

**RIVER FALLS MUNICIPAL  
UTILITIES**

Enterprise Funds of the  
City of River Falls, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2013 and 2012

**RIVER FALLS MUNICIPAL UTILITIES**  
Enterprise Funds of the City of River Falls, Wisconsin

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As of and for the Years Ended December 31, 2013 and 2012

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**INDEPENDENT AUDITORS' REPORT**

To the City Council  
River Falls Municipal Utilities  
River Falls, Wisconsin

**Report on the Financial Statements**

We have audited the accompanying financial statements of River Falls Municipal Utilities, enterprise funds of the City of River Falls, Wisconsin, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

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

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

***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of River Falls Municipal Utilities as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council  
River Falls Municipal Utilities

***Emphasis of Matters***

As discussed in Note 1, the financial statements present only the River Falls Municipal Utilities enterprise funds and do not purport to, and do not present fairly the financial position of the City of River Falls, Wisconsin, as of December 31, 2013 and 2012 and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in the Note 1, River Falls Municipal Utilities adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary Information*

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplemental utility plant and operating revenues and expenses schedules as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the 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 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 supplemental utility plant and operating revenues and expenses schedules are fairly stated in all material respects in relation to the financial statements as a whole.

*Baker Tilly Vorchow Krause, LLP*

Madison, Wisconsin  
June 25, 2014

**RIVER FALLS MUNICIPAL UTILITIES**  
**Management's Discussion and Analysis**  
**December 31, 2013 and 2012**

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The following analysis is provided by the management of City of River Falls to provide an overview of the utilities' financial performance for the years ending December 31, 2013 and 2012. This narrative is intended to offer readers an objective, easy to read reporting of the accompanying financial statements. This narrative is meant to be used in conjunction with the utilities' audited financial statements.

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**FINANCIAL HIGHLIGHTS**

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**Electric:**

- The Electric Utility's 2013 net operating income increased by \$167,590; an increase of 15% over the prior year. The increase in electricity consumption of 1.3 million kWh in 2013 as compared with 2012 was predominantly in the residential customer class. In addition, the sale of power plant equipment in 2013 which was retired in 2011 also factored into the increase in income.
- The Electric Utility's net position increased \$1,068,640 from the prior year to \$17,760,857 (Table 1). Cash and improvement assets increased by \$2,012,702 over the prior year due to termination payments from WPPI from the closure of the power plant; as well as repayment of an advance from the sewer fund. Overall, total assets increased by \$536,043 and total liabilities decreased \$309,741 from the prior year. Implementation of GASB Statement No. 65, which mandates debt issuance costs be expensed in the period incurred, reduced the Electric Utility's assets by \$36,576 from prior years.
- Maturity of the 2009 electric revenue bond issue in 2013 and the continued amortization of the gain from early retirement of the power plant factor into the reduced liabilities. Several electric distribution projects were completed in 2013, which increased in-service capital assets by \$230,793. Included in the projects were upgrades to the electrical service of Greenwood Elementary and Meyer Middle Schools, improvements to Hoffman Park, and upgrading a large industrial customer expansion in Whitetail Corporate Park. (Table 7). Noncurrent assets decreased by \$1,438,292 as a result of annual depreciation expense, repayment of the advance from the Sewer fund, and reduction in the receivable from WPPI.

**Water:**

- The Water Utility's 2013 net operating income was \$319,507; a decrease of \$173,627 from the prior year. Net operating income was higher than normal in 2012 due to the drought conditions that caused higher demand. Water operating revenues were \$1,532,931; a reduction from 2012 by \$41,818. The Utility benefited from a full year of the water rate increase approved in 2012. The reduction in usage was primarily related to irrigation sales which were down 16 million gallons and domestic sales declined four million gallons in 2013 versus 2012. Operating expenses increased \$131,800 over 2012 due to increased utility costs and the addition of the North Zone Booster Station and Well House #6. Other maintenance issues occurred during the year causing higher than anticipated expenses.

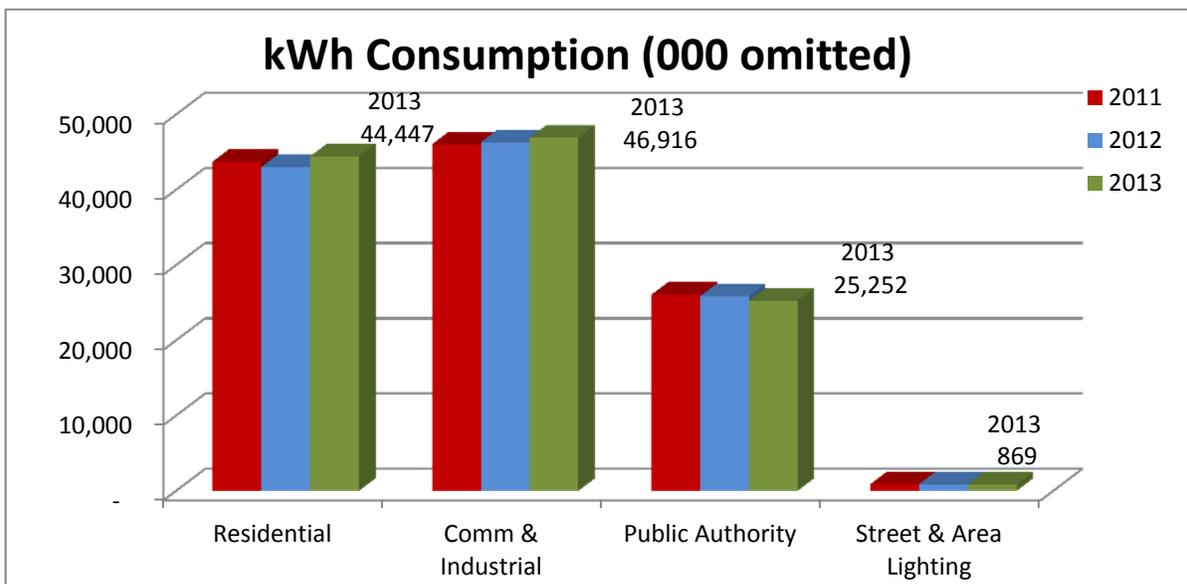
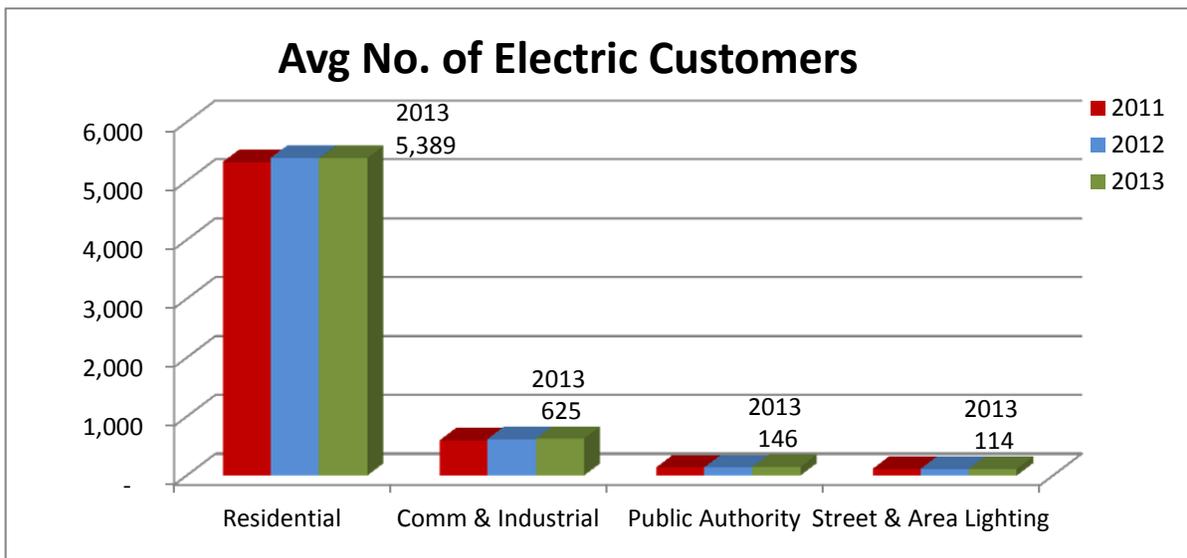
**Sewer:**

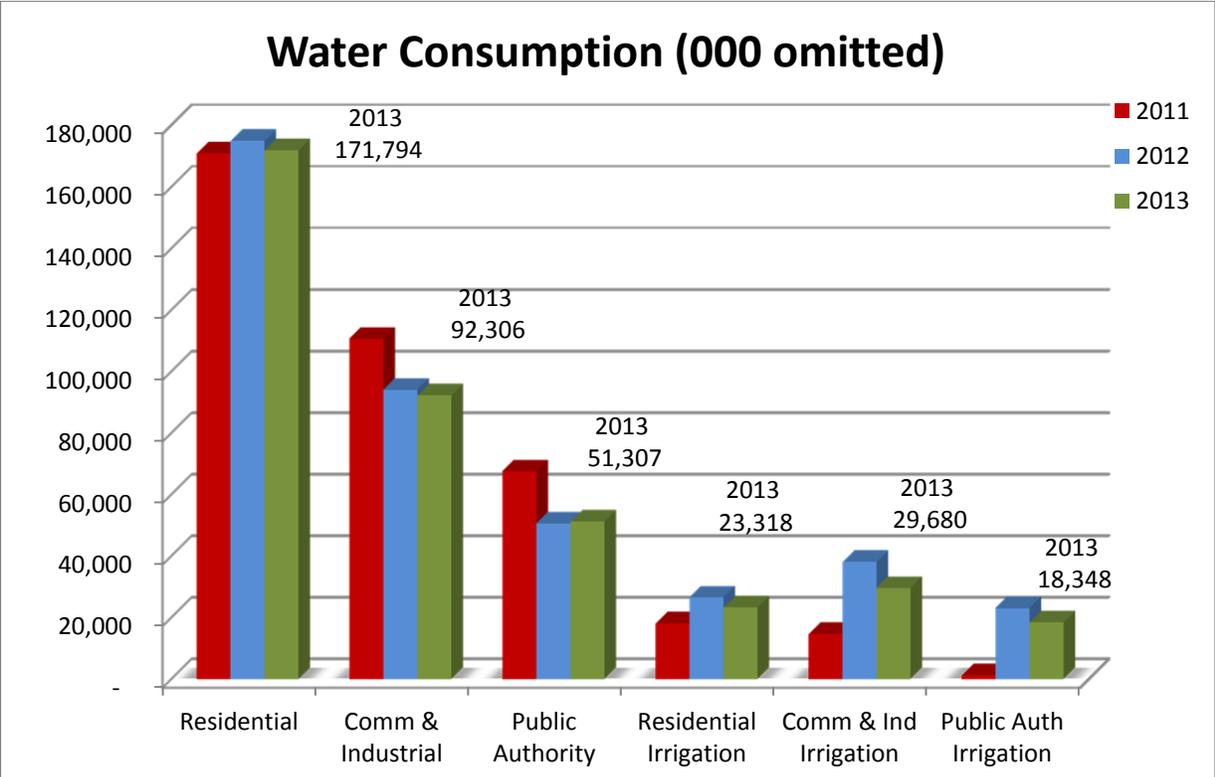
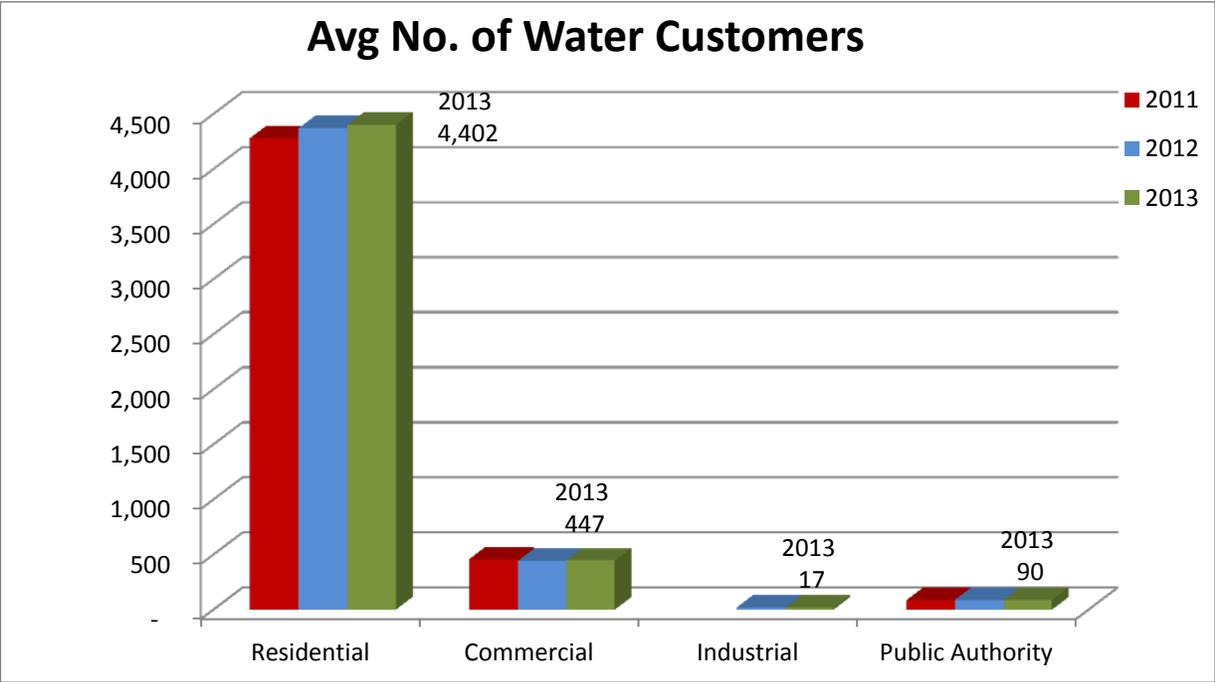
- The Sewer Utility’s 2013 net operating income was \$1,038,819, an increase of \$40,105 over the prior year. Operating revenue grew by 3.6% to \$3,193,131, from increases in residential, industrial and public authority measured services, due primarily to the 2012 rate increase. Waste receiving and extra centrate charges from outside facilities using the treatment plant were also higher in 2013.
- The Sewer fund increased in net position by \$909,247 which is attributed to increased operating revenues, reductions in debt service costs, and higher capital contributions.
- The Sewer fund repaid the advance of \$329,823 from the Electric Utility in 2013, and debt repayment has reduced total liabilities by \$1,172,108 from the previous year.

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**OVERVIEW OF CONSUMPTION & CUSTOMER COUNTS**

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## OVERVIEW OF THE FINANCIAL STATEMENTS

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The electric, water, and sewer utilities are enterprise funds of the City of River Falls. The utilities provide services to properties within the city limits and several rural properties on the edge of the city limits. The electric and water utilities operate under service rules and rates established by the Public Service Commission of Wisconsin (PSCW). The sewer utility operates under rules and rates established by the City Council.

This annual report consists of two parts: Management's Discussion and Analysis and the financial statements supporting the independent auditor's report. The City of River Falls has implemented the Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, and Net Position effective as of January 1, 2012. This implementation enhances the previously reported financials known as the Statement of Net Assets. GASB Statement No. 65 established financial reporting standards which affect certain items that were previously reported as assets and liabilities; affecting these financial statements is the debt issuance costs no longer impact the statement of net position. This statement became effective for reporting periods ending December 31, 2013. The City of River Falls has properly re-classed these costs for the reporting period of 2013 and the 2012 data has been reclassified for comparative purposes.

An analysis of the utilities' financial position begins with an overview of the Condensed Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. These two statements report the utilities' net position as of yearend. The utility's net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is important in evaluating the financial health of the utilities. Increases or decreases in net position over time are indicators of whether the financial position is improving or eroding. Financial position can also be impacted by non-financial factors, such as the economy, customer growth, climate, and regulatory requirements.

Graphs have been inserted immediately following the condensed statements to depict revenue classes and fluctuations between operating expenses within each utility. Purchased Power from WPPI has been extracted to portray a better assessment of normal operating and maintenance expenses.

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**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
PRESENTED WITH STATEMENTS OF NET POSITION:  
TABLES 1, 2, 3  
Revenue & Expense Graphs  
Charts 1, 2, 3**

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**Table 1**

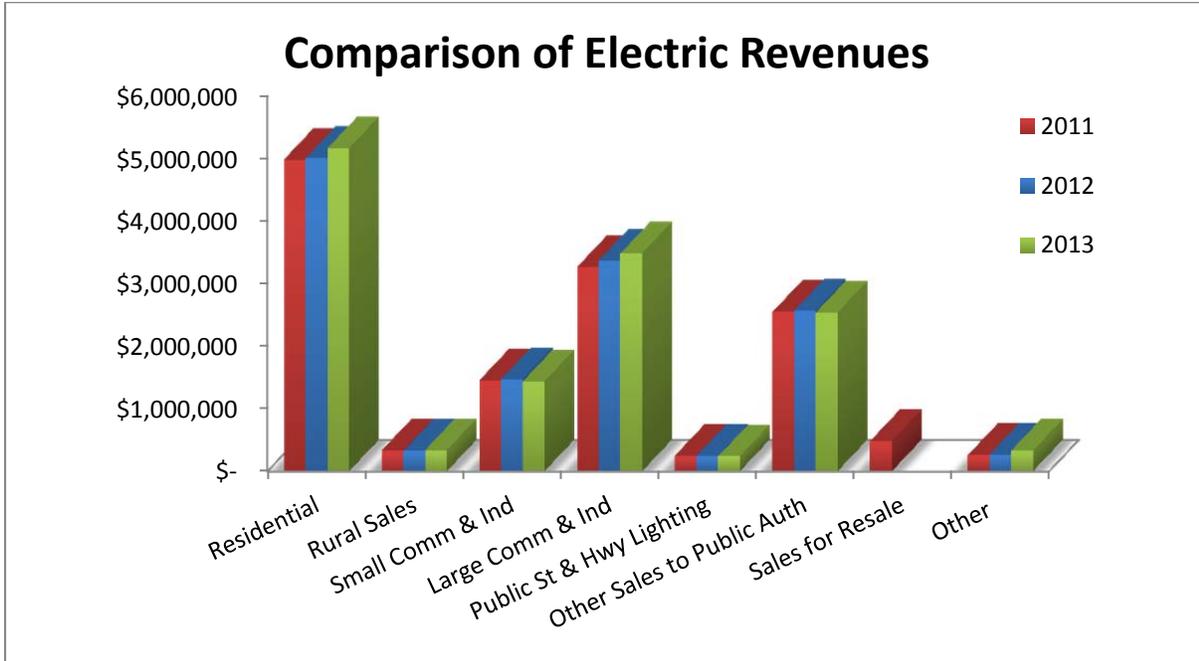
**Electric Utility**  
**Condensed Statements of Revenues,**  
**Expenses and Changes in Net Position**

	2013	2012	2011
<b>REVENUES</b>			
Operating Revenues			
Sales of Electricity	\$13,210,203	\$ 12,997,135	\$ 13,322,519
Other	328,825	265,813	258,344
Non-operating Revenues			
Investment Income	46,346	33,664	26,424
Amortization of early retirement gain	222,856	454,842	374,527
<b>Total Revenue</b>	<b>13,808,230</b>	<b>13,751,454</b>	<b>13,981,814</b>
<b>EXPENSES</b>			
Operating Expenses	12,283,438	12,174,948	12,746,650
Non-operating Expenses	76,399	69,868	101,223
<b>Total Expenses</b>	<b>12,359,837</b>	<b>12,244,816</b>	<b>12,847,873</b>
Income Before Contributions and Transfers	1,448,393	1,506,638	1,133,941
Capital Contributions	29,627	30,111	56,287
Transfers - Tax Equivalent	(409,380)	(398,084)	(486,354)
Changes in Net Position	1,068,640	1,138,665	703,874
<b>Net Position - Beginning of Year</b>	<b>16,692,217</b>	<b>15,553,552</b>	<b>14,849,678</b>
<b>Net Position - End of Year</b>	<b>\$ 17,760,857</b>	<b>\$ 16,692,217</b>	<b>\$ 15,553,552</b>

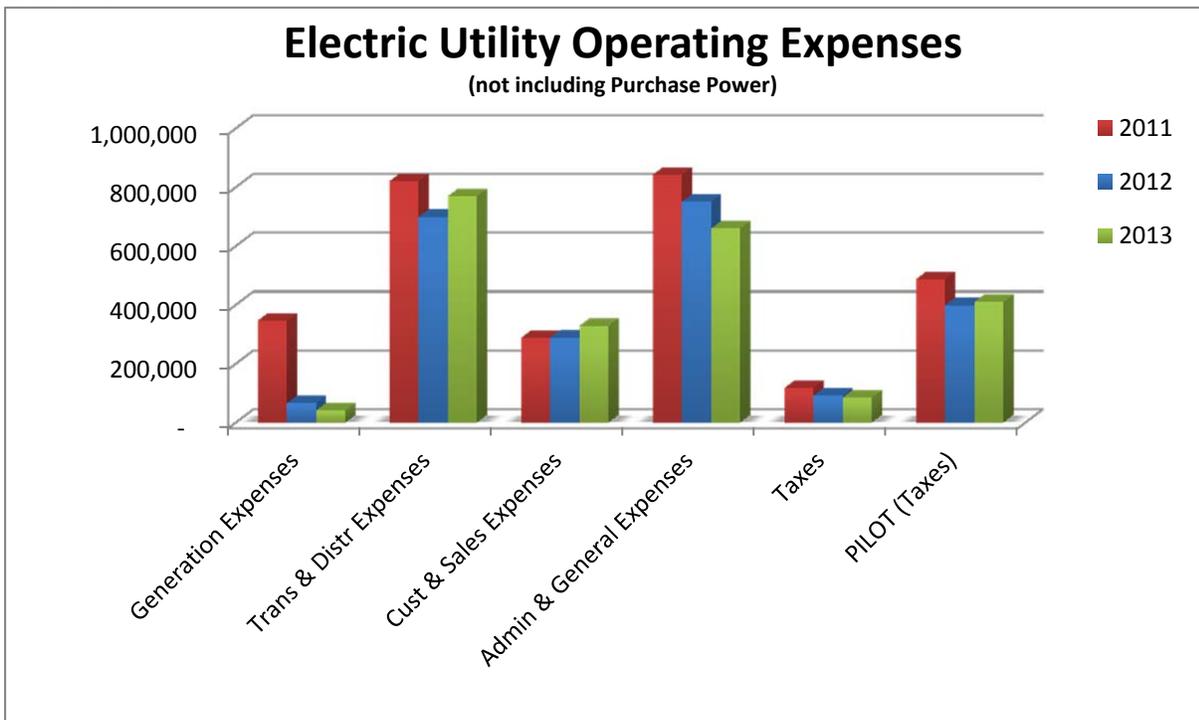
**Condensed Statements of Net Position**

Current Assets	\$ 7,820,739	\$ 5,856,404	\$ 4,805,550
Non-Current Assets	12,566,501	13,994,793	14,968,554
<b>Total Assets</b>	<b>20,387,240</b>	<b>19,851,197</b>	<b>19,774,104</b>
Current Liabilities	1,518,275	1,534,267	1,730,731
Non-Current Liabilities	759,197	1,052,946	2,489,821
<b>Total Liabilities</b>	<b>2,277,472</b>	<b>2,587,213</b>	<b>4,220,552</b>
Deferred Inflow of Resources	348,911	571,767	-
<b>Net Position</b>			
Net Investment in Capital Assets	11,040,097	11,087,178	10,985,393
Restricted for Debt Service	106,480	137,235	155,528
Unrestricted	6,614,280	5,467,804	4,412,631
<b>Total Net Position</b>	<b>\$ 17,760,857</b>	<b>\$ 16,692,217</b>	<b>\$ 15,553,552</b>

**Chart 1.A**



**Chart 1.B**



**Table 2**

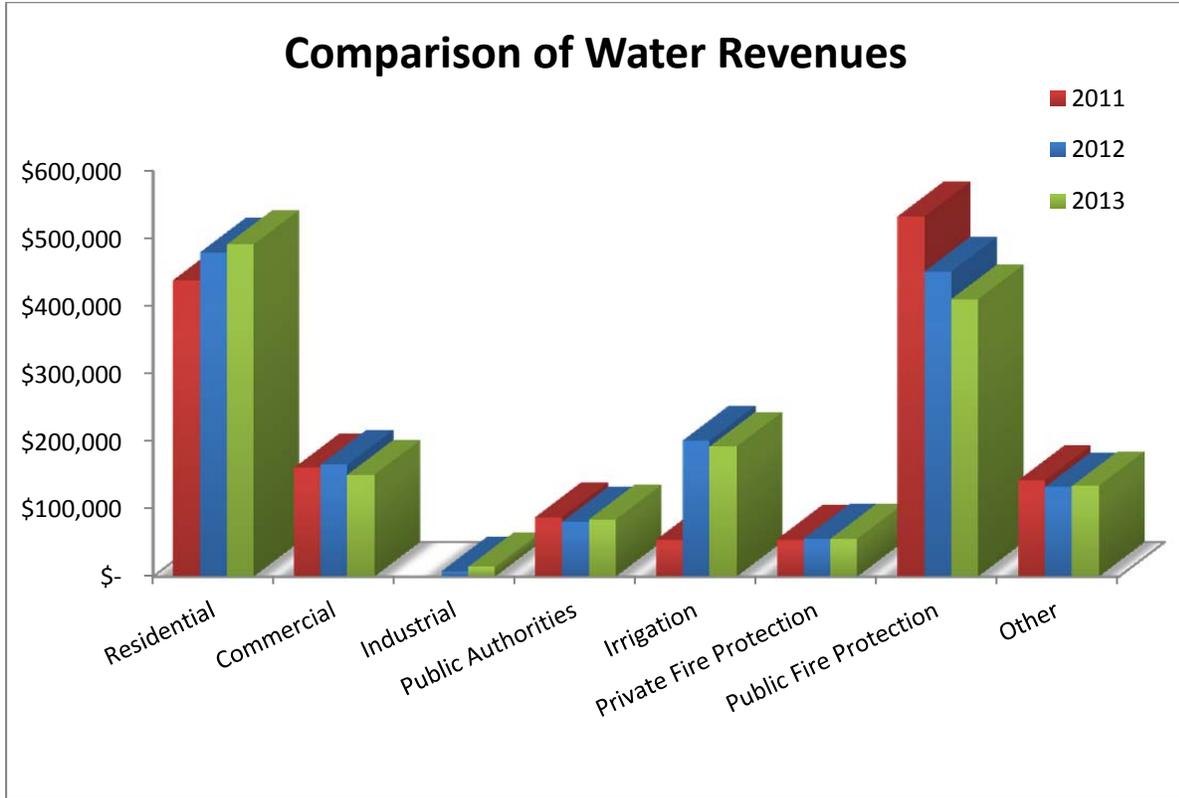
**Water Utility**  
**Condensed Statement of Revenues,**  
**Expenses and Changes in Net Position**

	2013	2012	2011
<b>REVENUES</b>			
Operating Revenues			
Sales of Water	\$ 1,398,927	\$ 1,442,544	\$ 1,329,785
Other	134,004	132,205	141,664
Non-operating Revenues			
Investment Income	4,042	6,762	5,920
Interest Charged to Construction	-	71,151	34,736
Other non-operating	-	178	74
Total Revenue	<u>1,536,973</u>	<u>1,652,840</u>	<u>1,512,179</u>
<b>EXPENSES</b>			
Operating Expenses	1,213,424	1,081,615	1,064,292
Non-operating Expenses	136,910	91,765	62,816
Total Expenses	<u>1,350,334</u>	<u>1,173,380</u>	<u>1,127,108</u>
Income Before Contributions and Transfers	186,639	479,460	385,071
Capital Contributions	217,235	25,864	31,069
Transfers - Tax Equivalent	(335,144)	(312,991)	(267,871)
Changes in Net Position	68,730	192,333	148,269
<b>Net Position - Beginning of Year</b>	<b>13,428,861</b>	<b>13,236,528</b>	<b>13,088,259</b>
<b>Net Position - End of Year</b>	<b><u>\$ 13,497,591</u></b>	<b><u>\$ 13,428,861</u></b>	<b><u>\$ 13,236,528</u></b>

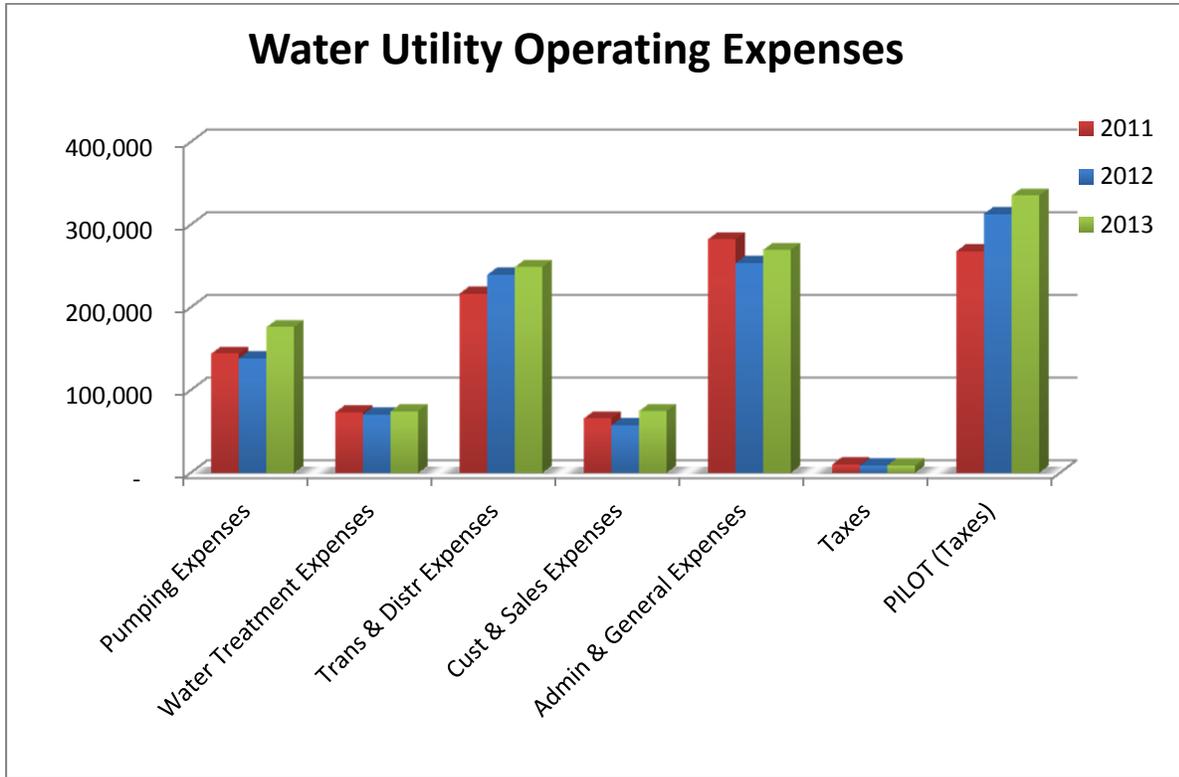
**Condensed Statements of Net Position**

Current Assets	\$ 1,437,996	\$ 1,181,281	\$ 2,115,361
Non-Current Assets	14,723,669	15,348,304	14,741,947
Total Assets	<u>16,161,665</u>	<u>16,529,585</u>	<u>16,857,308</u>
Current Liabilities	290,274	436,525	766,626
Non-Current Liabilities	2,373,800	2,664,199	2,854,154
Total Liabilities	<u>2,664,074</u>	<u>3,100,724</u>	<u>3,620,780</u>
<b>Net Position</b>			
Net Investment in Capital Assets	12,166,101	12,444,758	11,661,595
Restricted for Debt Service	48,891	45,017	-
Restricted for Construction	-	210,962	228,741
Unrestricted	1,282,599	728,124	1,346,192
<b>Total Net Position</b>	<b><u>\$ 13,497,591</u></b>	<b><u>\$ 13,428,861</u></b>	<b><u>\$ 13,236,528</u></b>

**Chart 2.A**



**Chart 2.B**



**Table 3**

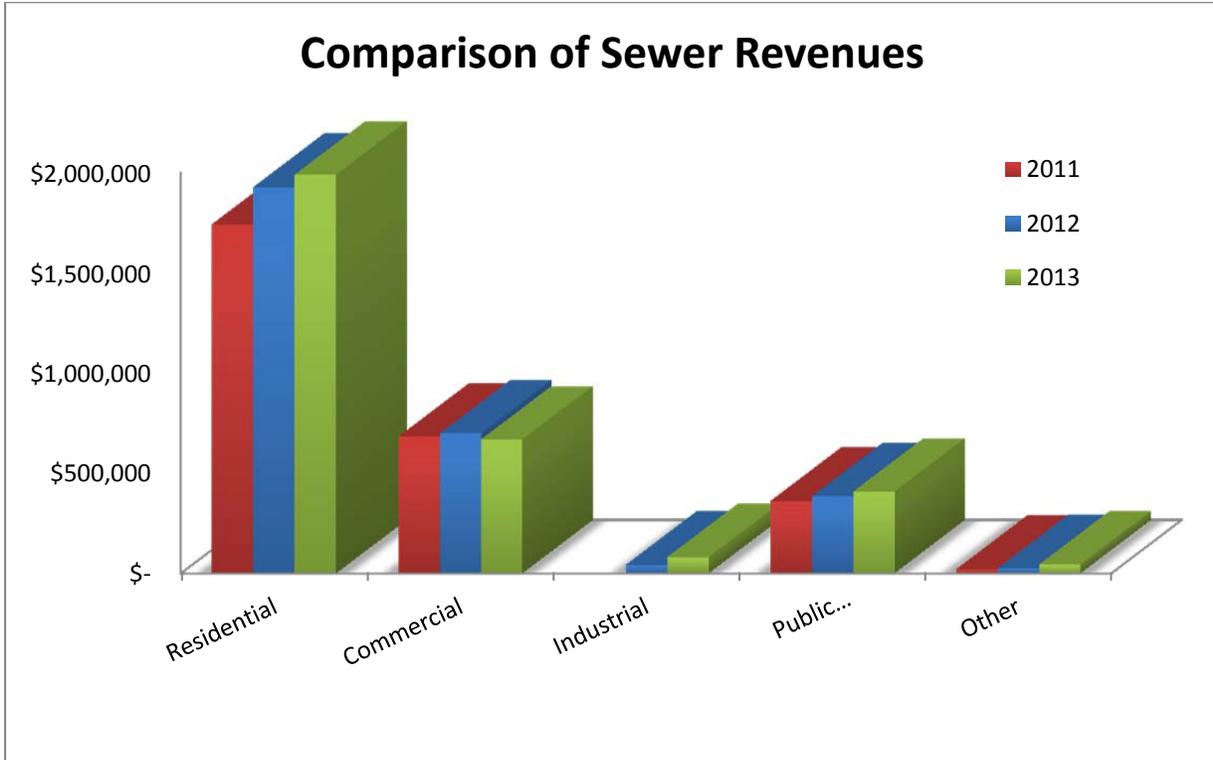
**Sewer Utility**  
**Condensed Statement of Revenues,**  
**Expenses and Changes in Net Position**

	2013	2012	2011
<b>REVENUES</b>			
Operating Revenues			
Treatment Charges	\$ 3,148,945	\$ 3,054,565	\$ 2,787,940
Other	44,186	26,149	21,744
Non-operating Revenues			
Investment Income	31,529	33,273	43,473
Interest Charged to Construction	-	-	6,812
Other non-operating	-	10,072	2,264
Total Revenue	<u>3,224,660</u>	<u>3,124,059</u>	<u>2,862,233</u>
<b>EXPENSES</b>			
Operating Expenses	2,154,312	2,082,000	2,114,282
Non-operating Expenses	296,832	336,438	408,447
Total Expenses	<u>2,451,144</u>	<u>2,418,438</u>	<u>2,522,729</u>
Income Before Contributions and Transfers	<u>773,516</u>	<u>705,621</u>	<u>339,504</u>
Capital Contributions	135,731	55,414	69,602
Changes in Net Position	<u>909,247</u>	<u>761,035</u>	<u>409,106</u>
<b>Net Position - Beginning of Year</b>	<b>14,663,992</b>	<b>13,902,957</b>	<b>13,493,851</b>
<b>Net Position - End of Year</b>	<b><u>\$ 15,573,239</u></b>	<b><u>\$ 14,663,992</u></b>	<b><u>\$ 13,902,957</u></b>

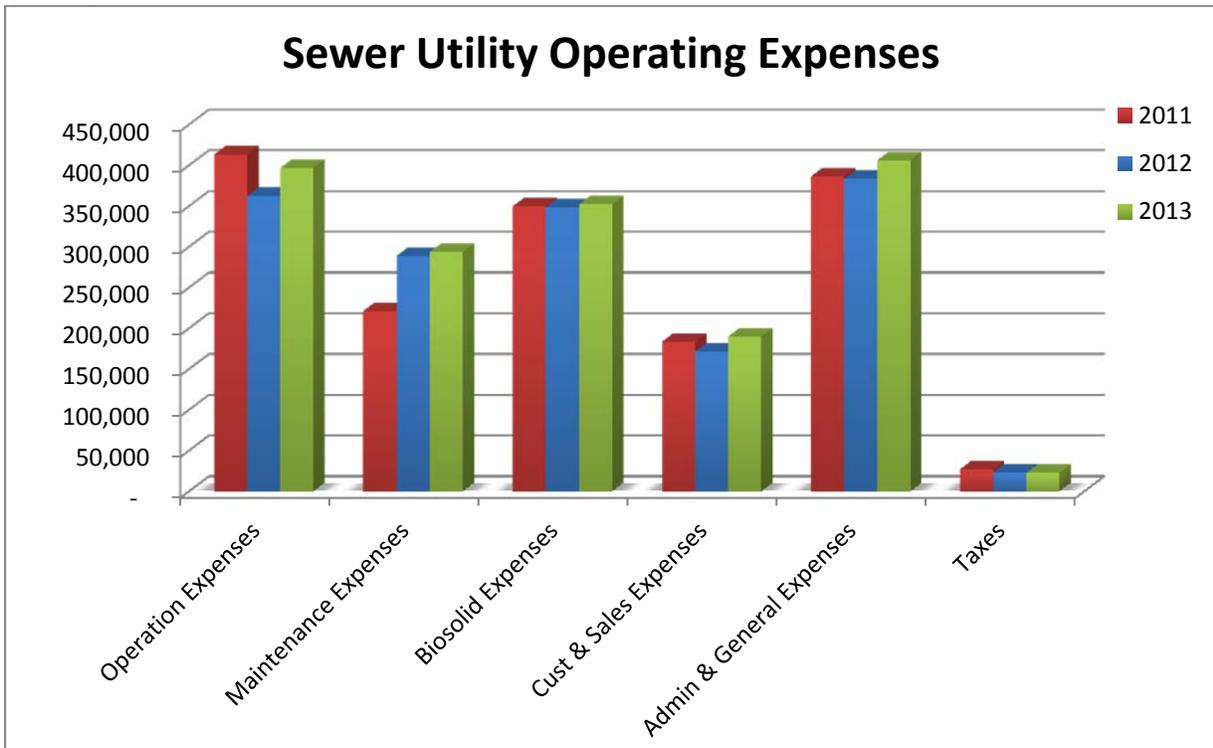
**Condensed Statement of Net Position**

Current Assets	\$ 2,485,545	\$ 2,504,134	\$ 2,188,210
Non-Current Assets	20,949,628	21,169,646	21,827,614
Total Assets	<u>23,435,173</u>	<u>23,673,780</u>	<u>24,015,824</u>
Deferred outflows of Resources	<u>222,847</u>	<u>247,011</u>	<u>-</u>
Current Liabilities	1,061,524	1,104,066	1,001,029
Non-Current Liabilities	7,023,257	8,152,733	9,111,838
Total Liabilities	<u>8,084,781</u>	<u>9,256,799</u>	<u>10,112,867</u>
<b>Net Position</b>			
Net Investment in Capital Assets	13,225,346	12,812,718	12,359,163
Restricted for Debt Service	287,537	291,157	561,377
Restricted for Equipment	230,794	170,599	110,372
Unrestricted	1,829,562	1,389,518	872,045
<b>Total Net Position</b>	<b><u>\$ 15,573,239</u></b>	<b><u>\$ 14,663,992</u></b>	<b><u>\$ 13,902,957</u></b>

**Chart 3.A**



**Chart 3.B**



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**CONDENSED STATEMENT OF CASH FLOW: TABLES 4, 5, 6**

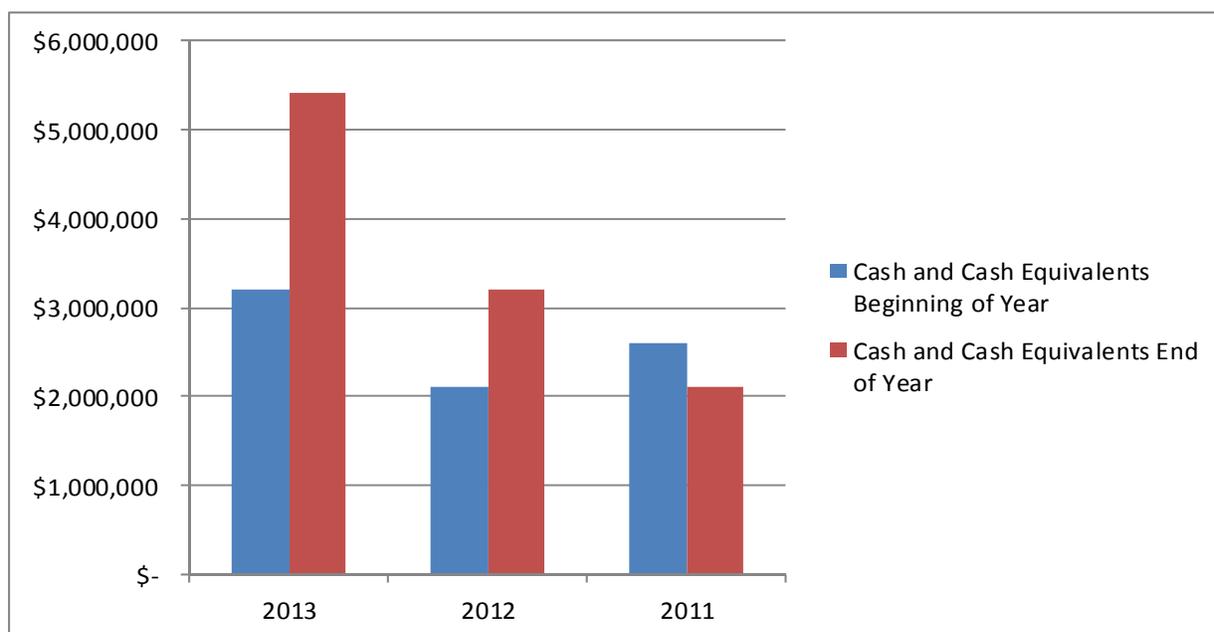
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**Table 4**

**Electric Utility**  
**Condensed Statements of Cash Flow**

	2013	2012	2011
Cash Flows From:			
Operating activities	\$ 2,739,925	\$ 2,376,912	\$ 2,245,800
Noncapital financing activities	(18,518)	(351,678)	(627,302)
Capital and related financing activities	(945,159)	(903,275)	(2,097,609)
Investing activities	435,688	(38,618)	(11,597)
Net Change in Cash and Cash Equivalents	2,211,936	1,083,341	(490,708)
Cash and Cash Equivalents - Beginning of Year	3,197,524	2,114,183	2,604,891
Cash and Cash Equivalents - End of year	\$ 5,409,460	\$ 3,197,524	\$ 2,114,183

The increase of cash flow from 2012 to 2013 of \$2.2 million is a result of increased customer sales, particularly large commercial and industrial, and residential. The Sewer Utility also repaid the 2009 advance from Electric with a carrying value of \$363,467, and the fund received the scheduled payment of \$525,048 from WPPI per the 2011 generation termination agreement. A review of the improvement funds resulted in closing the capacity payment reserve and facility replacement reserve and an overall reduction in investments purchased as part of the review.

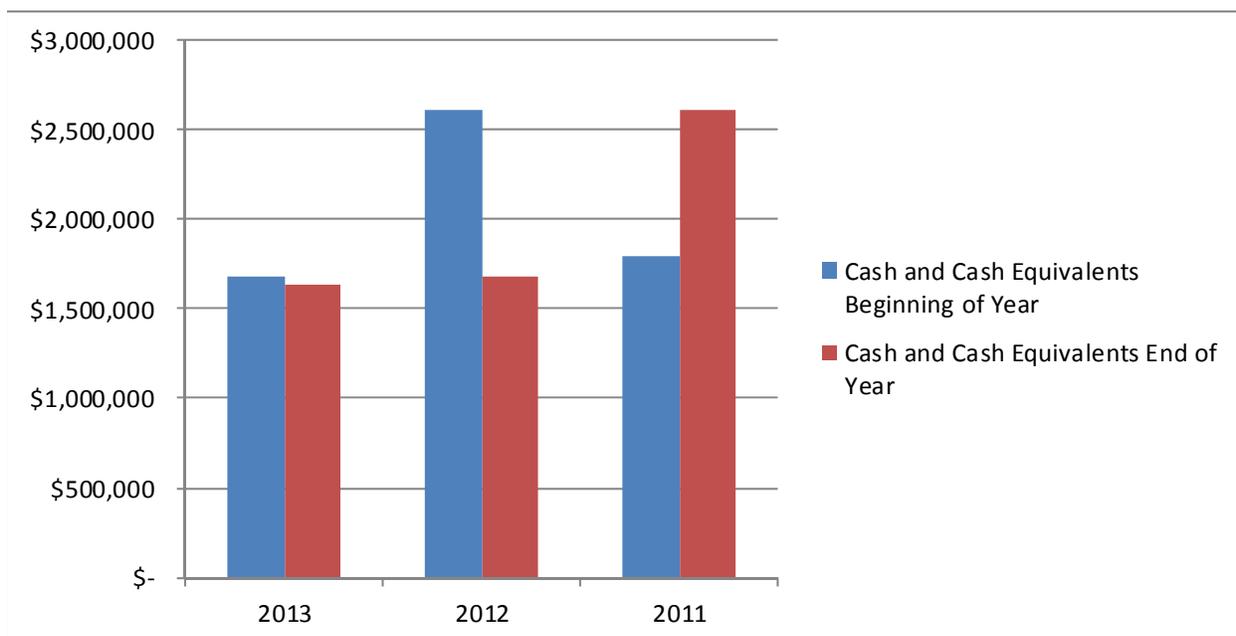


**Table 5**

**Water Utility**  
**Condensed Statements of Cash Flow**

	2013	2012	2011
Cash Flows From:			
Operating activities	\$ 636,123	\$ 877,845	\$ 811,014
Noncapital financing activities	(356,210)	(345,243)	(112,974)
Capital and related financing activities	(324,449)	(1,467,135)	108,102
Investing activities	4,176	6,760	5,788
Net Change in Cash and Cash Equivalents	(40,360)	(927,773)	811,930
Cash and Cash Equivalents - Beginning of Year	1,680,218	2,607,991	1,796,061
Cash and Cash Equivalents - End of year	<u>\$ 1,639,858</u>	<u>\$ 1,680,218</u>	<u>\$ 2,607,991</u>

The decrease of cash flow in 2013 from 2012 is a combination of operating & financing activities. Cash flows from operating activities is factored from goods and services purchased. In 2013 Well #2 had pump maintenance, water towers were inspected for painting, and engineering fees were incurred for water modeling projects. Financing activities decreased with the completion of Well #6 and North Zone Booster station offset by an increase in impact fees collected year over year.

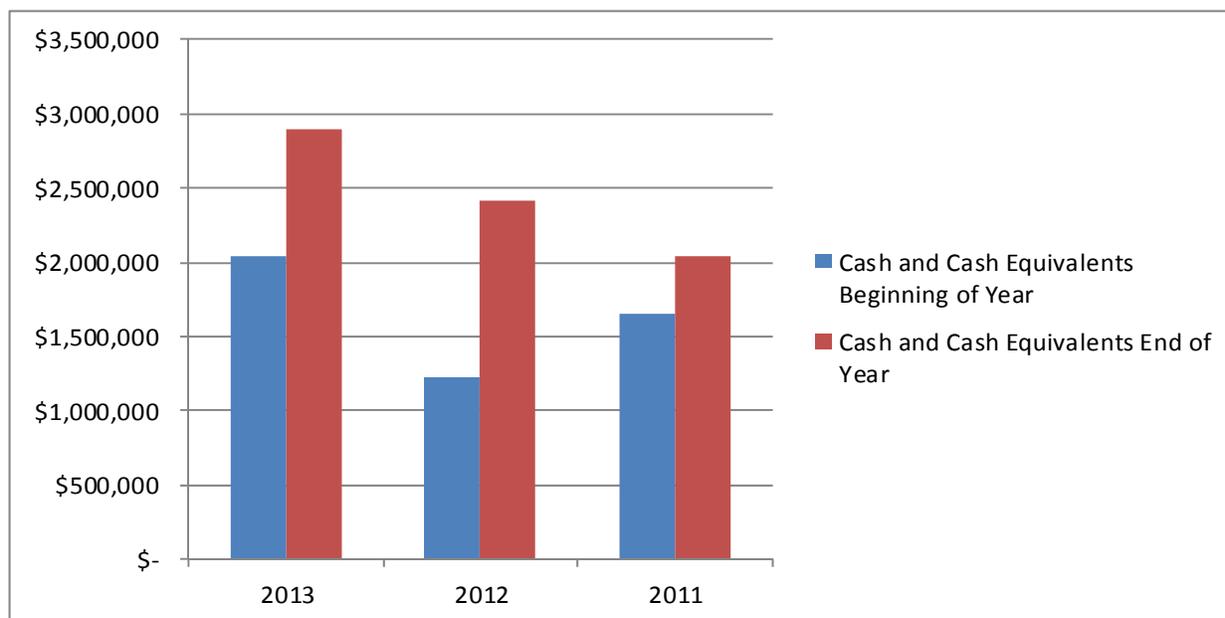


**Table 6**

**Sewer Utility**  
**Condensed Statements of Cash Flow**

	2013	2012	2011
Cash Flows From:			
Operating activities	\$ 1,531,802	\$ 1,535,052	\$ 1,272,437
Noncapital financing activities	(368,319)	(36,743)	(35,053)
Capital and related financing activities	(1,240,660)	(1,484,169)	(1,196,295)
Investing activities	557,611	352,438	785,302
Net Change in Cash and Cash Equivalents	480,434	366,578	826,391
Cash and Cash Equivalents - Beginning of Year	2,413,238	2,046,660	1,220,269
Cash and Cash Equivalents - End of year	<u>\$ 2,893,672</u>	<u>\$ 2,413,238</u>	<u>\$ 2,046,660</u>

The increase in cash flow from 2012 to 2013 of \$480,434 is a result of the 2012B General Obligation (G.O.) refunding of the 2004 Revenue Bonds reducing interest expense, and the resulting reserve requirement.



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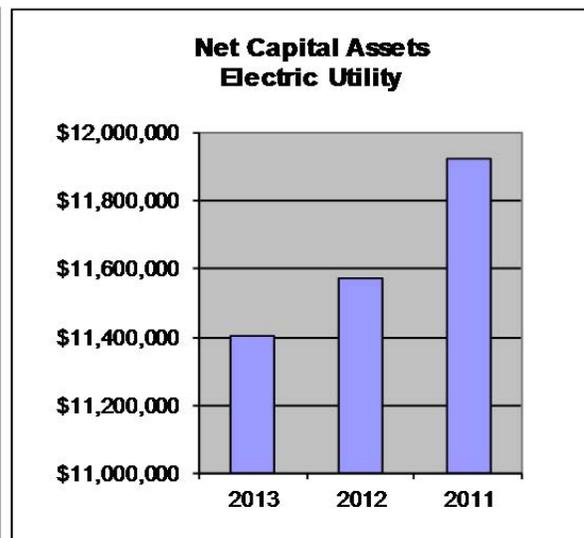
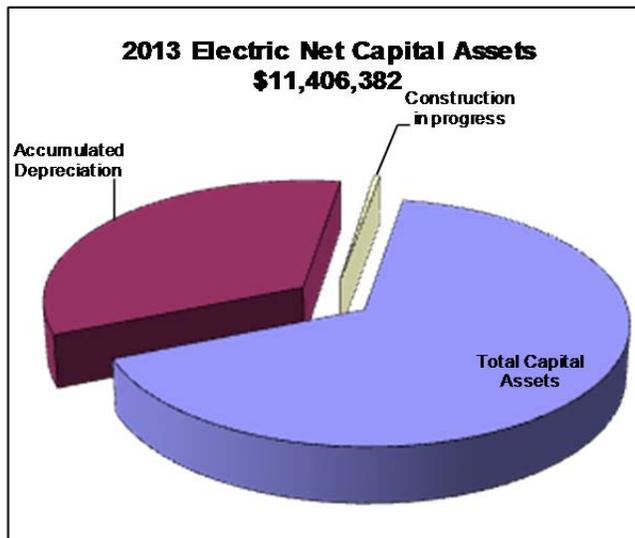
**CAPITAL ASSETS: TABLES 7, 8, 9**

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**Table 7**

**Electric Utility  
Capital Assets**

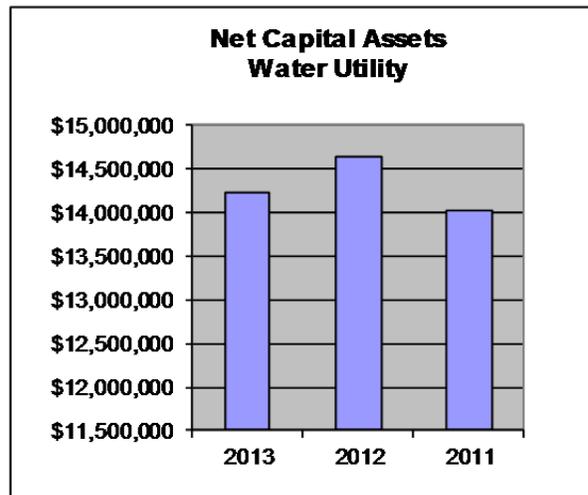
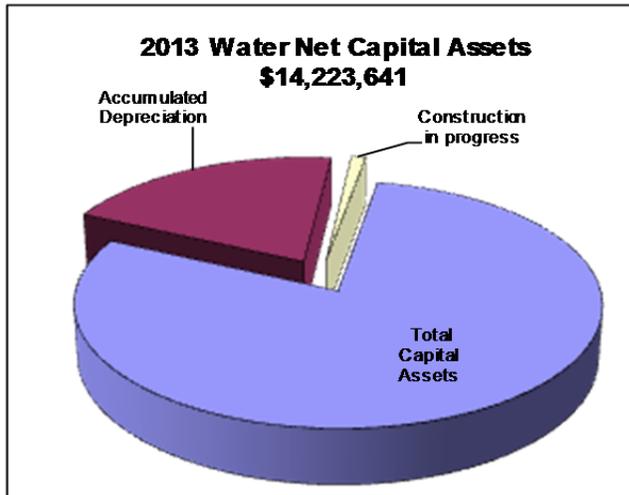
	2013	2012	2011
Land	\$ 107,127	\$ 107,127	\$ 107,127
Capital Assets			
Production	\$ 2,193,008	\$ 2,193,008	\$ 2,193,008
Transmission	1,536,162	1,536,162	1,536,162
Distribution	17,126,581	16,861,730	16,565,297
General	2,065,861	2,099,919	2,088,347
Total Capital Assets	23,028,739	22,797,946	22,489,941
Less: Accumulated depreciation	(11,769,961)	(11,278,627)	(10,675,133)
Construction in progress	147,604	50,326	107,408
Net Capital Assets	<u>\$ 11,406,382</u>	<u>\$ 11,569,645</u>	<u>\$ 11,922,216</u>



**Table 8**

**Water Utility  
Capital Assets**

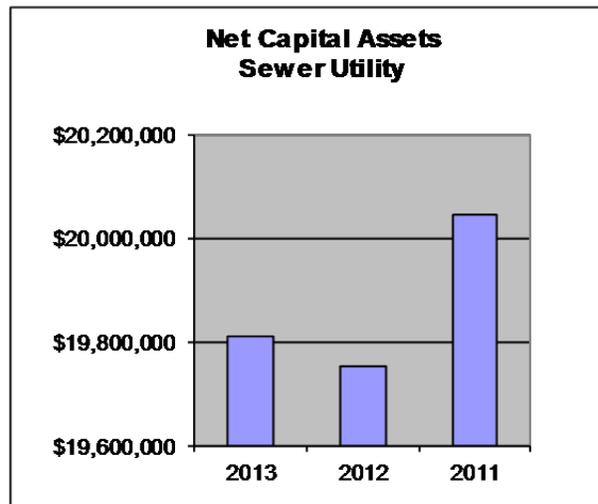
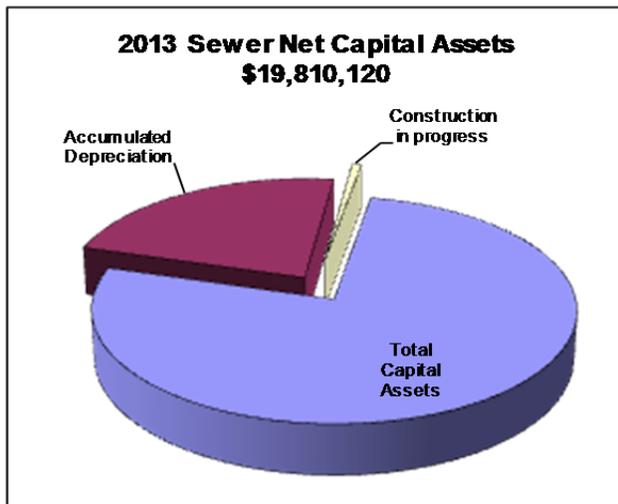
	2012	2012	2011
Land	\$ 23,120	\$ 3,120	\$ 3,120
<b>Capital Assets</b>			
Source of Supply	\$ 234,839	\$ 87,720	\$ 87,720
Pumping	2,080,866	609,925	609,925
Water Treatment	83,786	38,885	38,885
Transmission & Distribution	15,165,151	14,063,811	14,033,565
Completed Construction Not Classified	446,497		
General	587,065	561,180	558,741
<b>Total Capital Assets</b>	<b>\$ 18,621,324</b>	<b>\$ 15,364,641</b>	<b>\$ 15,331,956</b>
Less: Accumulated depreciation	(4,632,806)	(4,271,152)	(3,940,917)
Construction in progress	235,123	3,541,836	2,638,282
<b>Net Capital Assets</b>	<b>\$ 14,223,641</b>	<b>\$ 14,635,325</b>	<b>\$ 14,029,321</b>



**Table 9**

**Sewer Utility  
Capital Assets**

	2013	2012	2011
Land	\$ 117,622	\$ 117,622	\$ 147,622
Capital Assets			
Collecting System	\$ 16,491,013	\$ 16,179,076	\$ 16,118,632
Collecting System & Pumping Installations	1,105,140	1,081,367	1,081,367
Treatment & Disposal	8,118,093	8,112,808	8,114,608
Completed Construction Not Classified	154,228		
General	1,661,536	1,675,559	1,655,241
<b>Total Capital Assets</b>	<b>27,647,632</b>	<b>27,166,432</b>	<b>27,117,470</b>
Less: Accumulated depreciation	(8,089,682)	(7,639,309)	(7,139,027)
Construction in progress	252,170	225,358	68,747
<b>Net Capital Assets</b>	<b>\$ 19,810,120</b>	<b>\$ 19,752,481</b>	<b>\$ 20,047,190</b>



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## LONG TERM DEBT

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As of December 31, 2013, each utility has the following general obligation and revenue debt outstanding:

	Electric	Water	Sewer
Revenue	\$ 885,000	\$ 2,040,000	\$ 2,750,091
General Obligation	\$ -	\$ 177,732	\$ 4,529,988
Other Debt	\$ 27,911	\$ -	\$ -
Totals	\$ 912,911	\$ 2,217,732	\$ 7,280,079

Utility revenues are pledged as security for the revenue debt. The revenue bonds were issued to finance various infrastructure projects including power plant improvements, water system improvements, and wastewater treatment plant improvements. General obligation debt is related to borrowing from the Wisconsin State Trust fund for meter upgrades, and for repairs to equipment on behalf of the West Central Wisconsin Biosolids Facility. In addition, general obligation debt was issued in the sewer fund to refund outstanding revenue debt (2002 Revenue Bond and 2004 Revenue Bond) to reduce interest expense. Other debt includes energy efficiency project loans through Wisconsin Public Power Inc. (WPPI).

River Falls Municipal Utilities continues the POWERful Choices! initiative implemented in 2007, encouraging electric conservation and awareness of renewable energy resources. An annual budget of \$278,575 has been approved for various education, energy efficiency, and incentive projects.

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## CONTACTING UTILITY'S FINANCIAL MANAGEMENT

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This financial report is intended to provide readers with a general overview of the utilities' finances from a management perspective. If you have any questions regarding this report or other financial information, please contact Julie Bergstrom, Finance Director/Assistant City Administrator, City of River Falls, 222 Lewis Street, River Falls, WI 54022.

General information about River Falls Municipal Utilities is located on the following websites: [www.rfmu.org](http://www.rfmu.org) and [www.rfcity.org](http://www.rfcity.org)

## **ELECTRIC UTILITY**

## RIVER FALLS ELECTRIC UTILITY

### STATEMENTS OF NET POSITION As of December 31, 2013 and 2012

<b>ASSETS</b>	2013	2012
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 2,915,990	\$ 972,729
Utility improvement funds	2,378,935	2,309,494
Restricted Assets		
Redemption account	114,535	147,237
Customer accounts receivable	1,323,334	1,182,134
Other accounts receivable	79,403	349,624
Due from municipality	2,484	2,680
Materials and supplies	234,888	270,461
Prepayments	24,881	15,502
Current portion of advance to other funds	26,176	56,287
Current portion - shared services loan receivable	19,227	25,208
Receivable from WPPI - current portion	700,886	525,048
Total Current Assets	7,820,739	5,856,404
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Reserve account	518,715	675,954
Interest receivable	362	529
Other Assets		
Prepayments - Powerful Choices	19,192	-
Receivable from WPPI - noncurrent portion	529,417	1,230,303
Shared services loan receivable	10,854	31,375
Unamortized debt issuance costs	-	36,579
Solar renewable note receivable	-	12,830
Advance to other funds	81,579	437,578
Capital Assets		
Plant in service	23,028,739	22,797,946
Accumulated depreciation	(11,769,961)	(11,278,627)
Construction work in progress	147,604	50,326
Total Noncurrent Assets	12,566,501	13,994,793
Total Assets	20,387,240	19,851,197

<b>LIABILITIES</b>	<u>2013</u>	<u>2012</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,018,552	\$ 948,505
Due to municipality	6,661	-
Customer deposits	99,744	86,697
Accrued interest	-	299
Accrued vacation leave	40,486	38,792
Accrued liabilities	68,632	69,861
Commitment to community	6,556	28,342
Current portion of shared savings notes payable	19,227	25,208
Current portion of general obligation debt	-	16,032
Current Liabilities Payable from Restricted Assets		
Current portion of revenue bonds	250,000	310,000
Accrued interest	<u>8,417</u>	<u>10,531</u>
Total Current Liabilities	<u>1,518,275</u>	<u>1,534,267</u>
<b>NONCURRENT LIABILITIES</b>		
Revenue bonds	635,000	885,000
Accrued sick leave	39,106	48,160
Unfunded postemployment benefits obligation	69,416	64,534
Shared services notes payable	8,684	27,912
Unearned revenues	<u>6,991</u>	<u>27,340</u>
Total Noncurrent Liabilities	<u>759,197</u>	<u>1,052,946</u>
 Total Liabilities	 <u>2,277,472</u>	 <u>2,587,213</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Unamortized gain on early retirement	<u>348,911</u>	<u>571,767</u>
Total Deferred Inflows of Resources	<u>348,911</u>	<u>571,767</u>
 <b>NET POSITION</b>		
Net investment in capital assets	11,040,097	11,087,178
Restricted for:		
Debt service	106,480	137,235
Unrestricted	<u>6,614,280</u>	<u>5,467,804</u>
 <b>TOTAL NET POSITION</b>	 <u>\$ 17,760,857</u>	 <u>\$ 16,692,217</u>

See accompanying notes to the financial statements.

## RIVER FALLS ELECTRIC UTILITY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2013 and 2012

	2013	2012
<b>OPERATING REVENUES</b>		
Sales of electricity	\$ 13,210,203	\$ 12,997,135
Other	<u>328,825</u>	<u>265,813</u>
Total Operating Revenues	<u>13,539,028</u>	<u>13,262,948</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	11,497,622	11,407,440
Depreciation	<u>785,816</u>	<u>767,508</u>
Total Operating Expenses	<u>12,283,438</u>	<u>12,174,948</u>
<b>OPERATING INCOME</b>	<u>1,255,590</u>	<u>1,088,000</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	46,346	33,664
Interest expense	(39,820)	(51,733)
Debt issuance costs	(36,579)	(18,135)
Amortization of gain on early retirement	<u>222,856</u>	<u>454,842</u>
Total Nonoperating Revenues (Expenses)	<u>192,803</u>	<u>418,638</u>
Income Before Contributions and Transfers	1,448,393	1,506,638
<b>CAPITAL CONTRIBUTIONS</b>	29,627	30,111
<b>TRANSFERS - TAX EQUIVALENT</b>	<u>(409,380)</u>	<u>(398,084)</u>
<b>CHANGE IN NET POSITION</b>	1,068,640	1,138,665
NET POSITION - Beginning of Year	<u>16,692,217</u>	<u>15,553,552</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 17,760,857</u></u>	<u><u>\$ 16,692,217</u></u>

See accompanying notes to the financial statements.

## RIVER FALLS ELECTRIC UTILITY

### STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 13,399,652	\$ 12,772,663
Received from WPPI	525,048	757,034
Received from municipality for services	239,505	245,948
Paid to suppliers for goods and services	(10,449,275)	(10,376,975)
Paid to employees for operating payroll	(975,005)	(1,021,758)
Net Cash Flows From Operating Activities	2,739,925	2,376,912
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paid to municipality for tax equivalent	(402,719)	(398,084)
Repayment of advances to other funds	386,110	60,437
Debt retired	(16,032)	(15,030)
Repayment of solar renewable note	14,123	999
Net Cash Flows From Noncapital Financing Activities	(18,518)	(351,678)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(622,553)	(414,937)
Capital contributions received	29,627	30,111
Debt retired	(310,000)	(465,000)
Interest paid	(42,233)	(53,449)
Net Cash Flows From Capital and Related Financing Activities	(945,159)	(903,275)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(518,715)	(907,890)
Investments sold and matured	907,890	835,645
Investment income	46,513	33,627
Net Cash Flows From Investing Activities	435,688	(38,618)
<b>Net Change in Cash and Cash Equivalents</b>	2,211,936	1,083,341
CASH AND CASH EQUIVALENTS - Beginning of Year	3,197,524	2,114,183
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 5,409,460	\$ 3,197,524

	<u>2013</u>	<u>2012</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 1,255,590	\$ 1,088,000
Noncash items in operating income		
Depreciation	785,816	767,508
Unfunded postemployment benefits obligation	4,882	11,730
Changes in assets and liabilities		
Customer accounts receivable	(141,200)	(75,498)
Other accounts receivable	270,221	(83,907)
Due to municipality	196	(654)
Receivable from WPPI	525,048	757,034
Materials and supplies	35,573	6,351
Prepayments	(28,571)	18,352
Accounts payable	70,047	(8,064)
Customer deposits	13,047	7,150
Accrued vacation and sick leave	(7,360)	(7,175)
Other current liabilities	(1,229)	(12,487)
Commitment to community and unearned revenues	<u>(42,135)</u>	<u>(91,428)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 2,739,925</u></b>	<b><u>\$ 2,376,912</u></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 2,915,990	\$ 972,729
Redemption account	114,535	147,237
Reserve account	518,715	675,954
Utility improvement funds	<u>2,378,935</u>	<u>2,309,494</u>
Total Cash and Investments	5,928,175	4,105,414
Less: Noncash equivalents	<u>(518,715)</u>	<u>(907,890)</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 5,409,460</u></b>	<b><u>\$ 3,197,524</u></b>

See accompanying notes to the financial statements.

## WATER UTILITY

# RIVER FALLS WATER UTILITY

## STATEMENTS OF NET POSITION As of December 31, 2013 and 2012

---

	<b>ASSETS</b>	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>			
Cash and investments		\$ 346,170	\$ 50,000
Utility improvement funds		886,732	933,667
Restricted Assets			
Redemption account		60,532	56,666
Customer accounts receivable		114,356	114,983
Other accounts receivable		6,601	3,878
Due from municipality		-	2,862
Materials and supplies		14,692	15,519
Prepayments		<u>8,913</u>	<u>3,706</u>
Total Current Assets		<u>1,437,996</u>	<u>1,181,281</u>
<b>NONCURRENT ASSETS</b>			
Restricted Assets			
Reserve account		163,283	161,392
Impact fee account		183,141	478,493
Interest receivable		-	134
Other Assets			
Preliminary survey and investigation		153,604	16,240
Unamortized debt issuance costs		-	56,020
Capital Assets			
Plant in service		18,621,324	15,364,641
Accumulated depreciation		(4,632,806)	(4,270,452)
Construction work in progress		<u>235,123</u>	<u>3,541,836</u>
Total Noncurrent Assets		<u>14,723,669</u>	<u>15,348,304</u>
Total Assets		<u>16,161,665</u>	<u>16,529,585</u>

<b>LIABILITIES</b>		<u>2013</u>	<u>2012</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 42,513	\$ 171,743
Due to municipality		5,853	-
Customer deposits		1,089	114
Accrued interest		6,447	9,204
Accrued vacation leave		18,836	17,164
Accrued liabilities		5,596	11,918
Current portion of general obligation debt		87,123	106,956
Current portion of advances		26,176	22,643
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		85,000	85,000
Accrued interest		11,641	11,783
Total Current Liabilities		<u>290,274</u>	<u>436,525</u>
<b>NONCURRENT LIABILITIES</b>			
General obligation debt		90,609	177,731
Revenue bonds		1,955,000	2,040,000
Unamortized debt premium		3,091	3,269
Advance from electric utility		81,579	107,755
Accrued sick leave		16,527	26,369
Unfunded postemployment benefits obligation		43,853	41,544
Customer advances for construction		183,141	267,531
Total Noncurrent Liabilities		<u>2,373,800</u>	<u>2,664,199</u>
Total Liabilities		<u>2,664,074</u>	<u>3,100,724</u>
<b>NET POSITION</b>			
Net investment in capital assets		12,166,101	12,444,758
Restricted for:			
Debt service		48,891	45,017
Construction		-	210,962
Unrestricted		<u>1,282,599</u>	<u>728,124</u>
<b>TOTAL NET POSITION</b>		<u>\$ 13,497,591</u>	<u>\$ 13,428,861</u>

See accompanying notes to the financial statements.

## RIVER FALLS WATER UTILITY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
Sales of water	\$ 1,398,927	\$ 1,442,544
Other	<u>134,004</u>	<u>132,205</u>
Total Operating Revenues	<u>1,532,931</u>	<u>1,574,749</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	853,078	767,791
Depreciation	<u>360,346</u>	<u>313,824</u>
Total Operating Expenses	<u>1,213,424</u>	<u>1,081,615</u>
<b>OPERATING INCOME</b>	<u>319,507</u>	<u>493,134</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	4,042	6,762
Interest expense	(81,068)	(88,709)
Interest charged to construction	-	71,151
Amortization of premium and issuance costs	<u>(55,842)</u>	<u>(2,878)</u>
Total Nonoperating Revenues (Expenses)	<u>(132,868)</u>	<u>(13,674)</u>
Income Before Contributions and Transfers	186,639	479,460
<b>CAPITAL CONTRIBUTIONS</b>	217,235	25,864
<b>TRANSFERS - TAX EQUIVALENT</b>	<u>(335,144)</u>	<u>(312,991)</u>
<b>CHANGE IN NET POSITION</b>	68,730	192,333
NET POSITION - Beginning of Year	<u>13,428,861</u>	<u>13,236,528</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 13,497,591</u>	<u>\$ 13,428,861</u>

See accompanying notes to the financial statements.

# RIVER FALLS WATER UTILITY

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 1,579,526	\$ 1,619,981
Paid to suppliers for goods and services	(676,739)	(478,537)
Paid to employees for operating payroll	(266,664)	(263,599)
Net Cash Flows From Operating Activities	<u>636,123</u>	<u>877,845</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paid to municipality for tax equivalent	(329,291)	(312,991)
Repayment of advances to other funds	(22,643)	(28,242)
Debt retired	(4,276)	(4,010)
Net Cash Flows From Noncapital Financing Activities	<u>(356,210)</u>	<u>(345,243)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(185,648)	(1,222,151)
Special assessments received	-	2,563
Impact fees received	132,845	44,437
Debt retired	(187,679)	(177,122)
Interest paid	(83,967)	(114,862)
Net Cash Flows From Capital and Related Financing Activities	<u>(324,449)</u>	<u>(1,467,135)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>4,176</u>	<u>6,760</u>
<b>Net Change in Cash and Cash Equivalents</b>	(40,360)	(927,773)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,680,218</u>	<u>2,607,991</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,639,858</u>	<u>\$ 1,680,218</u>

	<u>2013</u>	<u>2012</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 319,507	\$ 493,134
Noncash items in operating income		
Depreciation	360,346	313,824
Depreciation charged to clearing and other utilities	44,854	44,337
Unfunded postemployment benefits obligation	2,309	7,551
Changes in assets and liabilities		
Customer accounts receivable	627	3,106
Other accounts receivable	(2,723)	(2,282)
Due from municipality	2,862	(43)
Materials and supplies	827	(1,320)
Prepayments	(5,207)	1,575
Accounts payable	(73,762)	14,021
Accrued vacation and sick leave	(8,170)	1,712
Other current liabilities	(6,322)	2,116
Customer deposits	975	114
	<u>975</u>	<u>114</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 636,123</u>	<u>\$ 877,845</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 346,170	\$ 50,000
Redemption account	60,532	56,666
Reserve account	163,283	161,392
Impact fee account	183,141	478,493
Utility improvement funds	<u>886,732</u>	<u>933,667</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 1,639,858</u>	<u>\$ 1,680,218</u>

See accompanying notes to the financial statements.

## SEWER UTILITY

## RIVER FALLS SEWER UTILITY

STATEMENTS OF NET POSITION  
As of December 31, 2013 and 2012

<b>ASSETS</b>	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 1,078,288	\$ 965,213
Utility improvement funds	677,159	797,933
Restricted Assets		
Redemption account	299,733	304,274
West Central Wisconsin Biosolids Facility - current portion of receivable	67,542	65,465
West Central Wisconsin Biosolids Facility - interest receivable	726	1,072
Customer accounts receivable	290,843	297,330
Other accounts receivable	1,476	2,449
Due from municipality	-	10,575
Materials and supplies	617	666
Prepayments	15,027	5,604
West Central Wisconsin Biosolids Facility receivable - current portion	51,691	49,949
West Central Wisconsin Biosolids Facility receivable - interest	<u>2,443</u>	<u>3,604</u>
Total Current Assets	<u>2,485,545</u>	<u>2,504,134</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Reserve account	358,669	618,486
Replacement account	230,794	170,599
Impact fee account	409,633	251,871
Interest receivable	230	1,067
Other Assets		
West Central Biosolids Facility receivable	122,982	242,216
Preliminary survey and investigation	-	14,940
Unamortized debt issuance costs	-	100,086
Non-utility property	17,200	17,200
Capital Assets		
Plant in service	27,647,632	27,166,432
Accumulated depreciation	(8,089,682)	(7,638,609)
Construction work in progress	<u>252,170</u>	<u>225,358</u>
Total Noncurrent Assets	<u>20,949,628</u>	<u>21,169,646</u>
Total Assets	<u>23,435,173</u>	<u>23,673,780</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized loss on advance refunding	<u>222,847</u>	<u>247,011</u>
Total Deferred Outflows of Resources	<u>222,847</u>	<u>247,011</u>

<b>LIABILITIES</b>	<u>2013</u>	<u>2012</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 140,057	\$ 146,839
Accrued interest	16,004	27,091
Accrued vacation leave	24,618	21,782
Accrued liabilities	6,758	13,729
Accrued interest on general obligation debt - West Central Wisconsin Biosolids Facility	2,443	3,604
Current portion of general obligation debt - West Central Wisconsin Biosolids Facility	51,691	49,949
Current portion of general obligation debt	390,000	386,705
Current portion of advance from electric utility	-	33,644
Current Liabilities Payable from Restricted Assets		
Current portion of revenue bonds	349,259	340,002
Accrued interest	12,426	14,184
Current portion of revenue bonds - West Central Wisconsin Biosolids Facility	67,542	65,465
Accrued interest on revenue bonds - West Central Wisconsin Biosolids Facility	<u>726</u>	<u>1,072</u>
Total Current Liabilities	<u>1,061,524</u>	<u>1,104,066</u>
<b>NONCURRENT LIABILITIES</b>		
General obligation debt	4,035,000	4,425,000
Revenue bonds	2,263,606	2,612,865
Unamortized debt premium	145,625	163,526
Advance from electric utility	-	329,823
Accrued sick leave	14,311	13,695
Revenue bonds - West Central Wisconsin Biosolids Facility	69,684	137,226
General obligation debt - West Central Wisconsin Biosolids Facility	53,297	104,990
Customer advances for construction	413,595	338,931
Unfunded postemployment benefits obligation	<u>28,139</u>	<u>26,677</u>
Total Noncurrent Liabilities	<u>7,023,257</u>	<u>8,152,733</u>
Total Liabilities	<u>8,084,781</u>	<u>9,256,799</u>
<b>NET POSITION</b>		
Net investment in capital assets	13,225,346	12,812,718
Restricted for:		
Debt service	287,537	291,157
Equipment replacement	230,794	170,599
Unrestricted	<u>1,829,562</u>	<u>1,389,518</u>
<b>TOTAL NET POSITION</b>	<u>\$ 15,573,239</u>	<u>\$ 14,663,992</u>

See accompanying notes to the financial statements.

## RIVER FALLS SEWER UTILITY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2013 and 2012

	2013	2012
<b>OPERATING REVENUES</b>		
Treatment charges	\$ 3,148,945	\$ 3,054,565
Other	44,186	26,149
Total Operating Revenues	3,193,131	3,080,714
<b>OPERATING EXPENSES</b>		
Operation and maintenance	1,661,150	1,577,697
Depreciation	493,162	504,303
Total Operating Expenses	2,154,312	2,082,000
<b>OPERATING INCOME</b>	1,038,819	998,714
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	22,240	18,740
Investment income on West Central Wisconsin Biosolids Facility receivable	9,289	14,533
Donated land	-	(12,800)
Interest expense	(190,483)	(296,443)
Amortization of premium, amortization of loss on refunding, and issuance costs	(106,349)	(17,123)
Total Nonoperating Revenues (Expenses)	(265,303)	(293,093)
Income Before Contributions, Transfers and Amortization	773,516	705,621
<b>CAPITAL CONTRIBUTIONS</b>	135,731	55,414
<b>CHANGE IN NET POSITION</b>	909,247	761,035
NET POSITION - Beginning of Year	14,663,992	13,902,957
<b>NET POSITION - END OF YEAR</b>	<b>\$ 15,573,239</b>	<b>\$ 14,663,992</b>

See accompanying notes to the financial statements.

# RIVER FALLS SEWER UTILITY

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 3,211,166	\$ 3,026,357
Paid to suppliers for goods and services	(1,365,448)	(1,168,884)
Paid to employees for operating payroll	(313,916)	(322,421)
Net Cash Flows From Operating Activities	1,531,802	1,535,052
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Repayment of operating advances from other funds	(363,467)	(32,195)
Debt retired	(4,852)	(4,548)
Net Cash Flows From Noncapital Financing Activities	(368,319)	(36,743)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(535,161)	(240,293)
Special assessments received	-	9,693
Impact fees received	210,395	87,384
Debt retired	(721,855)	(4,096,230)
Interest paid	(194,039)	(300,056)
Proceeds from debt issue	-	3,165,000
Debt issuance costs	-	88,483
Cash used in refunding transaction	-	(198,150)
Net Cash Flows From Capital and Related Financing Activities	(1,240,660)	(1,484,169)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(160,604)	(695,138)
Investments sold and matured	695,138	1,028,830
Investment income	23,077	18,746
Net Cash Flows From Investing Activities	557,611	352,438
<b>Net Change in Cash and Cash Equivalents</b>	480,434	366,578
CASH AND CASH EQUIVALENTS - Beginning of Year	2,413,238	2,046,660
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,893,672	\$ 2,413,238
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Debt paid by West Central Wisconsin Biosolids Facility	\$ 115,414	\$ 111,698
Interest paid by West Central Wisconsin Biosolids Facility debt	\$ 10,799	\$ 14,456

	<u>2013</u>	<u>2012</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 1,038,819	\$ 998,714
Noncash items in operating income		
Depreciation	493,162	504,303
Unfunded postemployment benefits obligation	1,462	4,849
Changes in assets and liabilities		
Customer accounts receivable	6,487	(53,647)
Other accounts receivable	973	(961)
Due from other funds	10,575	251
Materials and supplies	49	-
Prepayments	(9,423)	(3,041)
Accounts payable	(6,783)	103,747
Accrued vacation and sick leave	3,452	(17,604)
Other current liabilities	<u>(6,971)</u>	<u>(1,559)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 1,531,802</u></b>	<b><u>\$ 1,535,052</u></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 1,078,288	\$ 965,213
Redemption account	299,733	304,274
Reserve account	358,669	618,486
Replacement account	230,794	170,599
Impact fee account	409,633	251,871
Utility improvement fund	<u>677,159</u>	<u>797,933</u>
Total Cash and Investments	3,054,276	3,108,376
Less: Noncash equivalents	<u>(160,604)</u>	<u>(695,138)</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 2,893,672</u></b>	<b><u>\$ 2,413,238</u></b>

See accompanying notes to the financial statements.

# RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The financial statements of River Falls Municipal Utilities (utilities) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the utilities are described below.

### ***REPORTING ENTITY***

The utilities are separate enterprise funds of the City of River Falls (municipality). The utilities are managed by the city council. The utilities provides electric, water and sewer service to properties within the municipality. In addition, the utilities provide service to certain areas outside of the municipality.

The electric and water utilities operate under service rules and rates established by the Public Service Commission of Wisconsin (PSCW). The sewer utility operates under rules and rates established by the city council.

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

The utilities are presented as enterprise funds of the municipality. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and net income is necessary for management accountability.

The financial statements 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.

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

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

# RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

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

---

### *ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION*

#### *Deposits and Investments*

For purposes of the statement of cash flows, cash, and cash equivalents have original maturities of three months or less from the date of acquisition.

Investment of the utilities' funds are restricted by state statutes. Investments are limited to:

- > Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- > 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, local professional baseball park district, local professional football stadium district, local cultural arts district the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- > Bonds or securities issued or guaranteed by the federal government.
- > The local government investment pool.
- > Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- > Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- > Repurchase agreements with public depositories, with certain conditions.

The utilities have adopted an investment policy. That policy follows the state statute for allowable investments.

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. Market values may have changed significantly after year end.

#### *Receivables/Payables*

Transactions between the utilities and other funds of the municipality that are representative of lending/borrowing arrangements outstanding at year end are referred to as advances to/from other funds. All other outstanding balances between the utilities and other funds of the municipality are reported as due to/from other funds.

The utilities have the right under Wisconsin statutes to place delinquent electric, water, and sewer bills on the tax roll for collection. As such, no allowance for uncollectible customer accounts is considered necessary.

# RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

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

---

### ***ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)***

#### ***Materials and Supplies***

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

#### ***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.

#### ***Utility Improvement Funds***

Management has chosen to segregate funds for construction, replacement, and maintenance projects.

#### ***Prepayments***

Prepayments represent costs of various insurance policies paid during the current audit year for coverage in subsequent years.

#### ***Shared Services Loan Receivable***

In 2011, the electric utility's generating capacity contract was terminated and the power plant was closed. The remaining book balance, offset by the future payments receivable as part of the agreement to terminate the contract early, resulted in a gain on early retirement of the plant. This gain is being amortized over the years of payments from WPPI (see Note 13).

#### ***Solar Renewable Note Receivable***

The electric utility is offering a program to customers to assist in financing solar renewable energy projects.

#### ***West Central Biosolids Receivable***

The sewer utility has a receivable due from West Central Biosolids to repay the related long-term obligations. The current portion of the receivable funded with Clean Water Fund Revenue Bonds is restricted for the payment of the related revenue bonds. The current portion of the receivable funded through general obligation debt is shown as an unrestricted asset. See Note 12 for additional information.

#### ***Preliminary Survey and Investigation***

The balance represents initial project engineering costs related to utility plant construction. The balance will be capitalized upon commencement of the project.

# RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

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

### ***ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)***

#### ***Capital Assets***

Capital assets are generally defined by the utilities as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year.

Capital assets of the utilities are recorded at cost or the fair market value at the time of contribution to the utilities. Major outlays for utility plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. Capital assets in service are depreciated or amortized using the straight-line method over the following useful lives:

	Years
Electric Plant	
Hydraulic production	25 - 40
Other production	25 - 40
Transmission	25 - 40
Distribution	20 - 40
General	5 - 40
Water Plant	
Source of supply	34
Pumping	20 - 41
Water treatment	16
Transmission and distribution	16 - 91
General	4 - 44
Sewer Plant	
Collecting system	89 - 100
Collecting system pumping	15 - 25
Treatment and disposal	15 - 40
General	4 - 40

#### ***Accrued Vacation and Sick Leave and Unfunded Postemployment Benefits Obligation***

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. Vested vacation and sick leave pay is accrued when earned in the financial statements. The liability is liquidated from general operating revenues of the utilities.

The utilities provide postemployment health insurance benefits to employees through an implicit rate subsidy. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies.

# RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

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

---

### ***ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)***

#### ***Customer Advances for Construction***

The balance represents fees collected for future capital improvements. The fees may be refundable based on rules filed with the PSCW or statutory requirements. Customer advances in the water and sewer utility consist of impact fees and connection fees, respectively, collected for projects that will be constructed in the future. These fees are subject to refund provisions if not spent in accordance with Wisconsin statutes and the impact fee ordinance of the utilities.

#### ***Commitment to Community***

The electric utility charges fees to all customers as required by the 1999 Energy Reliability Act and 2006 Act 141. Revenues generated from the fees are used to fund energy conservation and low-income energy assistance ("Commitment to Community") programs. The utility is acting as an agent administering the program so net collections and expenditures/remittances associated with the program are recorded as a current liability on the statements of net position.

#### ***Customer Deposits***

Customer deposits are required from all non-residential and certain residential electric utility customers and will be used against any future delinquent account balance. The fees are refundable based on rules filed with the PSCW.

#### ***Accrued Liabilities***

The balance consists of accrued payroll as well as certain accrued sales, withholding and payroll taxes.

#### ***Unamortized Gain on Early Retirement***

In 2011, the electric utility's generating capacity contract was terminated and the power plant was closed. The remaining book balance, offset by the future payments receivable as part of the agreement to terminate the contract early, resulted in a gain on early retirement of the plant. This gain is being amortized over the years of payments from WPPI (see Note 13).

#### ***Long-Term Obligations***

Long-term debt and other obligations are reported as utility liabilities. Bond premiums and discounts, are amortized over the life of the bonds using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for the loss on refunding is shown as a deferred outflow in the statement of net position.

# RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

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

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### ***REVENUES AND EXPENSES***

The utilities 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 the utility's principal ongoing operations. The principal operating revenues of the utilities are charges to customers for sales and services. Operating expenses for enterprise 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.

### ***Charges for Services***

Billings are rendered and recorded monthly based on metered usage. The utilities do not accrue revenues beyond billing dates.

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

Current water rates were approved by the PSCW effective April 13, 2012.

Current sewer rates were approved by the city council on March 12, 2012.

### ***Capital Contributions***

Cash and capital assets are contributed to the utilities from customers, the municipality, or external parties. The value of property contributed to the utilities are reported as revenue on the statements of revenues, expenses, and changes in net position.

### ***Connection or Impact Fee***

The water and sewer utilities charge new customers an impact fee and connection fee, respectively, to connect to the system. Fees collected are recorded as capital contributions on the statements of revenues, expenses, and changes in net position.

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; Statement No. 68, *Accounting and Financial reporting for Pensions - an amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 70, *Accounting and Financial reporting for Nonexchange Financial Guarantees*. Application of these standards may restate portions of these financial statements.

### ***COMPARATIVE DATA***

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### NOTE 2 - DEPOSITS AND INVESTMENTS

	Carrying Value as of December 31,		Risks
	2013	2012	
Checking and savings	\$ 4,906,855	\$ 2,214,317	Custodial credit
Certificates of deposits	756,471	1,764,420	Custodial credit
LGIP	4,958,733	4,915,021	Credit
Petty Cash	250	250	
Totals	\$ 10,622,309	\$ 8,894,008	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000.

The utilities may also maintain separate cash and investment accounts at the same financial institutions utilized by the municipality. Federal depository insurance and the SDGF apply to all municipal accounts, and accordingly, the amount of insured funds is not determinable for the utilities alone. Therefore, coverage for the utilities may be reduced.

In addition, the utilities and other funds of the city have collateral or depository insurance agreements in the amount of \$7,695,925 and \$7,295,030 at December 31, 2013 and 2012 respectively.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2013 and 2012, the fair value of the LGIP's assets were substantially equal to the utilities' share.

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

##### **Deposits**

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

# RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

## NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

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

#### Deposits (cont.)

The utilities maintain certain deposits in the same institutions as the municipality. The following is a summary of the utilities' total deposit balances at these institutions.

	2013		2012	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
River Falls State Bank	\$ -	\$ -	\$ 317,196	\$ 317,196
First National Bank	663,741	666,285	1,280,378	1,280,378
Edward Jones	90,186	90,186	90,528	90,528
Security National Bank	4,651,335	4,906,855	2,343,047	2,290,635
Totals	\$ 5,405,262	\$ 5,663,326	\$ 4,031,149	\$ 3,978,737

The utilities' investment policy addresses this risk. It is the policy of the entire municipality to require funds on deposit be secured by some form of collateral. The municipality will accept U.S. government securities, obligations of federal agencies, obligations of federal instrumentalities, obligations of the State of Wisconsin, or insurance policies provided by an insurance company with a rating of A+ by A.M. Best Company as collateral. The amount of collateral will not be less than 110% of the fair market value of the net amount of public funds secured. The ratio of fair market value or collateral to the amount of funds secured will be reviewed annually. Additional collateral will be requested when the ratio declines below the level required and collateral will be released if the market value exceeds the required level. Pledged collateral will be held in safekeeping, and will preclude the release of pledged assets without an authorized signature from the municipality. The city has collateral agreements as previously noted above.

### **Credit Risk**

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. The utilities held investments in the Local Government Investment Pool which is an external pool that is not rated.

The utilities' investment policy addresses this risk. Acceptable investments include State of Wisconsin LGIP as well as fixed income securities with a minimum long-term debt rating of AA by Moody's or Aa by Standard & Poor's at the time of purchase.

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### **NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

The following is a schedule of interfund balances for the years ending December 31, 2013 and 2012:

Due To	Due From	2013		2012	
		Amount	Principal Purpose	Amount	Principal Purpose
Electric	Municipality	\$ 2,484	Delinquent accounts on tax roll	\$ 2,680	Delinquent accounts on tax roll
Water	Municipality	-		2,862	Delinquent accounts on tax roll
Sewer	Municipality	-		10,575	Delinquent accounts on tax roll
Municipality	Electric	6,661	Payment in lieu of taxes	-	
Municipality	Water	5,853	Payment in lieu of taxes	-	

The following is a schedule of transfer balances for the years ending December 31, 2013 and 2012:

To	From	2013		2012	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Electric	\$ 409,380	Tax equivalent	\$ 398,084	Tax equivalent
Municipality	Water	335,144	Tax equivalent	312,991	Tax equivalent

### **NOTE 4 - RESTRICTED ASSETS**

#### ***Restricted Accounts***

Certain proceeds of the utilities' debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited. The following accounts are reported as restricted assets:

- 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.

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

As a condition of receiving state and federal funds for wastewater plant construction, the utilities have established an account for replacement of certain mechanical equipment.

# RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

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## NOTE 4 - RESTRICTED ASSETS (cont.)

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### *Impact Fee Account*

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

### *West Central Biosolids Receivable*

The sewer utility has a receivable due from West Central Biosolids to repay the related revenue bond obligations. The current portion of the receivable is restricted for the payment of the related revenue bonds.

### *Restricted Net Position*

The following calculation supports the amount of electric restricted net position:

	<u>2013</u>	<u>2012</u>
Restricted Assets		
Redemption account	\$ 114,535	\$ 147,237
Reserve account	518,715	675,954
Interest receivable	<u>362</u>	<u>529</u>
Total Restricted Assets	<u>633,612</u>	<u>823,720</u>
Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	<u>(518,715)</u>	<u>(675,954)</u>
Current Liabilities Payable From Restricted Assets	<u>(8,417)</u>	<u>(10,531)</u>
Total Restricted Net Position as Calculated	<u>\$ 106,480</u>	<u>\$ 137,235</u>

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### **NOTE 4 - RESTRICTED ASSETS (cont.)**

The following calculation supports the amount of water restricted net position:

	2013	2012
Restricted Assets		
Redemption account	\$ 60,532	\$ 56,666
Reserve account	163,283	161,392
Impact fee account	183,141	478,493
Interest receivable	-	134
Total Restricted Assets	406,956	696,685
Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	(163,283)	(161,392)
Customer advances - impact fee	(183,141)	(267,531)
Total Restricted Assets Not Funded by Revenues	(346,424)	(428,923)
Current Liabilities Payable From Restricted Assets	(11,641)	(11,783)
Total Restricted Net Position as Calculated	\$ 48,891	\$ 255,979

The purpose of the restricted net position is as follows:

	2013	2012
Debt service	\$ 48,891	\$ 45,017
Construction	-	210,962
	-	-
	\$ 48,891	\$ 255,979

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### **NOTE 4 - RESTRICTED ASSETS (cont.)**

The following calculation supports the amount of sewer restricted net position:

	2013	2012
Restricted Assets		
Redemption account	\$ 299,733	\$ 304,274
Reserve account	358,669	618,486
Replacement account	230,794	170,599
Construction fee account	409,633	251,871
Interest receivable	230	1,067
Total Restricted Assets	1,299,059	1,346,297
Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	(358,669)	(618,486)
Customer advances - connection fees	(409,633)	(251,871)
Total Restricted Assets Not Funded by Revenues	(768,302)	(870,357)
Current Liabilities Payable From Restricted Assets	(12,426)	(14,184)
Total Restricted Net Position as Calculated	\$ 518,331	\$ 461,756

The purpose of the restricted net position is as follows:

	2013	2012
Debt service	\$ 287,537	\$ 291,157
Equipment replacement	230,794	170,599
	\$ 518,331	\$ 461,756

### **NOTE 5 - ADVANCES TO OTHER FUNDS**

The electric utility has advanced the following to the water and sewer utilities:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/2013
12/31/1995	De-combine utilities (sewer)	12/31/2021	2.25%	\$ 757,344	\$ - *
6/20/2011	Funding the debt service fund (water)	7/6/2017	1.92	158,640	107,755

\* The sewer utility made advance payments to the electric utility and paid off the advance in 2013.

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### NOTE 5 - ADVANCES TO OTHER FUNDS (cont.)

Repayment requirements to maturity follow:

Year Ending December 31	Principal	Interest	Total
2014	\$ 26,176	\$ 2,066	\$ 28,242
2015	26,678	1,564	28,242
2016	27,190	1,052	28,242
2017	<u>27,711</u>	<u>531</u>	<u>28,242</u>
Totals	<u>\$ 107,755</u>	<u>\$ 5,213</u>	<u>\$ 112,968</u>

### NOTE 6 - CHANGES IN CAPITAL ASSETS

#### *Electric Utility*

A summary of changes in electric capital assets for 2013 follows:

	Balance 1/1/13	Increases	Decreases	Balance 12/31/13
Capital assets, not being depreciated				
Land and land rights	\$ 107,127	\$ -	\$ -	\$ 107,127
Capital assets being depreciated				
Hydraulic production	932,179	-	-	932,179
Other production	1,260,829	-	-	1,260,829
Transmission	1,536,162	-	-	1,536,162
Distribution	16,861,730	444,553	179,702	17,126,581
General	<u>2,099,919</u>	<u>71,597</u>	<u>105,655</u>	<u>2,065,861</u>
Total Capital Assets Being Depreciated	<u>22,690,819</u>	<u>516,150</u>	<u>285,357</u>	<u>22,921,612</u>
Total Capital Assets	<u>22,797,946</u>	<u>516,150</u>	<u>285,357</u>	<u>23,028,739</u>
Less: Accumulated depreciation				
Hydraulic production	(551,743)	(21,468)	-	(573,211)
Other production	(608,871)	(32,062)	-	(640,933)
Transmission	(1,076,907)	(36,134)	-	(1,113,041)
Distribution	(7,538,596)	(636,642)	210,218	(7,965,020)
General	<u>(1,502,510)</u>	<u>(80,901)</u>	<u>105,655</u>	<u>(1,477,756)</u>
Total Accumulated Depreciation	<u>(11,278,627)</u>	<u>(807,207)</u>	<u>315,873</u>	<u>(11,769,961)</u>
Construction in progress	<u>50,326</u>	<u>530,411</u>	<u>433,133</u>	<u>147,604</u>
Net Capital Assets	<u>\$ 11,569,645</u>			<u>\$ 11,406,382</u>

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### **NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)**

***Electric Utility*** (cont.)

A summary of changes in electric capital assets for 2012 follows:

	Balance 1/1/12	Increases	Decreases	Balance 12/31/12
Capital assets, not being depreciated				
Land and land rights	\$ 107,127	\$ -	\$ -	\$ 107,127
Capital assets being depreciated				
Hydraulic production	932,179	-	-	932,179
Other production	1,260,829	-	-	1,260,829
Transmission	1,536,162	-	-	1,536,162
Distribution	16,565,297	358,384	61,951	16,861,730
General	2,088,347	82,181	70,609	2,099,919
Total Capital Assets Being Depreciated	22,382,814	440,565	132,560	22,690,819
Total Capital Assets	22,489,941	440,565	132,560	22,797,946
Less: Accumulated depreciation				
Hydraulic production	(530,276)	(21,467)	-	(551,743)
Other production	(576,811)	(32,060)	-	(608,871)
Transmission	(1,040,773)	(36,134)	-	(1,076,907)
Distribution	(7,049,511)	(591,465)	102,380	(7,538,596)
General	(1,477,762)	(95,357)	70,609	(1,502,510)
Total Accumulated Depreciation	(10,675,133)	(776,483)	172,989	(11,278,627)
Construction in progress	107,408	341,720	398,802	50,326
Net Capital Assets	\$ 11,922,216			\$ 11,569,645

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

#### *Water Utility*

A summary of changes in water capital assets for 2013 follows:

	Balance 1/1/13	Increases	Decreases	Balance 12/31/13
Capital assets, not being depreciated				
Land and land rights	\$ 3,120	\$ 20,000	\$ -	\$ 23,120
Capital assets being depreciated				
Source of supply	87,720	147,119	-	234,839
Pumping	609,925	1,470,941	-	2,080,866
Water treatment	38,885	44,901	-	83,786
Transmission and distribution	14,063,811	1,111,446	10,106	15,165,151
General	561,180	57,757	31,872	587,065
Completed construction not classified	-	446,497	-	446,497
Total Capital Assets Being Depreciated	<u>15,361,521</u>	<u>3,278,661</u>	<u>41,978</u>	<u>18,598,204</u>
Total Capital Assets	<u>15,364,641</u>	<u>3,298,661</u>	<u>41,978</u>	<u>18,621,324</u>
Less: Accumulated depreciation				
Source of supply	(87,720)	(2,133)	-	(89,853)
Pumping	(313,531)	(37,226)	-	(350,757)
Water treatment	(38,885)	(1,347)	-	(40,232)
Transmission and distribution	(3,421,319)	(324,632)	10,106	(3,735,845)
General	(408,997)	(32,520)	31,872	(409,645)
Completed construction not classified	-	(6,474)	-	(6,474)
Total Accumulated Depreciation	<u>(4,270,452)</u>	<u>(404,332)</u>	<u>41,978</u>	<u>(4,632,806)</u>
Construction in progress	<u>3,541,836</u>	<u>371,363</u>	<u>3,678,076</u>	<u>235,123</u>
Net Capital Assets	<u>\$ 14,636,025</u>			<u>\$ 14,223,641</u>

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### **NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)**

**Water Utility** (cont.)

A summary of changes in water capital assets for 2012 follows:

	Balance 1/1/12	Increases	Decreases	Balance 12/31/12
Capital assets, not being depreciated				
Land and land rights	\$ 3,120	\$ -	\$ -	\$ 3,120
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	14,033,565	40,354	10,108	14,063,811
General	558,741	32,019	29,580	561,180
Total Capital Assets Being Depreciated	15,328,836	72,373	39,688	15,361,521
Total Capital Assets	15,331,956	72,373	39,688	15,364,641
Less: Accumulated depreciation				
Source of supply	(87,720)	-	-	(87,720)
Pumping	(301,082)	(12,449)	-	(313,531)
Water treatment	(38,885)	-	-	(38,885)
Transmission and distribution	(3,121,920)	(311,782)	12,383	(3,421,319)
General	(391,310)	(47,267)	29,580	(408,997)
Total Accumulated Depreciation	(3,940,917)	(371,498)	41,963	(4,270,452)
Construction in progress	2,638,282	922,198	18,644	3,541,836
Net Capital Assets	\$ 14,029,321			\$ 14,636,025

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

#### *Sewer Utility*

A summary of changes in sewer capital assets for 2013 follows:

	Balance 1/1/13	Increases	Decreases	Balance 12/31/13
Capital assets, not being depreciated				
Land and land rights	\$ 117,622	\$ -	\$ -	\$ 117,622
Capital assets being depreciated				
Collecting system	16,179,076	311,937	-	16,491,013
Collecting system pumping	1,081,367	23,773	-	1,105,140
Treatment and disposal	8,112,808	5,285	-	8,118,093
General	1,675,559	28,188	42,211	1,661,536
Completed construction not classified	-	154,228	-	154,228
Total Capital Assets Being Depreciated	27,048,810	523,411	42,211	27,530,010
Total Capital Assets	27,166,432	523,411	42,211	27,647,632
Less: Accumulated depreciation				
Collecting system	(2,483,248)	(174,281)	-	(2,657,529)
Collecting system pumping	(741,194)	(39,071)	-	(780,265)
Treatment and disposal	(3,587,561)	(238,006)	-	(3,825,567)
General	(826,606)	(41,062)	42,211	(825,457)
Completed construction not classified	-	(864)	-	(864)
Total Accumulated Depreciation	(7,638,609)	(493,284)	42,211	(8,089,682)
Construction in progress	225,358	193,834	167,022	252,170
Net Capital Assets	\$ 19,753,181			\$ 19,810,120

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

#### *Sewer Utility* (cont.)

A summary of changes in sewer capital assets for 2012 follows:

	Balance 1/1/12	Increases	Decreases	Balance 12/31/12
Capital assets, not being depreciated				
Land and land rights	\$ 147,622	\$ -	\$ 30,000	\$ 117,622
Capital assets being depreciated				
Collecting system	16,118,632	60,444	-	16,179,076
Collecting system pumping	1,081,367	-	-	1,081,367
Treatment and disposal	8,114,608	-	1,800	8,112,808
General	1,655,241	35,888	15,570	1,675,559
Total Capital Assets Being Depreciated	26,969,848	96,332	17,370	27,048,810
Total Capital Assets	27,117,470	96,332	47,370	27,166,432
Less: Accumulated depreciation				
Collecting system	(2,311,052)	(172,196)	-	(2,483,248)
Collecting system pumping	(702,917)	(38,277)	-	(741,194)
Treatment and disposal	(3,342,012)	(247,349)	1,800	(3,587,561)
General	(783,046)	(59,130)	15,570	(826,606)
Total Accumulated Depreciation	(7,139,027)	(516,952)	17,370	(7,638,609)
Construction in progress	68,747	156,611	-	225,358
Net Capital Assets	\$ 20,047,190			\$ 19,753,181

### NOTE 7 - LONG-TERM OBLIGATIONS

#### *Revenue Bonds - Electric*

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/13
11/1/2002	Electric construction	10/1/2017	2.00-4.00%	\$ 3,320,000	\$ 885,000
11/19/2009	Revenue refunding	10/1/2013	2.00-2.50	1,595,000	-

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### **NOTE 7 - LONG-TERM OBLIGATIONS (cont.)**

**Revenue Bonds - Electric (cont.)**

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 250,000	\$ 33,668	\$ 283,668
2015	260,000	24,605	284,605
2016	275,000	14,725	289,725
2017	<u>100,000</u>	<u>4,000</u>	<u>104,000</u>
Totals	<u>\$ 885,000</u>	<u>\$ 76,998</u>	<u>\$ 961,998</u>

All electric utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2013 and 2012 were \$352,233 and \$516,881, respectively. Total customer net revenues as defined for the same periods were \$2,087,752 and \$1,889,172. Annual principal and interest payments are expected to require 11% of net revenues on average.

**Revenue Bonds - Water**

The following bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/13</u>
7/6/2011	Water Construction	11/1/2031	2.0-4.4%	\$ 2,125,000	\$ 2,040,000

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 85,000	\$ 68,998	\$ 153,998
2015	90,000	67,248	157,248
2016	90,000	65,448	155,448
2017	95,000	63,479	158,479
2018	95,000	61,175	156,175
2019-2023	520,000	262,400	782,400
2024-2028	625,000	160,640	785,640
2029-2031	<u>440,000</u>	<u>29,560</u>	<u>469,560</u>
Totals	<u>\$ 2,040,000</u>	<u>\$ 778,948</u>	<u>\$ 2,818,948</u>

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

#### **Revenue Bonds - Water** (cont.)

All water utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2013 and 2012 were \$155,698 and \$94,403, respectively. Total customer net revenues as defined for the same periods were \$683,895 and \$813,720. Annual principal and interest payments are expected to require 23% of net revenues on average.

#### **Revenue Bonds - Sewer**

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/13
11/15/1995	West Central Wisconsin Biosolids Facility	5/1/2015	3.173%	\$ 1,009,322	\$ 137,226
11/23/2005	Sewer Construction	5/1/2025	2.746	3,317,130	2,227,865
4/1/2008	Refunding	5/1/2015	2.75-3.50	1,250,000	385,000

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2014	\$ 416,801	\$ 72,376	\$ 489,177
2015	428,317	59,075	487,392
2016	168,125	50,002	218,127
2017	172,742	45,322	218,064
2018	177,486	40,514	218,000
2019-2023	963,266	125,688	1,088,954
2024-2025	423,354	11,704	435,058
Totals	<u>\$ 2,750,091</u>	<u>\$ 404,681</u>	<u>\$ 3,154,772</u>

All sewer utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2013 and 2012 were \$490,690 and \$1,071,333, respectively. Total customer net revenues as defined for the same periods were \$1,563,510 and \$1,535,960. Annual principal and interest payments are expected to require 17% of net revenues on average.

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### **NOTE 7 - LONG-TERM OBLIGATIONS (cont.)**

#### ***General Obligation Debt - Electric***

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/13
1/28/2003	Unfunded pension liability	2/1/2013	2.5-5.6%	\$ 129,258	\$ -

#### ***General Obligation Debt - Water***

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/13
2/17/2003	Water construction	2/17/2013	4.60%	\$ 800,000	\$ -
1/28/2003	Unfunded pension liability	2/1/2013	2.50-5.60	34,485	-
3/15/2005	Water construction	3/15/2015	4.00	301,737	70,173
7/19/2005	Water construction	3/15/2015	4.00	468,706	107,559

General obligation bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2014	\$ 87,123	\$ 7,109	\$ 94,232
2015	90,609	3,625	94,234
Totals	<u>\$ 177,732</u>	<u>\$ 10,734</u>	<u>\$ 188,466</u>

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
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### NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

#### **General Obligation Debt - Sewer**

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/13
2/17/2003	Sewer construction	2/17/2013	4.60%	\$ 500,000	\$ -
1/28/2003	Unfunded pension liability	2/1/2013	2.50-5.60	39,110	-
5/18/2010	Repairs to facility centrifuge	5/16/2015	3.44	250,000	104,988
7/6/2011	Refunding 2002 bonds	11/01/2019	2.0-2.5	1,740,000	1,500,000
8/14/2012	Refunding 2004 bonds	5/1/2023	1.0-2.5	3,165,000	2,925,000

General obligation bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2014	\$ 441,691	\$ 96,426	\$ 538,117
2015	458,297	87,311	545,608
2016	615,000	75,250	690,250
2017	635,000	61,850	696,850
2018	655,000	46,413	701,413
2019-2023	<u>1,725,000</u>	<u>86,036</u>	<u>1,811,036</u>
Totals	<u>\$ 4,529,988</u>	<u>\$ 453,286</u>	<u>\$ 4,983,274</u>

#### **Other Long-Term Debt - Electric**

Other long-term debt issued by the utilities is as follows:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/13
6/15/10	Finance energy efficiency projects	10/25/15	2.00%	\$ 50,000	\$ 18,917
8/8/2011	Finance Projects	7/01/2014	2.00	45,165	8,994

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
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### NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

#### *Other Long-Term Debt - Electric* (cont.)

Other long-term debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2014	\$ 19,227	\$ 140	\$ 19,367
2015	8,684	80	8,764
Totals	\$ 27,911	\$ 220	\$ 28,131

#### *Long-Term Obligations Summary - Electric*

Long-term obligation activity for the year ended December 31, 2013 is as follows:

	1/1/13 Balance	Additions	Reductions	12/31/13 Balance	Due Within One Year
Revenue bonds	\$ 1,195,000	\$ -	\$ 310,000	\$ 885,000	\$ 250,000
General obligation debt	16,032	-	16,032	-	-
Other long-term debt	53,120	-	25,209	27,911	19,227
Accrued sick leave	48,160	18,913	27,967	39,106	-
Unfunded postemployment benefit obligation	64,534	4,882	-	69,416	-
Totals	\$ 1,376,846	\$ 23,795	\$ 379,208	\$ 1,021,433	\$ 269,227

Long-term obligation activity for the year ended December 31, 2012 is as follows:

	1/1/12 Balance	Additions	Reductions	12/31/12 Balance	Due Within One Year
Revenue bonds	\$ 1,660,000	\$ -	\$ 465,000	\$ 1,195,000	\$ 310,000
General obligation debt	31,062	-	15,030	16,032	16,032
Other long-term debt	77,829	-	24,709	53,120	25,208
Accrued sick leave	52,841	35,385	40,066	48,160	-
Unfunded postemployment benefit obligation	52,804	11,730	-	64,534	-
Totals	\$ 1,874,536	\$ 47,115	\$ 544,805	\$ 1,376,846	\$ 351,240

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

#### *Long-Term Obligations Summary - Water*

Long-term obligation activity for the year ended December 31, 2013 is as follows:

	<u>1/1/13 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/13 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 2,125,000	\$ -	\$ 85,000	\$ 2,040,000	\$ 85,000
General obligation debt	284,687	-	106,955	177,732	87,123
Advance from electric utility	130,398	-	22,643	107,755	26,176
Unamortized debt premium	3,269	-	178	3,091	-
Accrued sick leave	26,369	11,702	21,544	16,527	-
Customer advances for construction	267,531	75,150	159,540	183,141	-
Unfunded postemployment benefit obligation	<u>41,544</u>	<u>2,309</u>	<u>-</u>	<u>43,853</u>	<u>-</u>
Totals	<u>\$ 2,878,798</u>	<u>\$ 89,161</u>	<u>\$ 395,860</u>	<u>\$ 2,572,099</u>	<u>\$ 198,299</u>

Long-term obligation activity for the year ended December 31, 2012 is as follows:

	<u>1/1/12 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/12 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 2,125,000	\$ -	\$ -	\$ 2,125,000	\$ 85,000
General obligation debt	465,820	-	181,133	284,687	106,956
Advance from electric utility	158,640	-	28,242	130,398	22,643
Unamortized debt premium	3,447	-	178	3,269	-
Accrued sick leave	24,781	11,096	9,508	26,369	-
Customer advances for construction	248,958	18,573	-	267,531	-
Unfunded postemployment benefit obligation	<u>33,993</u>	<u>7,551</u>	<u>-</u>	<u>41,544</u>	<u>-</u>
Totals	<u>\$ 3,060,639</u>	<u>\$ 37,220</u>	<u>\$ 219,061</u>	<u>\$ 2,878,798</u>	<u>\$ 214,599</u>

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

#### *Long-Term Obligations Summary - Sewer*

Long-term obligation activity for the year ended December 31, 2013 is as follows:

	<u>1/1/13</u> Balance	<u>Additions</u>	<u>Reductions</u>	<u>12/31/13</u> Balance	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 3,155,558	\$ -	\$ 405,467	\$ 2,750,091	\$ 416,801
General obligation debt	4,966,723	-	436,735	4,529,988	441,691
Unamortized debt premium	163,526	-	17,901	145,625	-
Accrued sick leave	13,695	9,821	9,205	14,311	-
Customer advances for construction	338,931	135,731	61,067	413,595	-
Advance from electric utility	363,467	-	363,467	-	-
Unfunded postemployment benefit obligation	<u>26,677</u>	<u>1,462</u>	<u>-</u>	<u>28,139</u>	<u>-</u>
Totals	<u>\$ 9,028,577</u>	<u>\$ 147,014</u>	<u>\$ 1,293,842</u>	<u>\$ 7,881,749</u>	<u>\$ 858,492</u>

Long-term obligation activity for the year ended December 31, 2012 is as follows:

	<u>1/1/12</u> Balance	<u>Additions</u>	<u>Reductions</u>	<u>12/31/12</u> Balance	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 7,144,869	\$ -	\$ 3,989,311	\$ 3,155,558	\$ 405,467
General obligation debt	2,024,868	3,165,000	223,145	4,966,723	436,655
Unamortized debt premium	41,651	131,946	10,071	163,526	-
Accrued sick leave	25,777	9,050	21,132	13,695	21,100
Customer advances for construction	306,961	55,414	23,444	338,931	-
Advance from electric utility	395,662	-	32,195	363,467	33,644
Unfunded postemployment benefit obligation	<u>21,828</u>	<u>4,849</u>	<u>-</u>	<u>26,677</u>	<u>-</u>
Totals	<u>\$ 9,961,616</u>	<u>\$ 3,366,259</u>	<u>\$ 4,299,298</u>	<u>\$ 9,028,577</u>	<u>\$ 896,866</u>

# RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

## **NOTE 7 - LONG-TERM OBLIGATIONS (cont.)**

### ***Advance Refunding***

On August 14, 2012, bonds in the amount of \$3,165,000 were issued with an average interest rate of 2.04% to advance refund \$3,395,000 of outstanding 2004 bonds with an average interest rate of 2% - 4.6%. The net proceeds of \$3,253,483 (after payment of \$43,463 in underwriting fees and other issuance costs) plus an additional \$412,460 of sinking fund monies and \$132,557 of reoffering premium were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2004 bonds. As a result, the 2004 bonds are considered to be defeased and the liability for the old bonds has been removed from the statements of net position.

The cash flow requirements on the 2004 bonds prior to the advance refunding was \$4,119,959 from 2013 through 2024. The cash flow requirements on the new bonds are \$3,566,895 from 2013 through 2023. The advance refunding resulted in an economic gain of \$433,686.

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

The following information is provided in compliance with the resolution creating the utilities' revenue bonds:

### ***Insurance***

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

The utilities are covered under the following insurance policies at December 31, 2013:

Type	Coverage
<i>Liberty Mutual</i>	
General Liability	\$ 3,000,000 each occurrence
Automobile	3,000,000 combined single limit
Excess Liability	3,000,000 each occurrence
Workers Compensation	500,000 each accident
<i>Local Government Property Insurance Fund</i>	
Buildings	\$ 53,611,374
Fencing and openly stored items	2,416,758
Contractor equipment	340,965

# RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

## **NOTE 7 - LONG-TERM OBLIGATIONS (cont.)**

### ***Bond Covenant Disclosures (cont.)***

#### ***Debt Coverage - Electric***

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the annual debt service. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2013 and 2012 as follows:

	2013	2012
Operating revenues	\$ 13,539,028	\$ 13,262,948
Investment income	46,346	33,664
Less: Operation and maintenance expenses	(11,497,622)	(11,407,440)
Net Defined Earnings	\$ 2,087,752	\$ 1,889,172
Minimum Required Earnings per Resolution:		
Annual debt service	\$ 283,668	\$ 351,418
Coverage factor	1.25	1.25
Minimum Required Earnings	\$ 354,585	\$ 439,273

#### ***Debt Coverage - Water***

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the annual debt service. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2013 and 2012 as follows:

	2013	2012
Operating revenues	\$ 1,532,931	\$ 1,574,749
Investment income	4,042	6,762
Less: Operation and maintenance expenses	(853,078)	(767,791)
Net Defined Earnings	\$ 683,895	\$ 813,720
Minimum Required Earnings per Resolution:		
Average annual debt service	\$ 156,608	\$ 155,698
Coverage factor	1.25	1.25
Minimum Required Earnings	\$ 195,760	\$ 194,623

# RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

## **NOTE 7 - LONG-TERM OBLIGATIONS (cont.)**

### ***Bond Covenant Disclosures (cont.)***

#### ***Debt Coverage - Sewer***

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.20 times the annual debt service. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2013 and 2012 as follows:

	2013	2012
Operating revenues	\$ 3,193,131	\$ 3,080,714
Investment income	31,529	33,273
Less: Operation and maintenance expenses	(1,661,150)	(1,577,697)
 Net Defined Earnings	 \$ 1,563,510	 \$ 1,536,290
 Minimum Required Earnings per Resolution:		
Annual debt service	\$ 489,176	\$ 490,690
Coverage factor	1.20	1.20
 Minimum Required Earnings	 \$ 587,011	 \$ 588,828

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

The utility has the following number of customers and billed volumes for 2013 and 2012:

	Customers		Sales (000 gals)	
	2013	2012	2013	2012
Residential	4,000	4,371	171,794	201,467
Commercial	356	442	81,584	126,886
Industrial	16	18	10,722	5,839
Public authority	70	88	51,307	73,822
Irrigation**	553	-	71,346	-
Interdepartmental	1	1	-	164
 Totals	 4,996	 4,920	 386,753	 408,178

\*\* In 2013 the utility broke out Irrigation customers for new PSC customer class regulations. The irrigation customers and sales for 2012 are reflected in their respective customer class during 2012.

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### NOTE 8 - NET POSITION

GASB No. 34 requires the classification of net position into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets."

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

The following calculation supports the electric net investment in capital assets:

	2013	2012
Plant in service	\$ 23,028,739	\$ 22,797,946
Accumulated depreciation	(11,769,961)	(11,278,627)
Construction work in progress	147,604	50,326
Sub-Totals	11,406,382	11,569,645
Less: Capital related debt		
Current portion of capital related long-term debt	250,000	310,000
Long-term portion of capital related long-term debt	635,000	885,000
Unamortized debt issuance costs funded with borrowing	-	(36,579)
Sub-Totals	885,000	1,158,421
Add: Unspent debt proceeds		
Reserve from borrowing	518,715	675,954
Total Net Investment in Capital Assets	\$ 11,040,097	\$ 11,087,178

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### NOTE 8 - NET POSITION (cont.)

The following calculation supports the water net investment in capital assets:

	2013	2012
Plant in service	\$ 18,621,324	\$ 15,364,641
Accumulated depreciation	(4,632,806)	(4,270,452)
Construction work in progress	235,123	3,541,836
Sub-Totals	14,223,641	14,636,025
Less: Capital related debt		
Current portion of capital related long-term debt	172,123	187,679
Long-term portion of capital related long-term debt	2,045,609	2,217,731
Unamortized debt issuance costs funded with borrowing	-	(56,020)
Unamortized debt premium	3,091	3,269
Sub-Totals	2,220,823	2,352,659
Add: Unspent debt proceeds		
Reserve from borrowing	163,283	161,392
Total Net Investment in Capital Assets	\$ 12,166,101	\$ 12,444,758

The following calculation supports the sewer net investment in capital assets:

	2013	2012
Plant in service	\$ 27,647,632	\$ 27,166,432
Accumulated depreciation	(8,089,682)	(7,638,609)
Construction work in progress	252,170	225,358
Sub-Totals	19,810,120	19,753,181
Less: Capital related debt		
Current portion of capital related long-term debt	739,259	726,707
Long-term portion of capital related long-term debt	6,298,606	7,037,865
Unamortized debt issuance costs funded with borrowing	-	(100,086)
Unamortized debt premium	145,625	163,526
Unamortized loss on advance refunding	(222,847)	(247,011)
Deduct current portion unfunded pension debt	-	(4,852)
Non-utility property	(17,200)	(17,200)
Sub-Totals	6,943,443	7,558,949
Add: Unspent debt proceeds		
Reserve from borrowing	358,669	618,486
Total Net Investment in Capital Assets	\$ 13,225,346	\$ 12,812,718

# RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

## **NOTE 9 - EMPLOYEES RETIREMENT SYSTEM**

All eligible employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2013 and 2012 are:

	<u>Employees</u>	<u>Employer</u>
2013 General category	6.65%	6.65%
2012 General category	5.9%	5.9%

Covered payroll listed below is substantially the same as total payroll.

	Year Ended December 31		
	2013	2012	2011
Total Covered Employee Payroll	\$ 1,510,694	\$ 1,594,804	\$ 1,914,865
Total Required Contributions	\$ 200,922	\$ 188,187	\$ 222,124
Total Required Contributions	13.3	11.8	11.6

Details of the plan are disclosed in the basic financial statements of the City of River Falls.

## **NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS**

The utilities administers a single-employer defined benefit healthcare plan. The utilities' group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. This results in an other 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 2013, total utility retired member contributions were \$23,129. Administrative costs of the plan are financed by the utility.

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (cont.)

The utilities' 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 utilities' annual OPEB cost for the year, the amount actually contributed to plan, and changes in the utilities' net OPEB obligation to the Retiree Health Plan:

	2013	2012
Annual required contribution	\$ 32,061	\$ 45,406
Interest on net OPEB obligation	3,983	4,345
Adjustment to annual required contribution	(4,262)	(4,191)
Annual OPEB cost	31,782	45,560
Contributions made	23,129	21,430
Increase in net OPEB obligation	8,653	24,130
Net OPEB Obligation - Beginning of Year	132,755	108,625
Net OPEB Obligation - End of Year	\$ 141,408	\$ 132,755

The utilities' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for December 31, 2013, 2012 and 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 31,782	73%	\$ 141,408
2012	45,560	47	132,755
2011	124,191	13	108,625

The funded status of the plan as of December 31, 2013, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 318,857
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 318,857
Funded ratio (actuarial value of plan assets/AAL)	-%
Covered payroll (active plan members)	\$ 1,432,255
UAAL as a percentage of covered payroll	22%

## RIVER FALLS MUNICIPAL UTILITIES

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2013 and 2012

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#### **NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (cont.)**

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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.

The following simplifying assumptions were made:

- > Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.
- > Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.
- > Mortality – Life expectancies were based on the RP2000 Mortality Table for Males and Females.
- > Turnover – Non-group-specific age-based turnover data from GASB Statement No. 45 were used as a basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.
- > Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 8% initially, reduced to an ultimate rate of 4.7% after ten years, was used.
- > Health insurance premiums – December 31, 2013 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.
- > Inflation rate – The expected long-term inflation assumption of 3% was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).
- > Payroll growth rate – The expected long-term payroll growth rate was assumed to equal 3.25%

Based on the historical and expected returns of the utilities' short-term investment portfolio, a discount rate of 3% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2013, was 30 years.

# RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

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## **NOTE 11 - COMMITMENTS AND CONTINGENCIES**

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### ***Long-Term Contracts - WPPI Energy***

The electric utility is one of 51 WPPI Energy member municipalities located throughout the States of Wisconsin, Iowa, and Michigan. On December 1, 1989, each initial WPPI Energy member commenced purchasing electric service from WPPI Energy under a long-term Power Supply Contract for Participating Members (long-term contract). Under the long-term contract, WPPI Energy is obligated to provide and sell, and each member is obligated to take and pay for, the electric power and energy required for the operation of each member's electric utility.

The long-term contract requires all WPPI Energy members to pay for power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover WPPI Energy's revenue requirement including power supply costs, administrative expenses, and debt service. WPPI Energy's subsequent year's operating budget and rates are approved annually by its Board of Directors, consisting of representatives from each member. The members have agreed to charge rates to retail customers sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy constitute operating expenses of the utility payable from any operating and maintenance fund established for that system.

In 2002, all WPPI Energy members ratified a thirteen year extension to their original thirty-five year contracts. The new contract expires at midnight on December 31, 2037.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract is \$487 million as of December 31, 2013.

### ***Claims and Judgments***

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

### ***Open Contracts***

The utilities have signed construction contracts that continue into subsequent years. The value of service provided and the corresponding liability as of December 31, 2013 has been accrued in these financial statements.

## RIVER FALLS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

### NOTE 12 - JOINT VENTURES

The utilities and the municipalities of Hudson, New Richmond, Prescott, Baldwin, Ellsworth, Roberts, Spring Valley, Amery and Osceola jointly operate the West Central Wisconsin Biosolids Facility Commission (facility), for the treatment, storage, disposal, recycling and/or sale of biosolids. 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 municipality. Utility representatives are appointed by the mayor. The governing body has the authority to adopt its own budget and control the financial affairs of the facility. The transactions of the facility are not reflected in these financial statements.

The 1995 Clean Water Fund Loan issue is held in the utilities' name and is secured by the revenue of the utilities. The outstanding balance of the Clean Water Fund Loan is shown as a liability on the sewer utility's records and is offset by a long-term receivable from the facility. Payments made on the loan reduce the balances accordingly. Interest paid on the loan is shown as interest expense on the debt and interest income on the long-term receivable. Interest accrued on the debt is offset by interest accrued on the receivable.

On January 10, 2006, the utility commission approved an amendment to the intergovernmental agreement governing the operation of the facility to extend the term of the contract to midnight on December 31, 2025. Separately issued financial statements of the West Central Wisconsin Biosolids Facility Commission may be obtained from the facility's office.

### NOTE 13 - UNAMORTIZED GAIN ON EARLY RETIREMENT

In 2011, the electric utility and WPPI agreed to terminate the generating capacity contract early for an agreed upon lump sum buyout amount, which is to be paid over five years. This resulted in the power plant closing in December of 2011. The net effect of these transactions resulted in an gain on early retirement of the plant. Detail of the unamortized gain on early retirement is shown below:

Year	Amortization of Loss on Book Value of Plant	WPPI Buyout Payment	Net Effect to River Falls
2014	\$ 302,192	\$ 700,886	\$ 398,694
2015	302,192	529,417	227,225
2016	<u>277,008</u>	<u>-</u>	<u>(277,008)</u>
	<u>\$ 881,392</u>	<u>\$ 1,230,303</u>	<u>\$ 348,911</u>

**REQUIRED SUPPLEMENTAL INFORMATION**

**RIVER FALLS MUNICIPAL UTILITIES**

REQUIRED SUPPLEMENTAL INFORMATION  
 OTHER POSTEMPLOYMENT BENEFITS PLAN  
 SCHEDULE OF FUNDING PROGRESS  
 UNAUDITED

For the Year Ended December 31, 2013

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Frozen Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2013	\$ -	\$ 318,857	\$ 318,857	0.0%	\$ 1,432,255	22%
12/31/2012	-	500,270	500,270	0.0%	1,390,686	36%
12/31/2011	-	247,932	247,932	0.0%	940,489	26%

**SUPPLEMENTAL INFORMATION**

## RIVER FALLS ELECTRIC UTILITY

ELECTRIC UTILITY PLANT  
As of and for the Year Ended December 31, 2013

	Balance 1/1/13	Additions	Retirements	Balance 12/31/13
<b>HYDRAULIC PRODUCTION</b>				
Land and land rights	\$ 15,310	\$ -	\$ -	\$ 15,310
Structures and improvements	43,697	-	-	43,697
Reservoirs, dams and waterways	850,101	-	-	850,101
Water wheels, turbines and generators	27,976	-	-	27,976
Accessory electric equipment	7,657	-	-	7,657
Miscellaneous power plant equipment	2,748	-	-	2,748
Total Hydraulic Production	<u>947,489</u>	<u>-</u>	<u>-</u>	<u>947,489</u>
<b>OTHER PRODUCTION</b>				
Land and land rights	25,248	-	-	25,248
Structures and improvements	1,224,829	-	-	1,224,829
Generators	36,000	-	-	36,000
Total Other Production	<u>1,286,077</u>	<u>-</u>	<u>-</u>	<u>1,286,077</u>
<b>TRANSMISSION</b>				
Land and land rights	2,302	-	-	2,302
Station equipment	526,199	-	-	526,199
Poles and fixtures	332,790	-	-	332,790
Overhead conductors and devices	677,173	-	-	677,173
Total Transmission	<u>1,538,464</u>	<u>-</u>	<u>-</u>	<u>1,538,464</u>
<b>DISTRIBUTION</b>				
Land and land rights	62,711	-	-	62,711
Structures and improvements	564,653	-	-	564,653
Station equipment	2,296,847	18,736	74,908	2,240,675
Storage battery equipment	7,328	-	-	7,328
Poles, towers and fixtures	1,679,746	72,439	24,155	1,728,030
Overhead conductors and devices	1,675,894	52,888	21,479	1,707,303
Underground conduit	502,263	26,168	3,980	524,451
Underground conductors and devices	4,780,655	108,935	28,033	4,861,557
Line transformers	1,987,642	87,203	12,648	2,062,197
Services	1,151,771	49,992	3,473	1,198,290
Meters	959,134	21,599	3,614	977,119
Street lighting and signal systems	1,255,797	6,593	7,412	1,254,978
Total Distribution	<u>16,924,441</u>	<u>444,553</u>	<u>179,702</u>	<u>17,189,292</u>

## RIVER FALLS ELECTRIC UTILITY

ELECTRIC UTILITY PLANT (cont.)  
As of and for the Year Ended December 31, 2013

	Balance 1/1/13	Additions	Retirements	Balance 12/31/13
<b>GENERAL</b>				
Land and land rights	\$ 1,556	\$ -	\$ -	\$ 1,556
Structures and improvements	688,992	8,563	-	697,555
Office furniture and equipment	99,894	1,068	17,555	83,407
Computer equipment	151,935	3,278	37,900	117,313
Transportation equipment	794,073	-	-	794,073
Tools, shop and garage equipment	105,480	9,679	2,813	112,346
Laboratory equipment	106,563	49,009	20,093	135,479
Power-operated equipment	29,500	-	3,362	26,138
Communication equipment	46,897	-	23,932	22,965
Miscellaneous equipment	76,585	-	-	76,585
Total General	<u>2,101,475</u>	<u>71,597</u>	<u>105,655</u>	<u>2,067,417</u>
 TOTAL ELECTRIC UTILITY PLANT	 <u>\$ 22,797,946</u>	 <u>\$ 516,150</u>	 <u>\$ 285,357</u>	 <u>\$ 23,028,739</u>

## RIVER FALLS ELECTRIC UTILITY

### ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2013 and 2012

	2013	2012
<b>OPERATING REVENUES</b>		
Sales of Electricity		
Residential	\$ 5,167,931	\$ 5,009,304
Rural	337,273	325,775
Small commercial and industrial	1,437,573	1,471,377
Large commercial and industrial	3,486,414	3,374,128
Public street and highway lighting	239,505	245,948
Other sales to public authorities	2,539,932	2,568,816
Sales for resale	<u>1,575</u>	<u>1,787</u>
Total Sales of Electricity	<u>13,210,203</u>	<u>12,997,135</u>
Other Operating Revenues		
Forfeited discounts	47,750	47,146
Miscellaneous service revenues	15,960	10,640
Rent from electric property	40,872	33,328
Other	<u>224,243</u>	<u>174,699</u>
Total Operating Revenues	<u>13,539,028</u>	<u>13,262,948</u>
 <b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Power Production		
Hydraulic Power Generation		
Operation supervision and engineering	1,788	3,928
Hydraulic	741	3,715
Electric	4,914	6,068
Miscellaneous	23,475	36,191
Maintenance		
Supervision and engineering	-	24
Structures	5,421	455
Reservoirs, dams and waterways	2,803	825
Electric plant	494	443
Miscellaneous	<u>49</u>	<u>230</u>
Total Hydraulic Power Generation	<u>39,685</u>	<u>51,879</u>
Other Power Generation		
Operation supervision and engineering	-	777
Fuel	-	(1,516)
Miscellaneous	811	4,646
Maintenance		
Structures	903	9,633
Generating and electric plant	-	464
Total Other Power Generation	<u>1,714</u>	<u>14,004</u>
Total Power Production	<u>41,399</u>	<u>65,883</u>
Other Power Supply		
Purchased power	<u>9,613,863</u>	<u>9,513,237</u>

## RIVER FALLS ELECTRIC UTILITY

### ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2013 and 2012

	2013	2012
<b>OPERATING EXPENSES (cont.)</b>		
Operation and Maintenance (cont.)		
Transmission		
Station	\$ 6,096	\$ 7,838
Overhead lines	854	2,439
Maintenance		
Station equipment	261	-
Overhead lines	-	5,470
Total Transmission	7,211	15,747
Distribution		
Operation supervision and engineering	95,951	90,874
Station	150,699	98,708
Overhead line	42,657	66,068
Underground line	51,044	59,267
Street lighting and signal system	20,319	22,326
Meter	63,995	70,587
Customer installations	4,747	4,158
Miscellaneous	114,692	93,926
Maintenance		
Structures	45,790	24,476
Station equipment	23,269	5,928
Overhead lines	109,786	94,196
Underground lines	18,870	34,781
Line transformers	5,812	5,870
Street lighting and signal system	14,619	11,338
Meters	144	244
Total Distribution	762,394	682,747
Customer Accounts		
Meter reading	17,452	14,252
Accounting and collecting labor	198,845	163,346
Miscellaneous	110,000	110,000
Total Customer Accounts	326,297	287,598
Sales		
Advertising	2,680	1,566
Administrative and General		
Salaries	131,041	197,240
Office supplies	20,598	38,151
Outside services employed	14,673	15,455
Property insurance	19,550	16,871
Injuries and damages	16,477	11,751
Employee pensions and benefits	263,237	331,179
Regulatory commission	-	887
Miscellaneous	137,763	72,331
Rents	55,860	65,969
Total Administrative and General	659,199	749,834

## RIVER FALLS ELECTRIC UTILITY

### ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2013 and 2012

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	<u>2013</u>	<u>2012</u>
<b>OPERATING EXPENSES</b> (cont.)		
Operation and Maintenance (cont.)		
Taxes	\$ 84,579	\$ 90,828
Total Operation and Maintenance	11,497,622	11,407,440
Depreciation	<u>785,816</u>	<u>767,508</u>
Total Operating Expenses	<u>12,283,438</u>	<u>12,174,948</u>
 OPERATING INCOME	 <u>\$ 1,255,590</u>	 <u>\$ 1,088,000</u>

# RIVER FALLS WATER UTILITY

WATER UTILITY PLANT  
As of and for the Year Ended December 31, 2013

	Balance 1/1/13	Additions	Retirements	Balance 12/31/13
<b>SOURCE OF SUPPLY</b>				
Land and land rights	\$ 2,708	\$ -	\$ -	\$ 2,708
Wells and springs	<u>87,720</u>	<u>147,119</u>	<u>-</u>	<u>234,839</u>
Total Source of Supply	<u>90,428</u>	<u>147,119</u>	<u>-</u>	<u>237,547</u>
<b>PUMPING</b>				
Structures and improvements	389,070	1,048,581	-	1,437,651
Other power production equipment	-	215,385	-	215,385
Electric pumping equipment	191,390	206,975	-	398,365
Diesel pumping equipment	<u>29,465</u>	<u>-</u>	<u>-</u>	<u>29,465</u>
Total Pumping	<u>609,925</u>	<u>1,470,941</u>	<u>-</u>	<u>2,080,866</u>
<b>WATER TREATMENT</b>				
Water treatment equipment	<u>38,885</u>	<u>44,901</u>	<u>-</u>	<u>83,786</u>
<b>TRANSMISSION AND DISTRIBUTION</b>				
Land and land rights	412	20,000	-	20,412
Structures and improvements	15,864	-	-	15,864
Distribution reservoirs and standpipes	848,056	-	-	848,056
Transmission and distribution mains	8,048,608	655,643	-	8,704,251
Services	1,893,296	11,557	-	1,904,853
Meters	1,492,830	65,484	10,106	1,548,208
Hydrants	1,266,569	45,023	-	1,311,592
Other transmission and distribution plant	<u>498,588</u>	<u>333,739</u>	<u>-</u>	<u>832,327</u>
Total Transmission and Distribution	<u>14,064,223</u>	<u>1,131,446</u>	<u>10,106</u>	<u>15,185,563</u>
<b>GENERAL</b>				
Structures and improvements	214,062	-	-	214,062
Office furniture and equipment	24,076	356	10,520	13,912
Computer equipment	71,961	2,458	16,778	57,641
Transportation equipment	60,445	9,670	513	69,602
Tools, shop and garage equipment	9,669	3,504	232	12,941
Laboratory equipment	12,054	-	991	11,063
Power-operated equipment	27,229	-	-	27,229
Communication equipment	4,709	-	2,838	1,871
SCADA equipment	<u>136,975</u>	<u>41,769</u>	<u>-</u>	<u>178,744</u>
Total General	<u>561,180</u>	<u>57,757</u>	<u>31,872</u>	<u>587,065</u>
<b>COMPLETED CONSTRUCTION NOT CLASSIFIED</b>	<u>-</u>	<u>446,497</u>	<u>-</u>	<u>446,497</u>
<b>TOTAL WATER UTILITY PLANT</b>	<u>\$ 15,364,641</u>	<u>\$ 3,298,661</u>	<u>\$ 41,978</u>	<u>\$18,621,324</u>

## RIVER FALLS WATER UTILITY

### WATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2013 and 2012

	2013	2012
<b>OPERATING REVENUES</b>		
Sales of Water		
Metered		
Residential	\$ 490,759	\$ 556,439
Commercial	150,680	237,967
Industrial	14,558	8,530
Public authorities	84,674	132,407
Interdepartmental	-	397
Service to irrigation customers	<u>192,252</u>	<u>-</u>
Total Metered Sales	932,923	935,740
Private fire protection	56,075	56,170
Public fire protection	<u>409,929</u>	<u>450,634</u>
Total Sales of Water	<u>1,398,927</u>	<u>1,442,544</u>
Other Operating Revenues		
Forfeited discounts	4,972	5,282
Miscellaneous service revenue	10,591	19,244
Rents from water property	88,048	77,113
Other	<u>30,393</u>	<u>30,566</u>
Total Operating Revenues	<u>1,532,931</u>	<u>1,574,749</u>
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Pumping		
Operation supervision and engineering	7,275	6,744
Fuel or purchased power for pumping	101,832	96,999
Pumping labor	19,685	20,148
Miscellaneous	1,820	-
Maintenance		
Structures and improvements	5,763	1,860
Power production equipment	70	160
Pumping equipment	<u>39,765</u>	<u>12,118</u>
Total Pumping	<u>176,210</u>	<u>138,029</u>
Water Treatment		
Operation supervision and engineering	6,291	4,106
Chemicals	34,437	42,984
Operation labor	24,787	15,401
Maintenance		
Water treatment equipment	<u>9,049</u>	<u>8,199</u>
Total Water Treatment	<u>74,564</u>	<u>70,690</u>

## RIVER FALLS WATER UTILITY

### WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2013 and 2012

	2013	2012
<b>OPERATING EXPENSES) (cont.)</b>		
Operation and Maintenance (cont.)		
Transmission and Distribution		
Operation supervision and engineering	\$ 24,678	\$ 7,018
Storage facilities	1,856	1,989
Transmission and distribution lines	41,451	33,306
Meters	36,524	36,809
Customer installations	7,044	15,457
Miscellaneous	32,384	37,442
Maintenance		
Supervision and engineering	19,623	13,358
Structures and improvements	9,626	8,892
Reservoirs and standpipes	6,041	4,479
Mains	29,010	43,369
Services	25,535	26,972
Meters	-	9
Hydrants	15,193	10,362
Total Transmission and Distribution	248,965	239,462
Customer Accounts		
Meter reading	5,713	5,353
Accounting and collecting labor	67,819	50,886
Total Customer Accounts	73,532	56,239
Sales	1,126	1,062
Administrative and General		
Salaries	43,703	71,353
Office supplies	8,988	16,437
Outside services employed	6,796	9,660
Property insurance	1,942	1,652
Injuries and damages	8,854	8,257
Employee pensions and benefits	79,569	93,945
Regulatory commission	-	3,212
Miscellaneous	92,703	24,719
Rents	26,945	24,316
Total Administrative and General	269,500	253,551
Taxes	9,181	8,758
Total Operation and Maintenance	853,078	767,791
Depreciation	360,346	313,824
Total Operating Expenses	1,213,424	1,081,615
OPERATING INCOME	\$ 319,507	\$ 493,134

## RIVER FALLS SEWER UTILITY

SEWER UTILITY PLANT  
As of and for the Year Ended December 31, 2013

	Balance 1/1/13	Additions	Retirements	Balance 12/31/13
<b>COLLECTING SYSTEM</b>				
Collecting mains	\$ 8,808,989	\$ 311,937	\$ -	\$ 9,120,926
Interceptor mains	7,228,480	-	-	7,228,480
Force mains	141,607	-	-	141,607
Total Collecting System	<u>16,179,076</u>	<u>311,937</u>	<u>-</u>	<u>16,491,013</u>
<b>COLLECTING SYSTEM PUMPING</b>				
Land and land rights	2,384	-	-	2,384
Structures and improvements	330,289	-	-	330,289
Receiving wells	440,113	-	-	440,113
Electric pumping equipment	310,965	23,773	-	334,738
Total Collecting System Pumping	<u>1,083,751</u>	<u>23,773</u>	<u>-</u>	<u>1,107,524</u>
<b>TREATMENT AND DISPOSAL</b>				
Land and land rights	115,238	-	-	115,238
Structures and improvements	4,374,331	-	-	4,374,331
Preliminary treatment equipment	640,652	-	-	640,652
Primary treatment equipment	395,354	-	-	395,354
Secondary treatment equipment	504,858	-	-	504,858
Chlorination equipment	103,722	5,285	-	109,007
Sludge treatment and disposal equipment	944,487	-	-	944,487
Plant site piping	1,000,644	-	-	1,000,644
Flow metering and monitoring equipment	87,513	-	-	87,513
Other treatment and disposal equipment	61,247	-	-	61,247
Total Treatment and Disposal	<u>8,228,046</u>	<u>5,285</u>	<u>-</u>	<u>8,233,331</u>
<b>GENERAL</b>				
Structures and improvements	1,031,787	-	-	1,031,787
Office furniture and equipment	29,689	356	8,422	21,623
Computer equipment	59,757	2,459	22,281	39,935
Transportation equipment	113,870	9,669	-	123,539
Communication equipment	175,887	-	-	175,887
Other general equipment	264,569	15,704	11,508	268,765
Total General	<u>1,675,559</u>	<u>28,188</u>	<u>42,211</u>	<u>1,661,536</u>
<b>COMPLETED CONSTRUCTION NOT CLASSIFIED</b>	-	154,228	-	154,228
<b>TOTAL SEWER UTILITY PLANT</b>	<u>\$27,166,432</u>	<u>\$ 523,411</u>	<u>\$ 42,211</u>	<u>\$27,647,632</u>

## RIVER FALLS SEWER UTILITY

### SEWER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2013 and 2012

	2013	2012
<b>OPERATING REVENUES</b>		
Sewer Revenues		
Residential	\$ 1,990,979	\$ 1,929,064
Commercial	668,582	698,253
Industrial	81,127	43,017
Public authorities	408,257	384,231
Total Sewer Revenues	3,148,945	3,054,565
Other Operating Revenues		
Forfeited discounts	13,698	13,308
Miscellaneous	30,488	12,841
Total Operating Revenues	3,193,131	3,080,714
 <b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Operation		
Supervision and labor	118,809	97,547
Power and fuel for pumping	21,110	18,421
Power and fuel for aeration equipment	224,843	213,372
Treatment charges	352,123	348,544
Chlorine	3,306	4,015
Phosphorous removal chemicals	-	330
Other operating supplies	22,613	22,015
Transportation	6,035	6,535
Total Operation	748,839	710,779
Maintenance		
Collection system	105,291	140,434
Pumping equipment	36,143	37,818
Treatment and disposal plant equipment	137,234	92,389
General plant structures and equipment	14,892	18,106
Total Maintenance	293,560	288,747
Customer Accounts		
Accounting and collecting	189,091	171,372
Administrative and General		
Salaries	76,307	120,439
Office supplies	16,139	30,934
Outside services employed	12,258	13,863
Insurance	18,298	11,726
Employees pensions and benefits	96,404	113,308
Regulatory commission	-	744
Miscellaneous	137,526	46,752
Rents	50,182	45,727
Total Administrative and General	407,114	383,493
Taxes	22,546	23,306
Total Operation and Maintenance	1,661,150	1,577,697
Depreciation	493,162	504,303
Total Operating Expenses	2,154,312	2,082,000
 OPERATING INCOME	\$ 1,038,819	\$ 998,714