554,354	-
Current portion of advance	-	25,201	32,195	-	-	57,396	-
Current portion of shared services notes payable	24,710	-	-	-	-	24,710	-
Current portion of bank promissory note - West Central Wisconsin Biosolids Facility	-	-	48,247	-	-	48,247	-
<b>Current Liabilities Payable from Restricted Assets</b>							
Current portion of revenue bonds	1,350,000	-	530,860	-	-	1,880,860	-
Current portion of clean water fund loan	-	-	63,451	-	-	63,451	-
Accrued interest	11,971	35,177	42,821	-	-	89,969	-
<b>Total Current Liabilities</b>	<b>2,615,731</b>	<b>766,626</b>	<b>1,001,029</b>	<b>205,895</b>	<b>30,461</b>	<b>4,619,742</b>	<b>10,517</b>
<b>Non-Current Liabilities</b>							
General obligation debt	16,032	284,536	1,646,598	185,062	-	2,132,228	-
Revenue bonds	310,000	2,125,000	6,347,867	-	-	8,782,867	-
Unamortized debt premium	-	3,447	41,651	-	-	45,098	-
Clean water fund loan	-	-	202,691	-	-	202,691	-
Bank promissory note - West Central Wisconsin Biosolids Facility	-	-	154,998	-	-	154,998	-
Compensated absences	52,841	24,781	25,777	-	-	103,399	-
Other post-employment benefits	52,804	33,993	21,828	-	8,583	117,208	-
Advance from other funds	-	133,439	363,467	-	-	496,906	-
Shared services notes payable	53,119	-	-	-	-	53,119	-
Unearned revenue	93,415	-	-	-	-	93,415	-
Unamortized gain on early retirement	1,026,610	-	-	-	-	1,026,610	-
Customer advances for construction	-	248,958	306,961	-	-	555,919	-
<b>Total Non-Current Liabilities</b>	<b>1,604,821</b>	<b>2,854,154</b>	<b>9,111,838</b>	<b>185,062</b>	<b>8,583</b>	<b>13,764,458</b>	<b>-</b>
<b>Total Liabilities</b>	<b>4,220,552</b>	<b>3,620,780</b>	<b>10,112,867</b>	<b>390,957</b>	<b>39,044</b>	<b>18,384,200</b>	<b>10,517</b>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	10,985,393	11,661,595	12,359,163	5,518,623	585,510	41,110,284	-
Restricted for:							
Debt service	155,528	-	561,377	-	-	716,905	-
Replacement	-	-	110,372	-	-	110,372	-
Impact fees	-	228,741	-	-	-	228,741	-
Unrestricted	4,412,631	1,346,192	872,045	212,191	641,280	7,484,339	35,945
<b>TOTAL NET ASSETS</b>	<b>\$ 15,553,552</b>	<b>\$ 13,236,528</b>	<b>\$ 13,902,957</b>	<b>\$ 5,730,814</b>	<b>\$ 1,226,790</b>	<b>\$ 49,650,641</b>	<b>\$ 35,945</b>

**CITY OF RIVER FALLS**

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

	Business-type Activities - Enterprise Funds						Internal Service Fund City Hall
	Major Funds				Non-major Fund	Totals	
	Electric Utility	Water Utility	Sewer Utility	Stormwater Utility	Ambulance		
<b>OPERATING REVENUES</b>	\$ 13,580,863	\$ 1,471,449	\$ 2,809,684	\$ 504,265	\$ 817,811	\$ 19,184,072	\$ 38,497
<b>OPERATING EXPENSES</b>							
Operation and maintenance	11,776,249	792,314	1,580,603	214,922	695,710	15,059,798	224,438
Depreciation and amortization	970,401	271,978	533,679	140,974	71,029	1,988,061	-
Total Operating Expenses	12,746,650	1,064,292	2,114,282	355,896	766,739	17,047,859	224,438
Operating Income (Loss)	834,213	407,157	695,402	148,369	51,072	2,136,213	(185,941)
<b>NON-OPERATING REVENUES (EXPENSES)</b>							
Operating grants	-	-	-	-	6,156	6,156	-
Investment income	26,423	5,920	26,088	179	648	59,258	27
Interest income on West Central Wisconsin Biosolids Facility receivable	-	-	17,385	-	-	17,385	-
Interest expense	(83,088)	(61,543)	(355,000)	(13,210)	-	(512,841)	-
Interest charged to construction	-	34,736	6,812	-	-	41,548	-
Amortization of debt issuance costs	(18,135)	(1,273)	(53,447)	-	-	(72,855)	-
Amortization of debt premium	-	74	2,264	-	-	2,338	-
Amortization of gain on early retirement	374,527	-	-	-	-	374,527	-
Miscellaneous revenues	-	-	-	1,550	103,641	105,191	-
Total Non-Operating Revenue (Expenses)	299,727	(22,086)	(355,898)	(11,481)	110,445	20,707	27
Income (Loss) Before Contributions and Transfers	1,133,940	385,071	339,504	136,888	161,517	2,156,920	(185,914)
<b>CAPITAL CONTRIBUTIONS</b>	56,287	31,069	69,602	-	-	156,958	-
<b>TRANSFERS IN</b>	-	-	-	-	129,087	129,087	215,552
<b>TRANSFERS OUT</b>	(486,354)	(267,871)	-	(65,173)	(120,807)	(940,205)	(15,479)
Change in Net Assets	703,873	148,269	409,106	71,715	169,797	1,502,760	14,159
NET ASSETS – Beginning of Year	14,849,679	13,088,259	13,493,851	5,659,099	1,056,993	48,147,881	21,786
<b>NET ASSETS – END OF YEAR</b>	\$ 15,553,552	\$ 13,236,528	\$ 13,902,957	\$ 5,730,814	\$ 1,226,790	\$ 49,650,641	\$ 35,945

**CITY OF RIVER FALLS**

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

	Business-type Activities - Enterprise Funds						Internal Service Fund City Hall
	Major Funds				Non-major Fund	Totals	
	Electric Utility	Water Utility	Sewer Utility	Stormwater Utility	Ambulance		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Received from customers	\$ 13,847,065	\$ 1,525,058	\$ 2,841,446	\$ 504,501	\$ 809,958	\$ 19,528,028	\$ 32,972
Received from city for services	246,822	-	-	-	-	246,822	-
Paid to suppliers for goods and services	(10,523,708)	(454,745)	(1,199,069)	(90,380)	(321,591)	(12,589,493)	(168,101)
Paid to employees for services	(1,324,379)	(259,299)	(369,940)	(108,112)	(369,285)	(2,431,015)	(65,696)
Net Cash Flows From Operating Activities	2,245,800	811,014	1,272,437	306,009	119,082	4,754,342	(200,825)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Paid to city for tax equivalent	(486,354)	(267,871)	-	-	-	(754,225)	-
Repayment of advance from other funds	(127,831)	-	(30,809)	-	-	(158,640)	-
Operating grant	-	-	-	-	6,156	6,156	-
Miscellaneous revenue	-	-	-	1,550	103,641	105,191	-
Debt retired	(14,028)	-	(4,244)	-	-	(18,272)	-
Repayment of solar renewable note	911	-	-	-	-	911	-
Transfers to/from other funds	-	158,640	-	(65,173)	8,280	101,747	200,073
Net Cash Flows From Noncapital Financing Activities	(627,302)	(109,231)	(35,053)	(63,623)	118,077	(717,132)	200,073
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>							
Acquisition and construction of capital assets	(729,553)	(1,610,926)	(55,850)	(166,120)	(34,967)	(2,597,416)	-
Capital contributions received	56,287	-	127,148	-	-	183,435	-
Impact fees received	-	53,380	-	-	-	53,380	-
Debt retired	(1,330,000)	(373,067)	(2,669,380)	(175,303)	-	(4,547,750)	-
Interest paid	(94,343)	(33,200)	(337,435)	(9,453)	-	(474,431)	-
Proceeds from debt issue	-	2,125,000	1,740,000	166,000	-	4,031,000	-
Debt issuance costs	-	(56,828)	(778)	-	-	(57,606)	-
Net Cash Flows From Capital and Related Financing Activities	(2,097,609)	104,359	(1,196,295)	(184,876)	(34,967)	(3,409,388)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of investments	(835,645)	-	(1,028,830)	-	-	(1,864,475)	-
Proceeds from sales and maturities of investments	795,790	-	1,786,704	-	-	2,582,494	-
Investment income	28,258	5,788	27,428	179	648	62,301	27
Net Cash Flows From Investing Activities	(11,597)	5,788	785,302	179	648	780,320	27
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(490,708)	811,930	826,391	57,689	202,840	1,408,142	(725)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	2,604,891	1,796,061	1,220,269	84,742	387,457	6,093,420	735
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,114,183	\$ 2,607,991	\$ 2,046,660	\$ 142,431	\$ 590,297	\$ 7,501,562	\$ 10
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS ACCOUNTS</b>							
Cash and investments	\$ 2,114,358	\$ 1,935,801	\$ 1,199,729	\$ 142,431	\$ 590,297	\$ 5,982,616	\$ 10
Bond redemption account	167,007	35,012	601,717	-	-	803,736	-
Bond reserve account	668,463	159,446	610,395	-	-	1,438,304	-
Construction account	-	-	301,806	-	-	301,806	-
Impact fee account	-	477,732	251,471	-	-	729,203	-
Replacement account	-	-	110,372	-	-	110,372	-
Total Cash and Investments	2,949,828	2,607,991	3,075,490	142,431	590,297	9,366,037	10
Less: Noncash equivalents	(835,645)	-	(1,028,830)	-	-	(1,864,475)	-
<b>CASH AND CASH EQUIVALENTS</b>	\$ 2,114,183	\$ 2,607,991	\$ 2,046,660	\$ 142,431	\$ 590,297	\$ 7,501,562	\$ 10

	Business-type Activities - Enterprise Funds						Internal Service Fund City Hall
	Major Funds				Non-major Fund	Totals	
	Electric Utility	Water Utility	Sewer Utility	Stormwater Utility	Ambulance		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ 834,213	\$ 407,157	\$ 695,402	\$ 148,369	\$ 51,072	\$ 2,136,213	\$ (185,941)
Nonoperating revenue (expense)	399,710	-	-	-	-	399,710	-
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities							
Noncash items included in income							
Depreciation and amortization	970,401	271,978	533,679	140,974	71,029	1,988,061	-
Depreciation charged to clearing account	-	43,223	-	-	-	43,223	-
Unfunded postemployment benefits obligation	52,804	33,993	21,828	-	-	108,625	-
Change in assets and liabilities							
Customer accounts receivable	142,456	5,911	21,847	236	(7,853)	162,597	(5,525)
Other accounts receivable	(7,258)	4,475	9,915	-	-	7,132	-
Inventories	30,706	226	(54)	-	-	30,878	(1,423)
Prepaid items	(20,341)	(2,505)	3,348	293	2,217	(16,988)	-
Accounts payable	(15,111)	47,232	(5,997)	16,162	(4,826)	37,460	1,517
Customer deposits	2,308	-	-	-	-	2,308	-
Due to other funds	-	-	-	-	-	-	(9,390)
Other current liabilities	(144,088)	(676)	(7,531)	(25)	7,443	(144,877)	(63)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 2,245,800</u>	<u>\$ 811,014</u>	<u>\$ 1,272,437</u>	<u>\$ 306,009</u>	<u>\$ 119,082</u>	<u>\$ 4,754,342</u>	<u>\$ (200,825)</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>							
Clean water fund debt paid by West Central Wisconsin Biosolids Facility	\$ -	\$ -	\$ 108,255	\$ -	\$ -	\$ 108,255	\$ -
Interest paid by West Central Wisconsin Biosolids Facility	-	-	17,385	-	-	17,385	-
Shared savings debt	45,165	-	-	-	-	45,165	-
Adjustment to accumulated depreciation for early retirement of power plant	1,510,958	-	-	-	-	1,510,958	-
Salvage for sale of generator in accounts receivable	200,000	-	-	-	-	200,000	-
Amortization of loss on early retirement of book value of power plant	25,123	-	-	-	-	25,123	-

# CITY OF RIVER FALLS

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

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	<u>Agency Tax Collection</u>
<b>ASSETS</b>	
Cash and investments	\$ 1,135,280
Taxes receivable	<u>12,904,019</u>
 TOTAL ASSETS	 <u>\$ 14,039,299</u>
 <b>LIABILITIES</b>	
Due to other taxing units	<u>\$ 14,039,299</u>

CITY OF RIVER FALLS

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely Presented Component Units

River Falls Housing Authority

The government-wide financial statements include the River Falls Housing Authority as a component unit by the mayor. The Housing Authority is a legally separate organization. The board of the Housing Authority is appointed by the mayor of the City of River Falls. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the Housing Authority, and also create a potential financial benefit to or burden on the city. See Note III J. As a component unit, the Housing Authority's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2011. Separately issued financial statements of the Housing Authority may be obtained from the Housing Authority's office at 625 North Main Street, River Falls, WI 54022.

CITY OF RIVER FALLS

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

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Units (cont.)

Business Improvement District

The government-wide financial statements include the Business Improvement District (BID) as a component unit. The BID is a legally separate organization. The board of the BID is appointed by the mayor of the City of River Falls. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the BID, and also create a potential financial benefit to or burden on the city. See Note III I. As a component unit, the BID's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2011. Separate financial statements are not issued by the BID.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

**CITY OF RIVER FALLS**

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

**NOTE 1 – 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, net assets/fund equity, revenues, and expenditure/expenses.

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

Funds are organized as major funds or non-major 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 city or meets the following criteria:

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

The city reports the following major governmental funds:

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

General Capital Projects Fund – accounts for and reports proceeds from long-term borrowing and other resources to be used for capital improvement projects.

The city reports the following major enterprise funds:

- Electric Utility – accounts for operations of the electric system
- Water Utility – accounts for operations of the water system
- Sewer Utility – accounts for operations of the sewer system
- Stormwater Utility – accounts for operations of the stormwater system

**CITY OF RIVER FALLS**

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

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

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

*Fund Financial Statements (cont.)*

The city reports the following non-major governmental and enterprise funds:

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes

Parking Meters	Library
Refuse/Solid Waste	Revolving Loan
Shared Ride Taxi	Park Impact Fees
Media Services	Library Impact Fees
Environmental Fee	Fire Impact Fees
Tax Increment District #4	Housing Reserve
Tax Increment District #6	Library Trust Fund
Tax Increment District #7	Tourism and Economic Development
Tax Increment District #8	Whitehall Ridge Corporate Park

Debt Service Funds – used to account for and report the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

- Bonds
- Notes

Capital Projects Funds – used to account for and report financial resources to be used for the acquisition or construction of equipment and/or major capital facilities

Capital Equipment

Enterprise Funds – may be used to report any activity for which a fee is charged to external users for goods or services, and must be used for activities which meet certain debt or cost recovery criteria

Ambulance

In addition, the city reports the following fund type:

Internal Service Funds are used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the city, or to other governmental units, on a cost-reimbursement basis.

City Hall Fund

Agency funds are used to account for and report assets held by the city in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units

Tax Collection Fund

CITY OF RIVER FALLS

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

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

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

*Government-Wide Financial Statements*

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

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

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

*Fund Financial Statements*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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

CITY OF RIVER FALLS

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

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

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

*Fund Financial Statements (cont.)*

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues.

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

The city reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the city has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the city has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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

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

CITY OF RIVER FALLS

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

NOTE 1 – 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, AND NET ASSETS OR EQUITY

1. Deposits and Investments

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

Investment of city funds is restricted by 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

Investment of most trust funds is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures

CITY OF RIVER FALLS

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

1. Deposits and Investments (cont.)

The city has adopted an investment policy. That policy contains the following guidelines:

Custodial Credit Risk

The city requires that funds on deposit in excess of FDIC or FSILIC limits be secured by some form of collateral. The amount of the collateral will not be less than 110% of the fair market value of the net amount of public funds secured.

Credit Risk

The city will only invest in the type of investments allowable by state statutes as listed above. In addition, any investments in commercial paper and variable rate demand notes must have a rating of A-1 or A-2 by Standard & Poor's Corporation or P-1 or P-2 by Moody's Investors' Service at the time of purchase. Investments in fixed income securities must have a minimum long-term debt rating of AA by Standard & Poor's Corporation or Aa by Moody's Investors' Services.

Concentration of Credit Risk

The city will diversify investments according to the following limits:

- 1. No financial institutions shall hold more than 15% of the city's investment portfolio excluding short-term construction bond proceeds
- 2. Monies deposited at an individual financial institution shall not exceed 10% of the capital stock and surplus of that institution
- 3. Commercial paper shall not exceed 10% of the city's portfolio
- 4. Deposits in the Wisconsin State Investment Pool shall not exceed 50% of the investment portfolio, with the exception of annual property tax collections, which are generally invested for 30 days or less
- 5. Financing for city projects, for a term not more than five years, shall not exceed 15% of the portfolio
- 6. Total holdings of any one issuer may not exceed 10% of the market value of the portfolio at the time of purchase, with the exception of U.S. government issues fully guaranteed as to both principal and interest by the U.S. government or agencies thereof.

**CITY OF RIVER FALLS**

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

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

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

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

**Interest Rate Risk**

Maturities of individual securities must be in compliance with Section 66.0603(2) of Wisconsin State Statutes. Per this Section, time deposits may not exceed three years, and debt that is not guaranteed as to principal and interest by the Federal Government or its Agencies, or a Wisconsin municipality must have a maturity not more than seven years.

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

See Note III 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 city, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund balance sheet.

Property tax calendar – 2011 tax roll

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

**CITY OF RIVER FALLS**

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

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

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

**2. Receivables (cont.)**

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 electric, water, or sewer utilities because they have the right by law to place delinquent bills on the tax roll.

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

In 2001, the city began a commercial revolving loan program to help finance the purchase and/or renovation of buildings in the downtown business district. The balance of these loans at year end was \$82,308. The city records a loan receivable when the loan has been made and funds have been disbursed.

It is the city's policy to record deferred revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as designated fund balance in the fund financial statements.

**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 for operation and maintenance work. They are not for resale. They are valued at the lower of cost or market utilizing the average cost method, and charged to construction or operation and maintenance expense when used.

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

**CITY OF RIVER FALLS**

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

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

**D. ASSETS, LIABILITIES, AND NET ASSETS 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 assets.

**5. 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 \$5,000 for general capital assets and \$100,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated 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. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

Buildings	25-75 Years
Land Improvements	25 Years
Machinery and Equipment	10-40 Years
Infrastructure	50-70 Years
Utility System	4-100 Years
Intangibles	3-20 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.

**CITY OF RIVER FALLS**

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

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

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

**6. Other Assets**

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

The city is a member of the West Central Wisconsin Biosolids Facility for the treatment, disposal, recycling and/or sale of biosolids. As December 31, 2011, the investment balance in the facility was \$469,387.

**7. Compensated Absences**

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

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

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

**8. Long-Term Obligations/Conduit Debt**

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

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

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

The city has approved 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 city. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$8,340,000, made up of four issues.

CITY OF RIVER FALLS

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

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

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

9. Claims and Judgments

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

10. Equity Classifications

Government-Wide Statements

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

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

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

Fund Statements

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

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

CITY OF RIVER FALLS

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

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

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

Fund Statements (cont.)

- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (ordinance, resolution, motion) of the city. 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 city that originally created the commitment.

- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following: 1) The Council may take official action to assign amounts. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.

- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The city 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 city would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

11. Basis for Existing Rates

Current electric rates were approved by the PSCW on April 10, 2008.

Current water rates were approved by the PSCW effective March 11, 1997. New rates were implemented in 2012. See Note IV H.

Current sewer rates were approved by the City Council on February 12, 2010. New rates were implemented in 2012. See Note IV H.

Stormwater rates were approved by the City Council on December 10, 2002.

Current ambulance rates were effective May, 2010.

12. Prior Year Information

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

# CITY OF RIVER FALLS

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

### NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I.C. A budget has been adopted for all governmental fund types. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

The budgeted amounts presented include any amendments made. The city council may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action. Appropriations lapse at year end unless specifically carried over. Budgets are adopted at the department level of expenditure.

#### B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Fund	Budgeted Expenditures	Actual Expenditures	Excess Expenditures
Park Impact Fees	\$ 84,215	\$ 92,215	\$ 8,000
Fire Impact Fees	509	28,593	28,084
Library Trust	5,106	5,654	548
Housing Reserve	26,454	120,869	94,415
TIF #6	221,642	230,345	8,703
Tourism and Economic Development	1,520,300	1,526,073	5,773
Whitetail Ridge Corporate Park	1,123,403	1,156,383	32,980
Notes	704,523	705,183	660

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

#### C. DEFICIT BALANCES

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

Fund	Amount	Reason
Shared Ride Taxi	\$ 2,375	Grant reimbursements not yet received
Tax Increment District #6	631,178	Insufficient tax increment generated
Tax Increment District #7	41,234	Insufficient tax increment generated
Tax Increment District #8	12,871	No tax increment generated in 2011
Park Impact Fees	13,839	Costs exceed revenues
Tourism & Economic Development	944,551	Costs exceed revenues
Whitetail Ridge Corporate Park	577,748	Costs exceed tax increments
Bonds	611	Costs exceed revenues

## CITY OF RIVER FALLS

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

#### NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

##### C. DEFICIT BALANCES (cont.)

The deficit in the Shared Ride Taxi fund will be funded with future federal and state grant reimbursements and transfers from the general fund. 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. Deficits in the remaining funds are anticipated to be funded with future contributions, general tax revenues, or repayment of advanced funds.

##### D. LIMITATIONS ON THE CITY'S TAX LEVY

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

#### NOTE III – DETAILED NOTES ON ALL FUNDS

##### A. DEPOSITS AND INVESTMENTS

The city's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	\$ 6,635,682	\$ 5,580,995	Custodial credit
U.S. agencies	1,059,646	1,059,646	Custodial credit, credit, interest rate, concentration of credit
LGIP	11,422,788	11,422,788	Credit, interest rate
U.S. treasuries	432,551	432,551	Custodial credit, interest rate
Corporate bonds	938,636	938,636	Custodial credit, credit, interest rate, concentration of credit
Asset-backed securities	926,495	926,495	Custodial credit, credit, interest rate, concentration of credit
Municipally-held securities	349,896	349,896	Custodial credit, credit, interest rate, concentration of credit
Petty cash	850	-	N/A
Total Cash and Investments	<u>\$ 21,766,544</u>	<u>\$ 20,711,007</u>	

# CITY OF RIVER FALLS

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

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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

Reconciliation to financial statements	
Per statement of net assets	
Unrestricted cash and investments	\$ 17,247,843
Restricted cash and investments	3,383,421
Per statement of net assets –	
Fiduciary Funds	<u>1,135,280</u>
Total Cash and Investments	<u>\$ 21,766,544</u>

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

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

As of December 31, 2011, the city had a pledge of \$4,701,304 in federal securities from the First National Bank of River Falls as collateral for the city's deposits. The city also had a bank deposit guaranty bond of \$500,000 from River Falls State Bank and pledged securities of \$508,980 from Security Financial Bank.

#### ***Custodial Credit Risk***

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the city's deposits may not be returned to the city. The city does not have any deposits exposed to custodial credit risk.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The city does not have any investments exposed to custodial credit risk.

#### ***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2011, the city's investments were rated as follows:

<u>Investment Type</u>	<u>Standard &amp; Poor's</u>
U.S. agencies	AA+/AA-
Corporate bonds	AAA/AA/AA-/A/A+
Asset-backed securities	AAA/AA+/AA-
Municipally-held securities	AA/AA-/A+

The city also held investments in the Local Government Investment Pool, an external pool which is not rated.

## CITY OF RIVER FALLS

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

#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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

##### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At December 31, 2011, the city does not have any investments exposed to concentration of credit risk.

##### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. As of December 31, 2011, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than One Year	One – Five	Six - Ten
U.S. treasuries	\$ 432,551	\$ 75,815	\$ 272,586	\$ 84,150
U.S. agencies	1,059,646	272,092	787,554	-
Asset-backed securities	926,495	488,385	438,110	-
Municipally-held securities	349,896	190,938	158,958	-
Corporate bonds	938,636	176,316	762,320	-
Totals	<u>\$ 3,707,224</u>	<u>\$ 1,203,546</u>	<u>\$ 2,419,528</u>	<u>\$ 84,150</u>

Investment Type	Fair Value	Weighted Average Maturity (Years)
Local Government Investment Pool	<u>\$ 11,422,788</u>	<u>.27</u>

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

**CITY OF RIVER FALLS**

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

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**B. RECEIVABLES**

Receivables as of year end for the government's individual major funds, nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Receivable</u>	<u>Allowance For Uncollectibles</u>	<u>Net Receivable</u>	<u>Amount Not Expected to be Collected Within One Year</u>
Major Funds:				
General Fund	\$ 2,953,932	\$ 23,020	\$ 2,930,912	\$ 127,821
General Capital Projects	3,190,966	-	3,190,966	1,929,760
Electric Utility	3,982,378	-	3,982,378	1,825,763
Water Utility	125,200	-	125,200	-
Sewer Utility	742,297	-	742,297	357,689
Stormwater Utility	90,062	-	90,062	-
Nonmajor, internal service, and fiduciary funds	<u>16,489,151</u>	<u>282,672</u>	<u>16,206,479</u>	<u>300,966</u>
<b>Totals</b>	<u><u>\$ 27,573,986</u></u>	<u><u>\$ 305,692</u></u>	<u><u>\$ 27,268,294</u></u>	<u><u>\$ 4,541,999</u></u>

Revenues of the city are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to ambulance charges \$ 849,306

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Totals</u>
Property taxes receivable	\$ 2,663	\$ 5,410,385	\$ 5,413,048
Special assessments receivable	-	140,156	140,156
Special assessments and charges not yet due	26,733	-	26,733
Grants receivable	23,154	3,022,060	3,045,214
Loans receivable	343,838	-	343,838
Capital costs paid in advance of construction	<u>63,031</u>	<u>1,750,931</u>	<u>1,813,962</u>
<b>Total Deferred/Unearned Revenue for Governmental Funds</b>	<u><u>\$ 459,419</u></u>	<u><u>\$ 10,323,532</u></u>	<u><u>\$ 10,782,951</u></u>

# CITY OF RIVER FALLS

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

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### C. RESTRICTED ASSETS

The following represent the balances of restricted assets for the enterprise funds:

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

- Redemption – Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve – Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Construction – Used to report bond proceeds restricted for use in construction.

##### **Replacement Accounts**

As a condition of receiving state and federal funds for wastewater treatment facility construction, the sewer utility has established an account for replacement of mechanical equipment during the life of the facility.

##### **Impact Fee Accounts**

The city has received impact fees which must be spent in accordance with the local ordinance and state statutes. Those funds not spent within the ordinance guidelines and time frames must be refunded to the current property owner.

Following is a list of restricted assets in the enterprise funds at December 31, 2011:

Restricted Assets	
Bond redemption account	\$ 803,736
Bond reserve account	1,438,304
Impact fee account	729,203
Construction account	301,806
Replacement account	110,372
West Central Wisconsin Biosolids receivable and interest receivable	64,859
Interest receivable	1,697
Total Restricted Assets	3,449,977
Restricted Assets not Funded by Revenues	
Impact fee account – customer advances	(500,429)
Construction account	(301,806)
Reserve for borrowing	(1,438,304)
Liabilities payable from restricted assets	(88,561)
West Central Wisconsin Biosolids related restricted assets	(64,859)
Total Restricted Net Assets in Enterprise Funds	\$ 1,056,018

## CITY OF RIVER FALLS

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

#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 10,685,657	\$ 2,223,977	\$ -	\$ 12,909,634
Construction in Progress	275,779	338,605	-	614,384
Total Capital Assets Not Being Depreciated	\$ 10,961,436	\$ 2,562,582	\$ -	\$ 13,524,018
Other capital assets				
Land improvements	\$ 521,469	\$ -	\$ -	\$ 521,469
Buildings	13,903,521	24,653	-	13,928,174
Machinery and equipment	4,646,101	121,110	55,841	4,711,370
Infrastructure	26,848,392	28,624	-	26,877,016
Total Capital Assets Being Depreciated	45,919,483	174,387	55,841	46,038,029
Less: Accumulated depreciation for				
Land improvements	(245,377)	(23,702)	-	(269,079)
Buildings	(3,538,650)	(358,979)	-	(3,897,629)
Machinery and equipment	(1,854,839)	(270,966)	31,994	(2,093,811)
Infrastructure	(5,635,506)	(327,928)	-	(5,963,434)
Total Accumulated Depreciation	(11,274,372)	(981,575)	31,994	(12,223,953)
Total Capital Assets Being Depreciated, Net	\$ 34,645,111	\$ (807,188)	\$ 23,847	\$ 33,814,076

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 161,487
Public safety	124,899
Public works	449,933
Leisure	245,256
Total Governmental Activities Depreciation Expense	\$ 981,575

## CITY OF RIVER FALLS

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

#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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

<b>Business-type Activities</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b><u>Electric</u></b>				
Capital assets not being depreciated				
Land and land rights	\$ 107,127	\$ -	\$ -	\$ 107,127
Construction in progress	25,558	469,628	387,778	107,408
Total Capital Assets not Being Depreciated	<u>\$ 132,685</u>	<u>\$ 469,628</u>	<u>\$ 387,778</u>	<u>\$ 214,535</u>
Capital assets being depreciated				
Hydraulic production	\$ 932,179	\$ -	\$ -	\$ 932,179
Other production	7,502,989	-	6,242,160	1,260,829
Transmission	1,536,162	-	-	1,536,162
Distribution	16,329,037	359,827	123,567	16,565,297
General	2,082,022	57,864	51,539	2,088,347
Total Capital Assets Being Depreciated	<u>28,382,389</u>	<u>417,691</u>	<u>6,417,266</u>	<u>22,382,814</u>
Less: Accumulated depreciation for				
Hydraulic production	(508,808)	(21,468)	-	(530,276)
Other production	(4,856,347)	(1,971,898)	6,251,434	(576,811)
Transmission	(1,004,640)	(36,133)	-	(1,040,773)
Distribution	(6,633,255)	(577,245)	160,989	(7,049,511)
General	(1,440,159)	(88,168)	50,565	(1,477,762)
Total Accumulated Depreciation	<u>(14,443,209)</u>	<u>(2,694,912)</u>	<u>6,462,988</u>	<u>(10,675,133)</u>
 Total Capital Assets Being Depreciated, Net	 <u>\$ 13,939,180</u>			 <u>\$ 11,707,681</u>

**CITY OF RIVER FALLS**

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

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

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

<b>Business-type Activities (cont.)</b>	Beginning Balance	Additions	Deletions	Ending Balance
<b>Water</b>				
Capital assets not being depreciated				
Land and land rights	\$ 3,120	\$ -	\$ -	\$ 3,120
Construction in progress	343,638	2,317,786	23,142	2,638,282
Total Capital Assets Not Being Depreciated	<u>\$ 346,758</u>	<u>\$ 2,317,786</u>	<u>\$ 23,142</u>	<u>\$ 2,641,402</u>
Capital assets being depreciated				
Source of supply	\$ 87,720	\$ -	\$ -	\$ 87,720
Pumping	609,925	-	-	609,925
Water treatment	38,885	-	-	38,885
Transmission and distribution	14,005,040	32,307	3,782	14,033,565
General	557,360	4,616	3,235	558,741
Total Capital Assets Being Depreciated	<u>15,298,930</u>	<u>36,923</u>	<u>7,017</u>	<u>15,328,836</u>
Less: Accumulated depreciation for				
Source of supply	(87,720)	-	-	(87,720)
Pumping	(291,042)	(10,040)	-	(301,082)
Water treatment	(38,698)	(187)	-	(38,885)
Transmission and distribution	(2,845,578)	(280,124)	3,782	(3,121,920)
General	(368,957)	(25,177)	2,824	(391,310)
Total Accumulated Depreciation	<u>(3,631,995)</u>	<u>(315,528)</u>	<u>6,606</u>	<u>(3,940,917)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 11,666,935</u>			<u>\$ 11,387,919</u>

**CITY OF RIVER FALLS**

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

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

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

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

**Sewer**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land and land rights	\$ 147,622	\$ -	\$ -	\$ 147,622
Construction in progress	61,902	6,974	129	68,747
Total Capital Assets Not Being Depreciated	<u>\$ 209,524</u>	<u>\$ 6,974</u>	<u>\$ 129</u>	<u>\$ 216,369</u>
Capital assets being depreciated				
Collection system	\$ 16,063,873	\$ 54,759	\$ -	\$ 16,118,632
Collection system pumping	1,081,367	-	-	1,081,367
Treatment and disposal	8,114,608	-	-	8,114,608
General	1,656,863	1,613	3,235	1,655,241
Total Capital Assets Being Depreciated	<u>26,916,711</u>	<u>56,372</u>	<u>3,235</u>	<u>26,969,848</u>
Less: Accumulated depreciation for				
Collection system	(2,139,470)	(171,582)	-	(2,311,052)
Collection system pumping	(664,642)	(38,275)	-	(702,917)
Treatment and disposal	(3,094,661)	(247,351)	-	(3,342,012)
General	(709,254)	(77,027)	3,235	(783,046)
Total Accumulated Depreciation	<u>(6,608,027)</u>	<u>(534,235)</u>	<u>3,235</u>	<u>(7,139,027)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 20,308,684</u>			<u>\$ 19,830,821</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b><u>Stormwater Utility</u></b>				
Capital assets being depreciated				
Machinery and equipment	\$ 125,187	\$ -	\$ -	\$ 125,187
Infrastructure	6,825,669	166,120	-	6,991,789
Total Capital Assets Being Depreciated	<u>6,950,856</u>	<u>166,120</u>	<u>-</u>	<u>7,116,976</u>
Less: Accumulated depreciation for				
Machinery and equipment	(23,203)	(12,335)	-	(35,538)
Infrastructure	(1,066,099)	(128,639)	-	(1,194,738)
Total Accumulated Depreciation	<u>(1,089,302)</u>	<u>(140,974)</u>	<u>-</u>	<u>(1,230,276)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 5,861,554</u>			<u>\$ 5,886,700</u>

## CITY OF RIVER FALLS

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

#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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

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

#### Ambulance

Capital assets not being depreciated  
Land

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 101,298	\$ -	\$ -	\$ 101,298

Capital assets being depreciated

Building improvements

Buildings

Machinery and equipment

Total Capital Assets

Being Depreciated

Building improvements	\$ 21,393	\$ -	\$ -	\$ 21,393
Buildings	601,408	-	-	601,408
Machinery and equipment	632,323	34,971	-	667,294
Total Capital Assets Being Depreciated	1,255,124	34,971	-	1,290,095

Less: Accumulated depreciation for

Building improvements

Buildings

Machinery and equipment

Total Accumulated Depreciation

Building improvements	(21,393)	-	-	(21,393)
Buildings	(261,700)	(22,831)	-	(284,531)
Machinery and equipment	(451,761)	(48,198)	-	(499,959)
Total Accumulated Depreciation	(734,854)	(71,029)	-	(805,883)

Total Capital Assets

Being Depreciated, Net

Being Depreciated, Net	\$ 520,270			\$ 484,212
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	Beginning Balance	Additions	Deletions	Ending Balance
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#### Total Business-type Activities

Capital assets not being depreciated

Capital assets not being depreciated	\$ 790,265	\$ 2,794,388	\$ 411,049	\$ 3,173,604
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Capital assets being depreciated

Capital assets being depreciated	\$ 78,804,010	\$ 712,077	\$ 6,427,518	\$ 73,088,569
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Less: Accumulated depreciation

Less: Accumulated depreciation	(26,507,387)	(3,756,678)	6,472,829	(23,791,236)
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Total Capital Assets Being

Depreciated, Net

Depreciated, Net	\$ 52,296,623	\$ (3,044,601)	\$ (45,311)	\$ 49,297,333
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**CITY OF RIVER FALLS**

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

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

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

Depreciation expense was charged to functions as follows:

**Business-type Activities**

Electric	\$ 970,401
Water	271,978
Sewer	533,679
Stormwater	140,974
Ambulance	<u>71,029</u>
Total Business-type Activities	
Depreciation Expense	<u>\$ 1,988,061</u>

Depreciation expense does not agree to the increases in accumulated depreciation due to joint metering, salvage, and cost of removal.

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

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	Internal Service	\$ 711
General fund	Shared Ride Taxi	11,331
General fund	TIF #9	12,495
General fund	Park Impact Fees	13,839
General fund	Revolving Loan	
General fund	Notes	
General fund	Bonds	611
General fund	Capital Equipment	
TIF #8	Whitetail Ridge Corp. Park	<u>25,806</u>
Subtotal – Fund financial statements		64,793
Less: Fund eliminations		<u>(64,793)</u>
Total – Government-Wide Statement of Net Assets		<u>\$ -</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are due within one year.

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

## CITY OF RIVER FALLS

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

#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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

The General fund is advancing funds to TIF Districts No. 5 (Whitetail Ridge Corporate Park), No. 6, No. 7 and No. 8. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since each District's inception. In 2010, the Parking Meters fund advanced funds to the General Capital Projects fund for a restabilization project. This advance bears interest at 3.24% and requires annual payments of \$30,040 through 2015. In 2011, the Environmental Fee fund advanced \$1,000,000 to the Tourism and Economic Development fund. In 1980, the Electric utility advanced funds to the water and sewer utilities to separate the combined utilities. Interest of 4.5% is being charged on these advances. No repayment schedules have been established for the advances from the general fund and the advance from the Environmental Fee fund.

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amount Not Due Within One Year</u>
General fund	TIF District #8	\$ 12,871	\$ 12,871
General fund	TIF District #7	41,234	41,234
General fund	TIF District #5	574,564	574,564
General fund	TIF District #6	641,031	641,032
Parking Meters fund	General Capital Projects	112,131	85,425
Environmental Fee fund	Tourism and Economic Development Fund	1,000,000	1,000,000
Electric utility	Water utility	158,640	133,439
Electric utility	Sewer utility	<u>395,662</u>	<u>363,467</u>
Subtotal – Fund Financial Statements		2,936,133	
Less: Fund eliminations		<u>(2,936,133)</u>	
Total – Government-Wide Statement of Net Assets		<u>\$ -</u>	

Repayment requirements for the advances from the electric utility to the water and sewer utilities are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 57,396	\$ 11,943	\$ 69,339
2013	59,328	10,736	70,064
2014	61,334	9,487	70,821
2015	63,418	8,194	71,612
2016	65,583	6,855	72,438
2017-2021	<u>247,243</u>	<u>15,786</u>	<u>263,029</u>
Totals	<u>\$ 554,302</u>	<u>\$ 63,001</u>	<u>\$ 617,303</u>

# CITY OF RIVER FALLS

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

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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

The following is a schedule of interfund transfers:

<u>Transferred To</u>	<u>Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General	General capital projects	\$ 127,335	Administration fee
General	Capital equipment	18,033	Administration fee
General	Nonmajor special revenue funds	352,569	Administration fee
General	Electric utility	486,354	Property tax equivalent
General	Water utility	267,871	Property tax equivalent
General	Ambulance	110,516	Administration fee
General	Stormwater Utility	59,234	Administration fee
General	Internal service	15,479	Administration fee
General capital projects	Nonmajor governmental funds	88,000	Construction projects
Whitetail Ridge Corporate Park	TIF #4	90,000	Construction projects
Internal service	General	142,005	Share of city hall
Internal service	Nonmajor governmental funds	58,097	Share of city hall
Internal service	Stormwater Utility	5,939	Share of city hall
Internal service	Ambulance	9,511	Share of city hall
General	Nonmajor debt service funds	18,171	Debt service
Nonmajor governmental funds	General	235,937	Various
Nonmajor debt service funds	General	250,000	Fund deficit
Nonmajor debt service funds	Nonmajor governmental funds	6,307	Debt service
Nonmajor debt service funds	Ambulance	780	Debt service
Ambulance	General	<u>129,087</u>	Per capita payment
Subtotal – Fund Financial Statements		2,471,225	
Less: Fund eliminations		<u>(1,660,107)</u>	
Total – Government-Wide Statement Activities		<u>\$ 811,118</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.

# CITY OF RIVER FALLS

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

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### F. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable					
General obligation debt	\$ 11,881,683	\$ 2,474,000	\$ 1,059,457	\$ 13,296,226	\$ 1,042,681
Loss on refunding	(20,035)	-	(4,006)	(16,029)	-
Debt discount	(75,320)	-	(4,807)	(70,513)	-
Subtotals	11,786,328	2,474,000	1,050,644	13,209,684	1,042,681
Other Liabilities					
Vested compensated absences	796,324	97,502	37,674	856,152	147,039
Other post-employment benefits	267,600	50,824	-	318,424	-
Landfill post-closure care cost	258,332	7,750	22,224	243,858	22,224
Total Other Liabilities	1,322,256	156,076	59,898	1,418,434	169,263
Total Governmental Activities Long-Term Liabilities	\$ 13,108,584	\$ 2,630,076	\$ 1,110,542	\$ 14,628,118	\$ 1,211,944
	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable					
General obligation debt	\$ 1,404,776	\$ 1,906,000	\$ 624,194	\$ 2,686,582	\$ 554,354
Premium on debt	-	47,436	2,338	45,098	-
Other long-term debt	298,413	45,165	62,504	281,074	72,957
Revenue bonds	12,808,197	2,125,000	4,003,328	10,929,869	1,944,311
Subtotals	14,511,386	4,123,601	4,692,364	13,942,623	2,571,622
Other Liabilities					
Vested compensated absences	154,126	65,403	116,130	103,399	-
Other post-employment benefits	6,747	110,461	-	117,208	-
Total Other Liabilities	160,873	175,864	116,130	220,607	-
Total Business-type Activities Long-Term Liabilities	\$ 14,672,259	\$ 4,299,465	\$ 4,808,494	\$ 14,163,230	\$ 2,571,622

# CITY OF RIVER FALLS

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

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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

##### *General Obligation Debt*

All general obligation notes and bonds payable are backed by the full faith and credit of the city. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the special revenue, debt service, and capital projects funds. 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.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2011, was \$41,251,630. Total general obligation debt outstanding subject to the debt limit at year end was \$15,982,808.

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12-31-11
Governmental Activities					
General Obligation Debt					
Promissory Note	11/2002	11/2012	1.60-3.35%	\$ 3,665,000	\$ 285,000
Promissory Note	01/2003	02/2013	2.50-5.60%	442,147	106,252
Refunding Bonds	04/2004	10/2015	2.45-3.70%	1,630,000	785,000
State Trust Fund Loan	07/2006	03/2016	4.00%	77,558	16,622
Promissory Note	10/2007	10/2017	3.385%	3,231,441	1,745,000
State Trust Fund Loan	07/2008	03/2028	4.75%	824,651	731,415
State Trust Fund Loan	09/2008	03/2018	4.25%	300,000	247,776
State Trust Fund Loan	10/2008	03/2028	4.25%	352,500	290,118
State Trust Fund Loan	11/2008	03/2028	4.75%	750,000	709,788
State Trust Fund Loan	12/2008	03/2028	4.75%	250,000	235,179
State Trust Fund Loan	02/2009	03/2028	4.75%	505,000	472,257
Refunding Bonds	03/2009	03/2029	3.0-4.6%	5,070,000	5,060,000
Refunding Bonds	12/2010	01/2015	3.24%	174,524	137,819
State Trust Fund Loan	12/2011	12/2021	3.75%	1,220,000	1,220,000
State Trust Fund Loan	12/2011	12/2021	3.75%	325,000	325,000
State Trust Fund Loan	12/2011	12/2021	3.75%	875,000	875,000
Promissory Note	12/2011	11/2016	2.77%	54,000	54,000
Total Governmental Activities – General Obligation Debt					<u>\$ 13,296,226</u>

**CITY OF RIVER FALLS**

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

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

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

**General Obligation Debt (cont.)**

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-11</u>
Business-type Activities General Obligation Debt					
Promissory Note	01/2003	02/2013	2.50-5.60%	\$ 73,595	\$ 48,748
General Obligation Bond	02/2003	02/2013	4.60%	1,300,000	187,738
Promissory Note	11/2002	11/2012	1.60-3.35%	1,157,407	135,000
Trust Fund	03/2005	03/2015	4.00%	301,737	135,039
Trust Fund	07/2005	03/2015	4.00%	468,706	206,980
Promissory Note	12/2010	01/2015	3.24%	85,477	67,077
Promissory Note	12/2011	11/2016	2.77%	166,000	166,000
Refunding Bonds	07/2011	11/2019	2.0-2.5%	1,740,000	1,740,000
					<u>\$ 2,686,582</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>		<u>Business-type Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,042,681	\$ 450,388	\$ 554,354	\$ 81,990
2013	1,076,165	522,924	318,213	52,126
2014	1,069,434	461,844	272,352	43,841
2015	1,070,897	423,246	287,163	36,086
2016	1,030,976	382,931	379,500	26,052
2017 – 2021	3,893,700	1,383,757	875,000	27,438
2022 – 2026	2,498,271	713,257	-	-
2027 – 2029	1,614,102	131,864	-	-
Totals	<u>\$ 13,296,226</u>	<u>\$ 4,470,211</u>	<u>\$ 2,686,582</u>	<u>\$ 267,533</u>

**Revenue Debt**

All electric and sewer utility revenues net of specified operating expenses are pledged as security of the revenue bonds until the bonds are defeased. Principal and interest paid for 2011 was \$4,427,499. Total customer net revenues for the year were \$3,879,887. Annual principal and interest payments are expected to require 44% of electric utility net revenues, 16% of water utility net revenues, and 40% of sewer utility net revenues.

## CITY OF RIVER FALLS

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

#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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

##### Revenue Debt (cont.)

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

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

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12-31-11
<u>Electric Utility</u>					
Revenue Bonds	11/2002	10/2017	2.00-4.00%	\$ 3,320,000	\$ 885,000
Revenue Refunding Bonds	11/2009	10/2013	2.00-2.50%	1,595,000	<u>775,000</u>
				Total Electric Utility	<u>1,660,000</u>
<u>Water Utility</u>					
Revenue Bonds	07/2011	11/2031	2.0-4.4%	2,125,000	<u>2,125,000</u>
<u>Sewer Utility</u>					
Revenue Bonds	11/1995	05/2015	3.173%	1,009,322	266,143
Revenue Bonds	08/2004	05/2024	2.00-4.60%	4,750,000	3,595,000
Revenue Bonds	11/2005	05/2025	2.746%	3,317,130	2,533,726
Revenue Bonds	04/2008	05/2015	2.75-3.5%	1,250,000	<u>750,000</u>
				Total Sewer Utility	<u>7,144,869</u>
Total Business-type Activities Revenue Debt					<u>\$ 10,929,869</u>

Debt service requirements to maturity are as follows:

Years	Principal	Interest
2012	\$ 1,944,311	\$ 389,304
2013	1,010,467	305,107
2014	721,800	274,317
2015	748,317	250,379
2016	503,125	230,003
2017 – 2021	2,832,466	873,039
2022 – 2026	2,464,383	327,462
2027 – 2031	<u>705,000</u>	<u>78,825</u>
Totals	<u>\$ 10,929,869</u>	<u>\$ 2,728,436</u>

## CITY OF RIVER FALLS

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

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#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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

###### *Other Debt Information*

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

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

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

###### *Current Refunding*

On July 6, 2011, sewer general obligation bonds in the amount of \$1,740,000 were issued with an average interest rate of 2.33% to refund \$1,985,000 of outstanding 2002 revenue bonds with an average interest rate of 3.75 – 4.5% plus interest due in the amount of \$21,116. The net proceeds of \$1,739,222 (after payment of \$778 in underwriting fees, insurance and other issuance costs and credits) plus an additional \$266,894 of sinking fund monies were used to prepay the outstanding debt service requirements on the 2002 bonds.

###### *Deferred Amount on Refunding*

Deferred amounts on refunding arise from advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deduction from debt payable in the government-wide and proprietary fund statements. Amortization for 2011 was \$4,006, which is all reported in the governmental activities.

##### *G. POST-CLOSURE CARE COST*

State and federal laws and regulations required the city to place a final cover on its landfill site in 1993, although the landfill stopped accepting waste and was closed in 1978. The city is required to perform certain maintenance and monitoring functions at the site for an unlimited time period. The city reports postclosure care costs as an operating expense in each period. The \$243,858 reported as landfill postclosure care liability at December 31, 2011, represents the estimated amount of future postclosure costs. These amounts are based on what it would cost to perform all postclosure care in 2011; actual cost may be higher due to inflation, changes in technology, or changes in regulations.

# CITY OF RIVER FALLS

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

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### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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

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

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

Invested in capital assets, net of related debt	
Construction in progress	\$ 614,384
Land	12,909,634
Other capital assets, net of accumulated depreciation	33,814,076
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(12,264,717)</u>
Total Invested in Capital Assets	35,073,377
Restricted	4,323,817
Unrestricted (deficit)	<u>2,722,218</u>
Total Governmental Activities Net Assets	<u>\$ 42,119,412</u>

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

<b>Nonspendable</b>	
Major Funds	
General Fund	
Prepaid items	\$ 92,926
Advances to other funds	<u>1,269,700</u>
Total	<u>\$ 1,362,626</u>
Non-Major Funds	
Prepaid items	<u>\$ 13,032</u>

# CITY OF RIVER FALLS

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

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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

##### *Governmental Activities* (cont.)

<b>Restricted</b>	
Non-Major Funds	
Special Revenue Funds	
Parking Meters	\$ 174,237
Refuse/Solid Waste	292,944
Environmental Fee	2,618,672
TIF District #4	33,502
TIF District #9	308,081
Library	173,229
Library Impact Fees	33,599
Fire Impact Fees	234,353
Housing Reserve	408,614
Library Trust	114,684
Sub-Total	<u>4,391,915</u>
Debt Service Funds	
Notes	<u>9,082</u>
Total Non-Major Funds	<u>\$ 4,400,997</u>
<b>Committed</b>	
Major Funds	
General Capital Projects Fund	
Capital projects	<u>\$ 285,256</u>
Non-Major Funds	
Special Revenue Funds	
Media Service	\$ 355,231
Revolving Loan	<u>3,777</u>
Sub-Total	359,008
Capital Equipment Capital Projects Fund	<u>97,793</u>
Total Non-Major Funds	<u>\$ 456,801</u>
<b>Unassigned (deficit)</b>	
Major Funds	
General fund	<u>\$ 4,999,988</u>
Non-Major Funds	<u>\$ (2,224,785)</u>

# CITY OF RIVER FALLS

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

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### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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#### *H. NET ASSETS/FUND BALANCES (cont.)*

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

Invested in capital assets, net of related debt	
Construction in progress	\$ 2,814,437
Land	359,167
Other capital assets, net of accumulated depreciation	49,297,333
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(11,360,653)</u>
Total Invested in Capital Assets	<u>41,110,284</u>
Restricted	
Debt service	716,905
Impact fees	228,741
Replacement	<u>110,372</u>
Total Restricted	<u>1,056,018</u>
Unrestricted	<u>7,484,339</u>
Total Business-type Activities Net Assets	<u>\$ 49,650,641</u>

# CITY OF RIVER FALLS

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

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### I. COMPONENT UNITS

This report contains the River Falls Housing Authority (Housing Authority) and the Business Improvement District (BID), which are included as component units. Financial information for both component units are presented as discrete columns in the statement of net assets and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

#### *Housing Authority*

a. Basis of Accounting/Measurement Focus

The Housing Authority follows the full accrual basis of accounting and the flow of economic resources measurement focus.

b. Deposits and Investments

The Housing Authority's investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Demand and time deposits	\$ 795,693	\$ 842,377	Custodial credit risk

#### *Custodial Credit Risk*

For a deposit, custodial credit risk is the risk that in the event of a financial institution failure, the Housing Authority's deposits may not be returned to the Housing Authority. The Housing Authority does not have any deposits exposed to custodial credit risk.

c. Receivables

The Housing Authority's accounts receivable consist of \$1,363 due from tenants, \$16,624 grants receivable, and \$618 other receivables. All of the Housing Authority's receivables are expected to be collected within one year.

d. Restricted Assets

#### *Tenant Deposits*

The Housing Authority holds security deposits from tenants. Security deposits were \$54,857 at year-end.

#### *Housing Assistance Payments*

The Housing Authority maintains restricted cash in the amount of housing assistance payments equity as required by the grantor. As of June 30, 2011, the restricted cash was \$50,085.

## CITY OF RIVER FALLS

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

#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

##### I. COMPONENT UNITS (cont.)

##### Housing Authority (cont.)

##### d. Restricted Assets (cont.)

##### Reserve Accounts

Reserve accounts are required to be maintained by the USDA Rural Development Loan agreements for the 4-plex, Oak Park and Edgewater/Briarwood properties. As of June 30, 2011, reserve accounts were \$282,213.

##### e. Capital Assets

The Housing Authority depreciates its capital assets over the following useful lives:

Buildings	40	Years
Equipment	3-10	Years

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 332,954	\$ 27,044	\$ -	\$ 359,998
Construction work in progress	6,987	47,942	6,987	47,942
Total Capital Assets Not Being Depreciated	\$ 339,941	\$ 74,986	\$ 6,987	\$ 407,940
Other Capital Assets				
Land improvements	\$ 250,405	\$ 77,067	\$ 2,813	\$ 324,659
Buildings	5,197,496	127,185	-	5,324,681
Machinery and equipment	202,890	4,222	3,674	203,438
Total Capital Assets Being Depreciated	5,650,791	208,474	6,487	5,852,778
Less: Accumulated depreciation for				
Land improvements	(116,323)	(29,555)	1,402	(144,476)
Buildings	(3,428,954)	(205,351)	-	(3,634,305)
Machinery and equipment	(127,608)	(14,326)	3,204	(138,730)
Total Accumulated Depreciation	(3,672,885)	(249,232)	4,606	(3,917,511)
Net Other Capital Assets	\$ 1,977,906			\$ 1,935,267

**CITY OF RIVER FALLS**

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

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**I. COMPONENT UNITS (cont.)**

**Housing Authority (cont.)**

f. Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable:					
Mortgage notes	\$ 2,220,048	\$ 100,000	\$ 10,283	\$ 2,309,765	\$ 12,205
Other Liabilities:					
Vested compensated absences	14,443	15,093	9,403	20,133	7,547
Total Long-Term Liabilities	<u>\$ 2,234,491</u>	<u>\$ 115,093</u>	<u>\$ 19,686</u>	<u>\$ 2,329,898</u>	<u>\$ 19,752</u>

All mortgage note payments are expected to be paid with future revenues from the related properties. Notes payable consist of the following at June 30, 2011:

Briarwood/Edgewood

Mortgage notes payable consists of mortgage notes payable to USDA-RD that requires monthly payments of \$2,582 and bears interest at 6%, which is partially subsidized by USDA-RD, resulting in an effective interest rate of approximately 1%. In connection with this loan, the Housing Authority entered into an agreement with USDA-RD which contains, among other things, restrictions on the transferring of any of the project's rental property, assigning the rights to manage or receive the rents and profits of the rental property or assuming additional indebtedness. The mortgage note is collateralized by the project's rental property. Prepayment of scheduled installments is prohibited.

\$ 1,066,223

Oak Park

Mortgage notes payable consists of mortgage notes payable to USDA-RD that requires monthly payments of \$1,915 and bears interest ranging from 5.375% - 11.375%, which is partially subsidized by USDA-RD, resulting in an effective interest rate of approximately 1%. In connection with this loan, the Housing Authority entered into an agreement with USDA-RD which contains, among other things, restrictions on the transferring of any of the project's rental property, assigning the rights to manage or receive the rents and profits of the rental property or assuming additional indebtedness. The mortgage note is collateralized by the project's rental property. Prepayment of scheduled installments is prohibited.

963,912

# CITY OF RIVER FALLS

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

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### I. COMPONENT UNITS (cont.)

##### *Housing Authority* (cont.)

##### f. Long-Term Obligations (cont.)

###### 4-Plex

Mortgage note payable consists of a mortgage note payable to USDA-RD that requires monthly payments of \$1,529 and bears interest at 9.5%, which is partially subsidized by USDA-RD, resulting in an effective interest rate of approximately 1%. In connection with this loan, the Housing Authority entered into an agreement with USDA-RD which contains, among other things, restrictions on the transferring of any of the project's rental property, assigning the rights to manage or receive the rents and profits of the rental property or assuming additional indebtedness. The mortgage note is collateralized by the project's rental property. Prepayment of scheduled installments is prohibited.

\$ 180,238

###### Management Account

Mortgage note payable consists of mortgage notes payable to the First National Bank of River Falls that require 35 monthly payments of \$630, and one final payment consisting of the unpaid principal and all accrued interest due on February 15, 2014. The note bears interest at 5.75%. The mortgage note is collateralized by the rental property.

99,392

Total

2,309,765

Less: Current portion

(12,205)

Total Long-Term Debt

\$ 2,297,560

Future principal payments are approximately as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 12,205	\$ 91,698	\$ 103,903
2013	12,960	90,943	103,903
2014	107,247	90,101	197,348
2015	12,496	83,847	96,343
2016	13,326	83,017	96,343
2017 – 2021	81,249	400,467	481,716
2022 – 2026	112,641	369,075	481,716
2027 – 2031	156,879	324,837	481,716
2032 – 2036	219,604	262,112	481,716
2037 – 2041	281,343	174,295	455,638
2042 – 2046	303,808	85,819	389,627
2047 – 2051	107,604	13,165	120,769
2052 – 2056	21,883	2,641	24,524
Unscheduled debt	<u>866,520</u>	-	<u>866,520</u>
Totals	<u>\$ 2,309,765</u>	<u>\$ 2,072,017</u>	<u>\$ 4,381,782</u>

# CITY OF RIVER FALLS

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

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

*I. COMPONENT UNITS* (cont.)

*Housing Authority* (cont.)

f. Long-Term Obligations (cont.)

*Other Debt Information*

The Oak Park program has \$866,520 in deferred notes payable which have no determinable timetable for repayment. The principal balance of these notes is listed as unscheduled debt in the debt service requirement schedule. All interest associated with these notes is currently subsidized by Rural Development and is not capitalized. The potential future interest associated with this debt is not included in the debt service requirement schedule.

Estimated payments of compensated absences are not included in the debt service requirement schedules.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The Housing Authority believes it is in compliance with all significant limitations and restrictions.

g. Net Assets

Net assets reported on the statement of net assets at June 30, 2011 include the following:

Invested in capital assets, net of related debt	
Land	\$ 359,998
Construction in progress	47,942
Other capital assets, net of accumulated depreciation	1,935,267
Less: related long-term debt outstanding	<u>(2,309,765)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>33,442</u>
Restricted	
Grant requirements	<u>332,298</u>
Total Restricted	<u>332,298</u>
Unrestricted	<u>740,757</u>
Total Net Assets	<u>\$ 1,106,497</u>

**CITY OF RIVER FALLS**

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

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**I. COMPONENT UNITS (cont.)**

**Housing Authority (cont.)**

h Component Unit

**Windmill Place, LLC**

This report contains Windmill Place LLC, which is included as a component unit. Financial information for the component unit is presented in a column in the statement of net assets, statement of revenues, expenses and changes in net assets and statement of cash flows. Activity between the River Falls Housing Authority and Windmill Place, LLC, has been eliminated for presentation in the city's financial statements. The following additional disclosures are considered necessary for a fair presentation.

a Nature of Business and Significant Accounting Policies

**Nature of Business**

Windmill Place, LLC (the company) was formed on August 1, 2006, as a limited liability company under the Wisconsin Uniform Limited Liability Company Act (the Act). It has constructed and is operating a 24-unit apartment building located in River Falls, Wisconsin, called Windmill Place Apartments (the project), which qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The project is regulated by the United States Department of Agriculture – Rural Development (USDA-RD). The project was placed in service in November 2007.

The company consists of one original member and one investor member, with rights, preferences, and privileges as described in the First Amended and Restated Operating Agreement (operating agreement). Each member's liability for the debts and obligations of the company shall be limited to the maximum extent permitted by the Act and other applicable law.

The company shall be operated in a manner consistent with its treatment as a partnership for federal and state income tax purposes. Therefore, the accompanying financial statements do not include the personal or corporate assets and liabilities of the members, their obligation for income taxes on their distributive shares of the net income of the company or their rights to refunds on its net loss, or any provision for income tax expense.

The company's income tax filings are subject to audit by various taxing authorities. Open periods subject to audit for federal and Wisconsin purposes are generally the previous three and four years of tax returns filed, respectively. In evaluating the company's tax provisions and accruals, future taxable income and the reversal of temporary differences, interpretations, and tax planning strategies are considered. The company believes its estimates are appropriate based on current facts and circumstances. Any interest or penalties assessed to the company are recorded as operating expenses, however, there were no interest or penalties recorded for the period ended December 31, 2010.

The operating agreement states that the company shall have a perpetual life unless the company is sooner dissolved in accordance with the provisions of the operating agreement.

**CITY OF RIVER FALLS**

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

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**I. COMPONENT UNITS (cont.)**

**Housing Authority (cont.)**

h Component Unit (cont.)

**Windmill Place, LLC (cont.)**

a Nature of Business and Significant Accounting Policies (cont.)

**Significant Accounting Policies**

A summary of significant accounting policies follows:

**Allocation of income/loss and tax credits**

Income or loss of the company is allocated 01% to Windmill Manager, LLC, the original member and 99.99% to Great Lakes Capital Fund for Housing Limited Partnership XV, the investor member. The company is generating low-income housing tax credits which will be allocated in the same manner. Allocation of gain or loss from a sale of the project, if applicable, is subject to different terms as described in the operating agreement.

**Use of estimates**

The preparation of the financial statements 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 expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents**

For purposes of reporting cash flows, the project considers all investments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash not available to the project due to restrictions placed on it.

**Accounts receivable and revenue recognition**

The company utilizes the direct write-off method of accounting for bad debts. The use of this method has no material effect on the financial statements.

Accounts receivable are not interest bearing. A receivable is considered past due if payments have not been received by the company for 10 days. Accounts receivable are written off when management determines an account is uncollectible, based on its history of past write-offs, collections, and current credit conditions. Accounts are generally written off as uncollectible if no payments are received after six months. Late payment fee at \$35 is charged for accounts after 10 days past due.

Rental revenue is recognized when earned. The company leases apartments to eligible applicants under operating leases which are substantially all on a yearly basis.

**CITY OF RIVER FALLS**

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

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**I. COMPONENT UNITS (cont.)**

*Housing Authority (cont.)*

h Component Unit (cont.)

*Windmill Place, LLC (cont.)*

a. Nature of Business and Significant Accounting Policies (cont.)

**Significant Accounting Policies (cont.)**

**Rental property**

Rental property is stated at cost. Depreciation of rental property is computed on the straight-line method based upon the following estimated useful lives of the assets

	<u>Years</u>
Land improvements	15
Buildings	40
Furnishings and equipment	5

Maintenance and repairs of rental property are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of rental property, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

**Impairment of long-lived assets**

The company reviews long-lived assets, including rental property and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

**Financing costs**

Financing costs incurred by the company totaled to \$29,377. The company is amortizing these costs into interest expense using the effective interest method over 25 years, the life of the loan.

Amortized fees included in interest expense amounted to \$1,019 for the period ended December 31, 2010.

# CITY OF RIVER FALLS

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

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### I. COMPONENT UNITS (cont.)

##### *Housing Authority* (cont.)

##### h. Component Unit (cont.)

##### *Windmill Place, LLC* (cont.)

##### a. Nature of Business and Significant Accounting Policies (cont.)

##### **Significant Accounting Policies** (cont.)

###### **Tax credit fees**

In connection with obtaining an allocation of low-income housing tax credits, the company paid fees totaling \$22,045 to the Wisconsin Housing and Economic Development Authority (WHEDA). The company is amortizing these fees on the straight-line basis over the related tax credit compliance period of 15 years.

###### **Subsequent events**

These financial statements have not been updated for subsequent events occurring after February 25, 2011, which is the date these financial statements were available to be issued. The company has no responsibility to update these financial statements for events and circumstances occurring after this date.

##### b. Restricted Cash

Restricted cash is comprised of the following:

	2010
Tenants' security deposits	\$ 7,200
Replacement reserve	18,363
Operating reserve	128,544
Interest credit reserve	22,503
Totals	\$ 176,610

###### **Replacement reserve**

The operating agreement requires the project to make initial deposits of \$250 per unit per year into the replacement reserve increasing 3% per year. Disbursements are restricted to replacement of equipment, structural elements, and other components of the project of a capital nature.

	2010
Balance, beginning	\$ 6,000
Monthly deposits	12,363
Balance, Ending	\$ 18,363

**CITY OF RIVER FALLS**

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

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

*i. COMPONENT UNITS (cont.)*

*Housing Authority (cont.)*

h. Component Unit (cont.)

*Windmill Place, LLC (cont.)*

b. Restricted Cash (cont.)

**Operating reserve**

The operating agreement required the company to establish an operating reserve in the initial amount of \$50,000. Funds held in the operating reserve may be used for operating deficits subsequent to achievement of three consecutive months of underwritten operations as defined in the operating agreement. The company shall maintain the operating reserve until the end of the compliance period. All interest earned on the operating reserve shall remain in the reserve. There is no obligation on the part of the members to replenish the operating reserve. Withdrawals from the operating reserve require written approval of the USDA – RD.

	2010
Balance, beginning	\$ 78,499
Other deposits	50,000
Interest earned	45
Balance, Ending	\$ 128,544

**Initial credit reserve**

The operating agreement required the company to establish an interest credit reserve in the initial amount of \$16,877. Withdrawals from the interest credit reserve require the approval of the manager and the investor member and may only be used for payment of outstanding interest on the loans. The balance as of December 31, 2010 was \$22,503.

c. Rental property, net

Rental property, net is comprised of the following:

	2010
Land	\$ 391,518
Land improvements	66,189
Building	3,150,269
Furnishings and equipment	80,457
	3,688,433
Less: Accumulated depreciation	(303,186)
Rental Property, Net	\$ 3,385,247

**CITY OF RIVER FALLS**

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

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

*I. COMPONENT UNITS (cont.)*

*Housing Authority (cont.)*

h. Component Unit (cont.)

*Windmill Place, LLC (cont.)*

d. Mortgage Notes Payable

Mortgage notes payable consist of the following:

	Balance <u>12/31/2010</u>
<p>First National Bank of River Falls; construction loan with interest-only monthly payments at 7% converted to permanent loan on January 30, 2009; thereafter, monthly payments of \$5,535, including interest at 5.07%; USDA-RD is providing an interest credit to reduce the interest rate by a maximum of 150 basis points, but in no event less than the Applicable Federal Rate (AFR), as defined in the IRC, or greater than 150 basis points in excess of the AFR; due February 1, 2034; collateralized by a mortgage on the company's rental property including the assignment of rents and leases and guaranteed by the USDA-RD under Section 538 of the Housing Act of 1949; prepayment is subject to a fee of between 1-2% of the outstanding balance.</p>	\$ 1,092,935
<p>Wisconsin Department of Commerce; nonrecourse; non-interest bearing through December 31, 2010 and then 3% thereafter; beginning on April 1, 2012 annual payments of the lesser of \$23,018 or surplus cash; due on April 1, 2038; collateralized by a subordinated mortgage on the project's rental property and an assignment of rents and leases; the mortgage may be prepaid at any time.</p>	418,752
<p>Housing Authority of the City of River Falls (the Housing Authority), an affiliate of the original member; non-recourse; accrues interest at 5.75% per annum on the unpaid principal and interest balance; due December 31, 2026; collateralized by a subordinated mortgage on the project's rental property and an assignment of rents and leases; the mortgage may be prepaid at any time. Interest expense incurred on the loan was \$10,984 and \$11,482 for the periods ended December 31, 2010 and 2009, respectively. Accrued interest on this note was \$26,009 as of December 31, 2010.</p>	<u>176,000</u>
<p style="padding-left: 40px;">Total</p>	<u>\$ 1,687,687</u>

# CITY OF RIVER FALLS

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

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### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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#### I. COMPONENT UNITS (cont.)

##### *Housing Authority* (cont.)

##### h. Component Unit (cont.)

##### *Windmill Place, LLC* (cont.)

##### d. Mortgage Notes Payable (cont.)

Repayment of principal on the mortgage notes payable as of December 31, 2010, is as follows:

Year ending December 31,

2011	\$	11,267
2012		11,852
2013		12,467
2014		13,114
2015		13,795
Thereafter		<u>1,625,192</u>
Total	\$	<u>1,687,687</u>

##### e. Related-Party Transactions

##### **Operating Deficit Guarantee**

The operating agreement provides for an operating deficit guaranty agreement which requires the original member to loan the partnership any funds, not to exceed \$46,000, required to fund operating deficits incurred during the operating deficit guaranty period as defined in the operating agreement. Any loans under this agreement will bear interest at the Prime Rate and shall be payable from cash flow as provided in the operating agreement. There were no operating deficit loans for the period ended December 31, 2010.

##### **Development Agreement**

The company has entered into a development agreement with Windmill Developer, LLC, an affiliate of the original member. The agreement provides for the company to pay a development fee of \$380,000. It is anticipated that the development fee will be paid from proceeds of capital contributions made by the investor member. In the event that the development fee has not been paid within 12 years of the date of completion of the project, the original member shall immediately make a capital contribution to the company sufficient to satisfy the remaining portion of the unpaid portion of the fee. The entire fee has been capitalized into the building cost. Development fee payable was \$129,904 as of December 31, 2010.

**CITY OF RIVER FALLS**

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

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**i. COMPONENT UNITS (cont.)**

**Housing Authority (cont.)**

h. Component Unit (cont.)

**Windmill Place, LLC (cont.)**

e. Related-Party Transactions (cont.)

**Management Fees**

The company has a management agreement with The Housing Authority of River Falls, an affiliate of the original member. Under the agreement, the company is obligated to pay \$43 per occupied unit per month as a management fee. Management fees incurred totaled \$11,868 for the period ended December 31, 2010.

**Company Management Fee**

The company management services agreement provides for the company to pay the original member an annual, cumulative company management fee equal to \$9,250. Accrued company management fees were \$28,764 as of December 31, 2010.

**Investor Services Fee**

The investor services agreement provides for the company to pay a cumulative annual investor services fee to an affiliate of the investor member for annual reviews of the operations of the company equal to \$4,000. Accrued investor services fees were \$12,000 as of December 31, 2010.

f. Commitments and Contingencies

**Land Use Restriction Agreement (LURA)**

The company has signed a LURA with WHEDA as a condition to receiving allocations of low-income housing tax credits. Under this agreement, the company must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units that shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If the company fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor member. The company must recently tenant eligibility on an annual basis.

**CITY OF RIVER FALLS**

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

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**i. COMPONENT UNITS (cont.)**

**Housing Authority (cont.)**

h. Component Unit (cont.)

**Windmill Place, LLC (cont.)**

f. Commitments and Contingencies (cont.)

**HOME Program Agreement**

In connection with the mortgage note with the Wisconsin Department of Commerce described in Note III H e., the company is subject to a HOME program agreement which specifies that there shall be 11 HOME-assisted units in the project. Under this agreement, the company must continuously comply with the HOME program. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under the HOME program. The compliance period is 20 years from the date of initial occupancy of the HOME-assisted units. In addition, the company has signed a LURA with the Wisconsin Department of Commerce, which requires, among other things, that the project maintain compliance with the federal HOME Investment Partnerships Act and regulations set forth in Title 24 Code of Federal Regulations Part 92 and the HOME Program Contract. The LURA is in force until the latest to occur of 20 years after the date of project completion or repayment of the mortgage note described in Note III H e.

**Regulatory Agreement**

In connection with the mortgage note with the First National Bank of River Falls, the company entered into a regulatory agreement with the lender requiring, among other things, that the rental housing remain available for occupancy by low and moderate income households for the original term of the guaranteed loan.

**Affordable Housing Program (AHP)**

On February 28, 2007, in connection with the mortgage note payable to the Housing Authority described in Note III H e., the Housing Authority entered into an AHP Agreement with First National Bank of River Falls to receive a grant in the amount of \$176,000. As a condition of receiving these funds, the company and the Housing Authority have agreed to make 18 units and 4 units of the project affordable for and occupied by the households whose income does not exceed 50% and 60%, respectively, of the county median income (CMI) of Pierce County, Wisconsin.

**CITY OF RIVER FALLS**

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2011

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**I. COMPONENT UNITS (cont.)**

**Housing Authority (cont.)**

**1. Employee Retirement System**

All eligible Housing Authority employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (1,200 hours for employees hired on or after July 1, 2011) are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan through June 28, 2011. Beginning June 29, 2011, and thereafter, covered employees in the General category are required by statute to contribute 5.8% of their salary (6.55% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% for Protective Occupations without Social Security). Employees generally make these contributions to the plan on behalf of employees through June 28, 2011. Thereafter, employees are required to fund their contribution, subject to terms of employment contracts and which employee group they are a member of. Employees are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for Housing Authority employees covered by the system for the year ended December 31, 2011, was \$246,276; the employer's total payroll was \$268,470. The total required contribution for the year ended December 31, 2011 was \$29,852 or 12.1% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2010 and 2009 were \$28,667 and \$29,753 respectively, equal to the required contributions for each year.

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

The 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 June 30, 2011, the Housing Authority has no pension related debt.

**CITY OF RIVER FALLS**

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2011

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**I. COMPONENT UNITS (cont.)**

**Housing Authority (cont.)**

**j. Economic Dependency**

The Housing Authority is economically dependent on annual contributions and grants from the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture Rural Development (RD). The Housing Authority operates at a loss prior to receiving contributions and grants from HUD and RD.

**Business Improvement District**

**a. Basis of Accounting/Measurement Focus**

The Business Improvement District (District) prepares its financial statements in accordance with generally accepted accounting principles. The accounts are kept on the modified accrual method of accounting and the flow of current financial resources measurement focus.

The District was established in 1988 pursuant to the law of the State of Wisconsin, to transact business and to have powers as defined therein. An independent board is responsible for all activities of the District. The board members of the District are separate from those of the city, and employees are not included on or entitled to benefit programs of the city. Separate accounting records are maintained and debts incurred by the District are not obligations of the city.

**b. Deposits and Investments**

At year end, the District's deposits were \$22,111. The entire balance was insured by the FDIC.

**J. TAX INCREMENTAL FINANCING DISTRICTS**

The city currently maintains separate special revenue and capital projects fund accounts for three Tax Incremental Financing Districts (TID) created in accordance with Section 66.1105 of the Wisconsin Statutes. The purpose of that section is to allow a municipality to recover development and improvement costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the District. The tax on the increased value is called a tax increment. The statutes allow the municipality to collect tax increments until the net project cost has been fully recovered, or until either 23 or 27 years after the creation date, whichever occurs first.

CITY OF RIVER FALLS

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

CITY OF RIVER FALLS

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

NOTE IV – OTHER INFORMATION (cont.)

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

J. TAX/INCREMENTAL FINANCING DISTRICTS (cont.)

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

Special revenue and capital project funds are maintained to account for tax increments and other revenues used to finance principal and interest payments on outstanding debt applicable to the districts. Upon termination, the incremental tax base created by each TID will become part of the city's regular tax base. Any surplus remaining in the TID districts at the time of termination will be allocated among all affected taxing jurisdictions.

	Creation Date	Expenditure Deadline	Termination Date
TID No. 4	1988	2010	2015
TID No. 5	1994	2016	2027
TID No. 6	2005	2027	2032
TID No. 7	2009	2024	2029
TID No. 8	2010	2032	2037
TID No. 9	2011	2034	2039

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

NOTE IV – OTHER INFORMATION

The city did not have any pension related debt as of December 31, 2011.

A. EMPLOYEES' RETIREMENT SYSTEM

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

The payroll for city employees covered by the system for the year ended December 31, 2011 was \$6,059,368; the employer's total payroll was \$8,514,746. The total required contribution for the year ended December 31, 2011 was \$776,626 or 12.82% of covered payroll. Of this amount, 94.9% was contributed by the employer and 5.1% was contributed by the employees. Total contributions for the years ending December 31, 2010 and 2009 were \$727,897 and \$716,017, respectively, equal to the required contributions for each year.

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

From time to time, the city is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the city attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the city's financial position or results of operations.

A court decision was rendered in 2012 related to a claim asserted by a bank, due to a dispute over a development agreement. The city has recorded a liability of \$240,000 related to this decision. This amount is included in the other liabilities category on the Statement of Net Assets.

The city 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.

# CITY OF RIVER FALLS

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

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### NOTE IV – OTHER INFORMATION (cont.)

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

Funding for the operating budget of the city comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the city. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes.

The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the city.

The electric utility under their original wholesale agreement had committed to purchase their electrical power and energy requirements from the Wisconsin Public Power, Inc. System (WPPI) until December 1, 2024. In 2002, the city agreed to a thirteen-year extension, which terminates December 31, 2037. Refer to the River Falls Municipal Utilities financial statements for additional details.

#### D. JOINT VENTURE

The City of River Falls and the municipalities of Hudson, New Richmond, Prescott, Baldwin, Ellsworth, Roberts, Spring Valley, Amery, Osceola, and Somerset jointly contract with the West Central Wisconsin Biosolids Facility Commission (facility) for the treatment, storage, disposal, recycling and/or sale of biosolids (sludge). Currently, the communities share in the operation of the facility as follows:

Hudson	39.32%
River Falls	17.65%
New Richmond	8.54%
Prescott	8.48%
Ellsworth	6.35%
Amery	6.03%
Osceola	5.03%
Baldwin	4.29%
Spring Valley	1.90%
Somerset	1.23%
Roberts	1.18%

The governing body is made up of citizens from each community. Local representatives are appointed by the mayor. The governing body has authority to adopt its own budget and control the financial affairs of the facility. The city believes that the facility will continue to provide services in the future at similar rates.

Debt is being repaid with resources of the sewer utility and is secured by revenues of the utility. The transactions of the facility are not reflected in these financial statements. Facility financial information as of December 31, 2011 is available from the facility office.

# CITY OF RIVER FALLS

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

### NOTE IV – OTHER INFORMATION (cont.)

#### *E. OTHER POST EMPLOYMENT BENEFITS*

The city's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. This provision results in another postemployment benefit (OPEB) for the retirees, commonly referred to as an implicit rate subsidy.

Contribution requirements are established through personnel policy guidelines and may be amended by the action of the governing body. Retired plan members are required to pay 100% of the premium. For fiscal year 2011, total retired member contributions were \$78,122. Administrative costs of the plan are financed by the city.

The city's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the city's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the city's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$	164,240
Interest on net OPEB obligation		14,658
Adjustment to annual required contribution		<u>(14,139)</u>
Annual OPEB cost		164,759
Contributions earned		<u>(95,569)</u>
Increase in Net OPEB Obligation		69,190
Net OPEB Obligation – Beginning of Year		<u>366,442</u>
Net OPEB Obligation – End of Year	\$	<u><u>435,632</u></u>

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/09	\$ 189,186	36%	\$ 242,008
12/31/10	197,406	37%	366,442
12/31/11	164,759	58%	435,632

# CITY OF RIVER FALLS

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

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### NOTE IV – OTHER INFORMATION (cont.)

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#### *E. OTHER POST EMPLOYMENT BENEFITS (cont.)*

The funded status of the plans as of January 1, 2011, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$	1,780,745
Actuarial value of plan assets		<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$	<u>1,780,745</u>
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	5,742,867
UAAL as a percentage of covered payroll		31.01%

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 4% asset rate of return and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 4.7% in ten years. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of payroll. The amortization period at December 31, 2011, was 30 years.

#### *F. DEVELOPER AGREEMENTS*

The City of River Falls has entered into a development agreement with Martinsen Investment and Land Co., Inc (developer). The agreement guarantees that developer improvements will have a minimum assessed value of \$10,000,000 as of December 31, 2009 or upon the City's issuance of a certificate of completion and occupancy, whichever occurs first. The developer also agrees to pay minimum real estate taxes and supplemental payments of \$181,400 per year, starting in 2010 and continuing for 18 years.

As part of the agreement, the City has committed to provide \$2,550,000 in expenditures of public monies and/or dedication of public land to the developer. As of December 31, 2011, the city has paid \$1,500,000 of such costs and has deeded \$1,050,000 of public lands to the developer.

# CITY OF RIVER FALLS

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

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### NOTE IV – OTHER INFORMATION (cont.)

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#### **F. DEVELOPER AGREEMENTS (cont.)**

The City of River Falls has entered into a development agreement with Frisbie Properties (developer). The agreement guarantees that developer improvements will have a minimum assessed value of \$3,000,000 as of December 31, 2012 or upon the City's issuance of a certificate of completion and occupancy, whichever occurs first. As security during construction, the developer executed a note to the City commensurate with the receipt of the warranty deed in the principal amount of \$605,000 bearing interest at 6.5% due December 31, 2012 and a real estate mortgage securing said note covering the development property. This mortgage will be secondary to the mortgagee who is providing the construction financing. As further security the developers will provide personal guarantees with respect to performance under the contract. The issuance of the Certificate of Completion and Occupancy shall constitute full payment and satisfaction of the note and mortgage upon the issuance of said certificate by the City. The developer also agrees to pay minimum real estate taxes and supplemental payments of at least \$59,745 per year, starting in 2011 and continuing for 18 years.

As part of the agreement, the City has committed to provide \$605,000 in expenditures of public monies and/or dedication of public land to the developer. As of December 31, 2011, the city has deeded \$513,538 of public lands to the developer.

The City of River Falls has entered into a development agreement with Gerrard Corporation (developer). The agreement guarantees that developer improvements will have a minimum assessed value of \$1,500,000 for phase I as of January 1, 2011, and a minimum assessed value of \$1,500,000 for phase II as of January 1, 2013. The minimum assessed values are required for a twenty year period or the life of the tax increment district, whichever is longer. The City has agreed to provide annual increment payments to the developer beginning in 2012 equal to a total of \$270,000 for phase I and \$216,000 for phase II.

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

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

#### **H. SUBSEQUENT EVENTS**

On February 28, 2012, the city issued \$4,560,000 of Taxable General Obligation Refunding Bonds. The bonds were used to pay off \$4,483,883 of outstanding State Trust Fund Loans.

The water and sewer utility implemented new rates effective April 13, 2012. Annual water revenues were increased by 3% overall, or approximately \$42,000 per year. The sewer rates have increased an average of 8.35%, for approximately \$234,000 in additional revenue per year.

At its March 13, 2012 meeting, the City Council authorized the redemption of the 2002A General Obligation Promissory Notes.

## CITY OF RIVER FALLS

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,616,462	\$ 2,616,462	\$ 2,605,307	\$ (11,155)
Special assessments	10,215	10,215	3,838	(6,377)
Intergovernmental	3,250,095	3,313,810	3,312,865	(945)
Licenses and permits	149,490	149,490	128,784	(20,706)
Fines, forfeitures and penalties	205,000	205,000	186,942	(18,058)
Public charges for services	247,500	247,500	228,895	(18,605)
Intergovernmental charges for services	18,000	18,000	14,641	(3,359)
Investment income	50,000	60,000	191,541	131,541
Miscellaneous	236,219	291,868	297,673	5,805
Total Revenues	<u>6,782,981</u>	<u>6,912,345</u>	<u>6,970,486</u>	<u>58,141</u>
<b>EXPENDITURES</b>				
Current				
General government	1,397,233	1,397,233	1,330,341	66,892
Public safety	3,181,522	3,181,522	3,086,658	94,864
Public works	1,955,996	1,866,626	1,664,438	202,188
Health services	9,445	9,445	10,172	(727)
Leisure	581,022	556,022	549,740	6,282
Conservation and development	609,002	575,336	506,110	69,226
Public service enterprises	5,191	5,191	2,127	3,064
Debt Service				
Principal retirement	183,513	135,099	130,685	4,414
Interest and fiscal charges	48,414	48,414	24,801	23,613
Total Expenditures	<u>7,971,338</u>	<u>7,774,888</u>	<u>7,305,072</u>	<u>469,816</u>
Excess (deficiency) of revenues over expenditures	<u>(1,188,357)</u>	<u>(862,543)</u>	<u>(334,586)</u>	<u>527,957</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	1,529,572	1,593,572	1,455,562	(138,010)
Transfers to other funds	(389,629)	(731,029)	(731,029)	-
Total Other Financing Sources	<u>1,139,943</u>	<u>862,543</u>	<u>724,533</u>	<u>(138,010)</u>
Net change in fund balances	(48,414)	-	389,947	389,947
FUND BALANCE - Beginning of Year	<u>5,972,667</u>	<u>5,972,667</u>	<u>5,972,667</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 5,924,253</u>	<u>\$ 5,972,667</u>	<u>\$ 6,362,614</u>	<u>\$ 389,947</u>

## CITY OF RIVER FALLS

### DETAILED BUDGETARY COMPARISON SCHEDULE OF REVENUES GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>TAXES</b>				
General property tax	\$ 2,531,962	\$ 2,531,962	\$ 2,523,486	\$ (8,476)
Mobile home taxes	22,000	22,000	21,686	(314)
Other taxes	-	-	2,190	2,190
Payment in lieu of taxes - housing authority	6,000	6,000	7,558	1,558
Payment in lieu of taxes - other	55,000	55,000	47,850	(7,150)
Interest on taxes	1,500	1,500	2,537	1,037
<b>TOTALS</b>	<u>2,616,462</u>	<u>2,616,462</u>	<u>2,605,307</u>	<u>(11,155)</u>
<b>SPECIAL ASSESSMENTS</b>				
Special assessments	9,598	9,598	2,943	(6,655)
Interest on special assessments	617	617	895	278
<b>TOTALS</b>	<u>10,215</u>	<u>10,215</u>	<u>3,838</u>	<u>(6,377)</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
Shared taxes from state	2,165,515	2,165,515	2,130,986	(34,529)
Fire insurance from state	25,000	25,000	27,298	2,298
State aid - computers	10,000	10,000	9,106	(894)
State aid - police training	4,000	4,000	7,282	3,282
State aid - streets	506,000	506,000	511,806	5,806
State aid - municipal services	225,000	268,715	269,867	1,152
State grant - other public safety	3,500	23,500	42,839	19,339
School district grant	50,000	50,000	52,601	2,601
Municipal grants	261,080	261,080	261,080	-
<b>TOTALS</b>	<u>3,250,095</u>	<u>3,313,810</u>	<u>3,312,865</u>	<u>(945)</u>
<b>LICENSES AND PERMITS</b>				
Liquor and malt beverage licenses	15,000	15,000	17,628	2,628
Operators licenses	4,500	4,500	5,653	1,153
Cigarette licenses	450	450	1,150	700
Business and occupational licenses	1,500	1,500	1,658	158
Housing citations	500	500	-	(500)
Bike licenses	50	50	16	(34)
Dog licenses	5,000	5,000	6,306	1,306
Housing inspection licenses	17,190	17,190	15,890	(1,300)
Plumbing permits	1,500	1,500	1,200	(300)
Building permits	100,000	100,000	73,221	(26,779)
Sign permits	1,500	1,500	2,024	524
Zoning permits	1,000	1,000	3,510	2,510
Inspectors red seal	1,300	1,300	528	(772)
<b>TOTALS</b>	<u>149,490</u>	<u>149,490</u>	<u>128,784</u>	<u>(20,706)</u>

**CITY OF RIVER FALLS**

DETAILED BUDGETARY COMPARISON SCHEDULE OF REVENUES (cont.)

GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>FINES, FORFEITURES AND PENALTIES</b>				
Court penalties and costs	\$ 85,000	\$ 85,000	\$ 64,119	\$ (20,881)
Parking violations	90,000	90,000	96,464	6,464
Restitution and forfeitures	-	-	360	360
Court costs	30,000	30,000	25,999	(4,001)
TOTALS	205,000	205,000	186,942	(18,058)
<b>PUBLIC CHARGES FOR SERVICES</b>				
Clerk fees	6,000	6,000	5,630	(370)
Zoning administration fees	10,000	10,000	8,430	(1,570)
Publication fees	1,000	1,000	1,207	207
Plat review fees	10,000	10,000	6,700	(3,300)
Police department fees	16,500	16,500	19,505	3,005
Police reserve	2,000	2,000	270	(1,730)
Police towing	10,000	10,000	18,648	8,648
Fire department fees	15,000	15,000	14,699	(301)
Fire inspection fees	-	-	1,190	1,190
Public works charges	5,000	5,000	21,358	16,358
Weights and measures charges	4,000	4,000	4,000	-
Swimming pool	18,000	18,000	20,625	2,625
Parks	20,000	20,000	14,738	(5,262)
Other recreation programs	130,000	130,000	91,895	(38,105)
TOTALS	247,500	247,500	228,895	(18,605)
<b>INTERGOVERNMENTAL CHARGES FOR SERVICES</b>				
Utility-mechanic charges	15,000	15,000	13,532	(1,468)
Utility-DPW/engineer	500	500	-	(500)
Motor pool cars	2,500	2,500	1,109	(1,391)
TOTALS	18,000	18,000	14,641	(3,359)
<b>INVESTMENT INCOME</b>				
Interest from interfund advances	-	-	125,000	125,000
Interest on temporary investments	50,000	60,000	66,541	6,541
TOTALS	50,000	60,000	191,541	131,541

## CITY OF RIVER FALLS

### DETAILED BUDGETARY COMPARISON SCHEDULE OF REVENUES (cont.)

#### GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>MISCELLANEOUS REVENUES</b>				
Sale of supplies	\$ 1,500	\$ 1,500	\$ 565	\$ (935)
Rent of municipal buildings	193,244	193,244	179,927	(13,317)
Donations	-	-	9,207	9,207
Sale of capital assets	10,000	10,000	13,100	3,100
Miscellaneous	31,475	87,124	94,874	7,750
<b>TOTALS</b>	<u>236,219</u>	<u>291,868</u>	<u>297,673</u>	<u>5,805</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	<u>1,529,572</u>	<u>1,593,572</u>	<u>1,455,562</u>	<u>(138,010)</u>
<b>TOTALS</b>	<u>1,529,572</u>	<u>1,593,572</u>	<u>1,455,562</u>	<u>(138,010)</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>\$ 8,312,553</u>	<u>\$ 8,505,917</u>	<u>\$ 8,426,048</u>	<u>\$ (79,869)</u>

## CITY OF RIVER FALLS

### DETAILED BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>GENERAL GOVERNMENT</b>				
Council	\$ 196,736	\$ 194,236	\$ 168,237	\$ 25,999
Municipal court	122,842	122,842	116,132	6,710
Mayor	14,436	14,436	13,063	1,373
City administrator	230,263	235,263	231,520	3,743
Personnel	64,965	44,765	38,170	6,595
Elections	33,537	33,537	29,709	3,828
Data processing	89,986	74,986	74,035	951
Clerk	121,820	123,820	122,247	1,573
Finance	416,998	461,932	461,345	587
General services	35,650	35,650	28,305	7,345
Legal counseling	70,000	55,766	47,578	8,188
TOTALS	<u>1,397,233</u>	<u>1,397,233</u>	<u>1,330,341</u>	<u>66,892</u>
<b>PUBLIC SAFETY</b>				
Police	2,613,965	2,613,965	2,588,229	25,736
Police reserve	14,560	14,560	10,187	4,373
Fire department	545,657	535,657	476,074	59,583
Emergency government	7,340	17,340	12,168	5,172
TOTALS	<u>3,181,522</u>	<u>3,181,522</u>	<u>3,086,658</u>	<u>94,864</u>
<b>PUBLIC WORKS</b>				
Garage	279,837	279,837	262,221	17,616
Street maintenance	942,724	917,724	846,720	71,004
Bridges and culverts	3,000	3,000	2,071	929
Motor pool	10,600	10,600	7,694	2,906
Engineer	283,185	193,815	123,137	70,678
Snow and ice control	184,550	209,550	185,931	23,619
Street lighting	252,100	252,100	236,664	15,436
TOTALS	<u>1,955,996</u>	<u>1,866,626</u>	<u>1,664,438</u>	<u>202,188</u>
<b>HEALTH SERVICES</b>				
Health officer	2,000	2,000	2,000	-
Animal control	7,445	7,445	8,172	(727)
TOTALS	<u>9,445</u>	<u>9,445</u>	<u>10,172</u>	<u>(727)</u>

## CITY OF RIVER FALLS

### DETAILED BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES (cont.)

#### GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>LEISURE ACTIVITIES</b>				
Recreation	\$ 165,101	\$ 136,526	\$ 135,778	\$ 748
Swimming	76,493	84,068	83,916	152
Parks	339,428	335,428	330,046	5,382
<b>TOTALS</b>	<u>581,022</u>	<u>556,022</u>	<u>549,740</u>	<u>6,282</u>
<b>CONSERVATION AND DEVELOPMENT</b>				
Forestry	41,729	41,729	32,446	9,283
Community development	567,273	533,607	473,664	59,943
<b>TOTALS</b>	<u>609,002</u>	<u>575,336</u>	<u>506,110</u>	<u>69,226</u>
<b>PUBLIC SERVICE ENTERPRISES</b>				
Cemetery	5,191	5,191	2,127	3,064
<b>TOTALS</b>	<u>5,191</u>	<u>5,191</u>	<u>2,127</u>	<u>3,064</u>
<b>DEBT SERVICE</b>				
Principal on notes payable-fire	66,661	66,661	66,661	-
Principal on notes payable-streets	68,438	68,438	64,024	4,414
Interest on notes payable-fire	31,951	31,951	16,638	15,313
Interest on notes payable-streets	16,363	16,363	8,081	8,282
Agent fees	100	100	82	18
<b>TOTALS</b>	<u>183,513</u>	<u>183,513</u>	<u>155,486</u>	<u>28,027</u>
<b>OTHER FINANCING USES</b>				
Transfers to other funds	389,629	731,029	731,029	-
<b>TOTALS</b>	<u>389,629</u>	<u>731,029</u>	<u>731,029</u>	<u>-</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 8,312,553</u>	<u>\$ 8,505,917</u>	<u>\$ 8,036,101</u>	<u>\$ 469,816</u>

**FORM OF LEGAL OPINION**

Quarles & Brady LLP  
 411 East Wisconsin Avenue  
 Milwaukee, WI 53202

September 20, 2012

Re: City of River Falls, Wisconsin ("Issuer")  
 \$3,950,000 General Obligation Refunding Bonds, Series 2012B,  
 dated September 20, 2012 ("Bonds")

We have acted as bond counsel to the Issuer in connection with the issuance of the Bonds. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The Bonds are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on May 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2013	\$475,000	____%
2014	480,000	_____
2015	485,000	_____
2016	290,000	_____
2017	290,000	_____
2018	300,000	_____
2019	310,000	_____
2020	315,000	_____
2021	325,000	_____
2022	335,000	_____
2023	345,000	_____

Interest is payable semi-annually on May 1 and November 1 of each year commencing on May 1, 2013.

The Bonds maturing on May 1, 2021 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on May 1, 2020 or on any date thereafter. Said Bonds are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer and within each maturity, by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

[The Bonds maturing in the years \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ are also subject to mandatory redemption by lot as provided in the resolution authorizing the Bonds at the redemption price of par plus accrued interest to the date of redemption and without premium.]

We further certify that we have examined a sample of the Bonds and find the same to be in proper form.

Based upon and subject to the foregoing, it is our opinion under existing law that:

1. The Bonds have been duly authorized and executed by the Issuer and are valid and binding general obligations of the Issuer.

2. All the taxable property in the territory of the Issuer is subject to the levy of ad valorem taxes to pay principal of, and interest on, the Bonds, without limitation as to rate or amount. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds except to the extent that necessary funds have been irrevocably deposited into the debt service fund account established for the payment of the principal of and interest on the Bonds.

3. The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In rendering our opinion regarding exemption from present federal income taxes, we have relied on the report of Barthe & Wahrman, A Professional Association, Certified Public Accountants of Bloomington, Minnesota, as to, among other matters, the yield on the Bonds and investments relative to the refunding transaction.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

QUARLES & BRADY LLP

### BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of River Falls, Pierce and St. Croix Counties, Wisconsin (the "Issuer") in connection with the issuance of \$3,950,000 General Obligation Refunding Bonds, Series 2012B, dated September 20, 2012 (the "Securities"). The Securities are being issued pursuant to a Resolution adopted by the Governing Body of the Issuer on August 14, 2012 (the "Resolution") and delivered to \_\_\_\_\_ (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

Section 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at [www.emma.msrb.org](http://www.emma.msrb.org) in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Final Official Statement" means the Preliminary Official Statement dated July 26, 2012 (as supplemented by an Addendum dated August 15, 2012) delivered in connection with the Securities, which is available from the MSRB.

"Fiscal Year" means the fiscal year of the Issuer.

"Governing Body" means the Common Council of the Issuer or such other body as may hereafter be the chief legislative body of the Issuer.

"Issuer" means the City of River Falls, Wisconsin which is the obligated person with respect to the Securities.

"Issuer Contact" means the Finance Director-Treasurer of the Issuer who can be contacted at 222 Lewis Street, River Falls, Wisconsin 54022, phone (715) 425-0900, fax (715) 425-0915.

"Material Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board located at 1900 Duke Street, Suite 600, Alexandria, Virginia 22314.

"Participating Underwriter" means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

"SEC" means the Securities and Exchange Commission.

### Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 365 days after the end of the Fiscal Year, commencing with the year that ended December 31, 2011, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 365 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

(b) If the Issuer is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

1. Direct Debt
2. Other Debt
3. Debt Limit
4. Current Property Valuations
5. Tax Levies and Collections

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet website or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

## Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
7. Modification to rights of holders of the Securities, if material;
8. Securities calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) When a Material Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Material Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Material Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(c) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertakings to violate the Rule. The provisions of this Disclosure Certificate constituting the Undertaking or any provision hereof, shall be null and void in the event that the Issuer delivers to the MSRB an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Securities. The provisions of this Disclosure Certificate constituting the Undertaking may be amended without the consent of the holders of the Securities, but only upon the delivery by the Issuer to the MSRB of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this Disclosure Certificate and by the Issuer with the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Default. (a) Except as described in the Final Official Statement, in the previous five years, the Issuer has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 20th day of September, 2012.

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Dan Toland  
Mayor

(SEAL)

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Lu Ann Hecht  
City Clerk

**APPENDIX E**

**NOTICE OF SALE**

**\$3,950,000\* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012B  
CITY OF RIVER FALLS, WISCONSIN**

Bids for the purchase of \$3,950,000 General Obligation Refunding Bonds, Series 2012B (the "Bonds") of the City of River Falls, Wisconsin (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Financial Advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on August 14, 2012, at which time they will be opened, read and tabulated. The bids will be presented to the Common Council for consideration for award by resolution at a meeting to be held at 6:30 P.M., Central Time, on the same date. The bid offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all bids are rejected.

**PURPOSE**

The Bonds are being issued pursuant to Wisconsin Statutes, Section 67.04 to provide funds to finance (i) the current refunding of the 2013 through 2015 maturities of the City's \$1,630,000 General Obligation Library Refunding Bonds, Series 2004A, dated January 1, 2004; and (ii) the full-net advance refunding of the 2013 through 2024 maturities of the City's \$4,750,000 Sewerage System Revenue Bonds, Series 2004B, dated August 1, 2004 The Bonds are valid and binding general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Bonds as they become due which tax may, under current law, be levied without limitation as to rate or amount.

**DATES AND MATURITIES**

The Bonds will be dated September 20, 2012, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on May 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2013	\$475,000	2017	\$290,000	2021	\$325,000
2014	480,000	2018	300,000	2022	335,000
2015	485,000	2019	310,000	2023	345,000
2016	290,000	2020	315,000		

**ADJUSTMENT OPTION**

\* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**TERM BOND OPTION**

Bids for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

## **INTEREST PAYMENT DATES AND RATES**

Interest will be payable on May 1 and November 1 of each year, commencing May 1, 2013, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 3.00% is proposed for the 2021 maturity, then the lowest rate that may be proposed for any later maturity is 2.00%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## **BOOK-ENTRY-ONLY FORMAT**

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

## **PAYING AGENT/ESCROW AGENT**

The City has selected U.S. Bank National Association, St. Paul, Minnesota, to act as paying agent (the "Paying Agent") and escrow agent (the "Escrow Agent"). The City will pay the charges for Paying Agent and Escrow Agent services. The City reserves the right to remove the Paying Agent and/or Escrow Agent and to appoint a successor.

## **OPTIONAL REDEMPTION**

At the option of the City, Bonds maturing on or after May 1, 2021 shall be subject to redemption prior to maturity on May 1, 2020 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, or overnight delivery service not fewer than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

## **DELIVERY**

On or about September 20, 2012, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

## LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, bond counsel to the City, and will accompany the Bonds. The legal opinion will be issued on the basis of existing law and will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

## SUBMISSION OF BIDS

Bids must not be for less than \$3,910,500 plus accrued interest on the principal sum of \$3,950,000 from date of original issue of the Bonds to date of delivery. A signed bid form must be submitted to Ehlers prior to the time established above for the opening of bids as follows:

- 1) In a sealed envelope as described herein; or
- 2) A facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Notice of Sale until 10:00 A.M. Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone (212) 849-5021.

Bids must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of bids. Each bid must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit (the "Deposit") in the amount of \$79,000, complying with the provisions below, must be submitted with each bid. The Deposit must be in the form of a certified or cashier's check, or a financial surety bond or a wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the bidder fails to comply therewith. The Deposit will be returned to the winning bidder at the closing for the Bonds.

The Deposit, payable to the City, shall be retained in the offices of Ehlers with the same effect as if delivered to the City. Alternatively, bidders may wire the Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. The City and any bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the bid is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the losing bidder; 3) If the bid is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform, or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

If a financial surety bond is used, it must be from an insurance company licensed to issue such a bond in the State of Wisconsin, and preapproved by the City. Such bond must be submitted to Ehlers prior to the opening of the bids. Such bond must identify each bidder whose Deposit is guaranteed by such financial surety bond. If the Bonds are awarded to a bidder using a financial surety bond, then that bidder is required to submit its Deposit to Ehlers in the form of a certified or cashier's check or wire transfer as instructed by Ehlers not later than 3:00 P.M., Central Time, on the next business day following the award. If such Deposit is not received by that time, the financial surety bond may be drawn by the City to satisfy the Deposit requirement. The amount securing the successful bid will be retained as liquidated damages if the bid is accepted and the bidder fails to comply therewith. No bid can be withdrawn after the time set for receiving bids unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

### **AWARD**

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all bids and to waive any informality in any bid.

### **BOND INSURANCE**

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

### **CUSIP NUMBERS**

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

### **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

### **CONTINUING DISCLOSURE**

In order to assist bidders in complying with SEC Rule 15c2-12, as amended, the City will covenant to undertake (pursuant to a Resolution to be adopted by the Common Council), to provide annual reports and timely notice of certain events for the benefit of holders of the Bonds. The details and terms of the undertaking are set forth in a Continuing Disclosure Certificate to be executed and delivered by the City, a form of which is included in the Preliminary Official Statement. As a condition of closing, the City will deliver a Continuing Disclosure Certificate at closing (in addition to the legal opinion and non-litigation certificate) setting forth the details and terms of the City's undertaking.

## **INFORMATION FROM WINNING BIDDER**

The successful purchaser will be required to provide, in a timely manner, certain information relating to the initial offering prices of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

## **PRELIMINARY OFFICIAL STATEMENT**

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the bid opening by request from Ehlers at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the link to the Bond Sales. The Syndicate Manager will be provided with an electronic copy and up to 10 printed copies upon request of the Final Official Statement within seven business days of the bid acceptance. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and bid forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Common Council

Julie Bergstrom, Finance Director/Treasurer  
City of River Falls, Wisconsin