



Johnson & Block
AND COMPANY, INC.

Certified Public Accountants

CITY OF EVANSVILLE

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended December 31, 2011

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**City of Evansville
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December 31, 2011**

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

June 27, 2012

To the City Council
City of Evansville, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Evansville, Wisconsin, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Evansville, Wisconsin, management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the City of Evansville, a discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Evansville, is based on the report of other auditors.

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

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

As discussed in Note 1. N. to the financial statements, the City implemented the provisions of GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" (GASB 54), as of January 1, 2011.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information



in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evansville, Wisconsin basic financial statements. The financial information listed in the table of contents as other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The combining financial statements have 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 combining financial statements are fairly stated in all material respects in relation to the financial statements taken as a whole.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Madison, Wisconsin
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2011

As management of the City of Evansville, we offer readers of the City of Evansville financial statements this narrative overview and analysis of the financial activities of the City of Evansville for the fiscal year ended December 31, 2011. We encourage the reader to consider the information presented here in conjunction with the Independent Auditor's Report at the front of this report and the City's financial statements, which immediately follow this section.

THE FINANCIAL HIGHLIGHTS

When revenues exceed expenses, the result is an increase in net assets. When expenses exceed revenues, the result is a decrease in net assets. You can think of this relationship between revenues and expenses as the City's operating results. You can think of the City's net assets, as measured in the Statement of Net Assets, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets, as measured in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. However, the City's goal is to provide services that improve the quality of life for our residents, not to generate profits as companies do. For this reason, you will need to consider many other non-financial factors, such as the condition of our roads, in assessing the overall health of our City.

- The assets of the primary government of the City of Evansville exceeded its liabilities as of December 31, 2011, by \$25,395,916 (net assets). Of this amount, \$1,595,336 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total general fund expenditures for operations were \$114,367 less than budgeted.
- General fund revenues were over budgeted amounts by \$15,573.
- As of December 31, 2011, the City of Evansville's governmental funds reported combined ending fund balances of \$1,228,756.
- As of December 31, 2011, the unassigned fund balance for the general fund was \$1,267,041, or approximately 46 percent of total general fund expenditures.
- The City of Evansville's governmental liability for long-term debt including compensated absences and long-term debt was \$7,194,875. The business-type debt totaled \$11,451,610.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are the *Statement of Net Assets* and *Statement of Activities*. These statements present an aggregate view of the City's finances in a manner similar to private-sector business. The government-wide financial statements can be found on pages 1 and 2 of this report.

- The *statement of net assets* presents information on all of the City of Evansville's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Evansville is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e. g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the City of Evansville that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Evansville include general government, public safety, public works, health and human services, parks and recreation, and conservation and development. The business-type activities of the City of Evansville include the Water and Light Utility, Wastewater Treatment Plant or sanitary sewer utility, and a Stormwater Utility.

The government-wide financial statements include only the activities of the City of Evansville. The Evansville Housing Authority is considered to be a component unit of the City of Evansville for reporting purposes.

Fund financial statements. The City also produces fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City, like other state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the City-wide statements and provide information that may be useful in evaluating a City's short-term financing requirements. There are two fund financial statements, the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund statements focus on short-term inflows and outflows of expendable resources and their impact on fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

The City of Evansville maintains ten individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service, Capital Projects and TIF 5 funds. Data from the remaining six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements later in this report.

The City of Evansville adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3 through 6 of this report.

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric and water utilities (Water and Light Committee) and the sewer utility (Public Works Committee), which are considered to be major funds of the City of Evansville. The storm-water fund is non-major. The basic proprietary fund financial statements can be found on pages 7 through 11 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Evansville's programs. The fiduciary fund maintained by the City of Evansville is the Tax Collection Agency Fund which records the tax roll and tax collections for other taxing jurisdictions within the City of Evansville. The basic fiduciary fund financial statement can be found on page 12 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 43 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds and other information related to the individual funds is presented immediately following the required supplementary information. Individual fund statements and schedules can be found on pages 45 and 46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Table 1, below, provides a summary of the City's net assets for the year ended December 31, 2011.

TABLE 1
City of Evansville Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 4,985,263	\$ 4,595,997	\$ 5,041,473	\$ 5,175,609	\$ 10,026,736	\$ 9,771,606
Capital assets	7,862,436	8,198,907	30,859,217	30,976,172	38,721,653	39,175,079
Total Assets	12,847,699	12,794,904	35,900,690	36,151,781	48,748,389	48,946,685
Long-term liabilities outstanding	6,602,335	6,995,832	10,748,622	10,956,212	17,350,957	17,952,044
Other liabilities	3,887,137	4,020,099	2,114,379	2,439,245	6,001,516	6,459,344
Total Liabilities	10,489,472	11,015,931	12,863,001	13,395,457	23,352,473	24,411,388
Net Assets:						
Invested in capital assets, net of related debt	2,129,985	1,974,561	19,933,547	19,777,507	22,063,532	21,752,068
Restricted	157,959	163,694	1,579,089	1,459,947	1,737,048	1,623,641
Unrestricted	70,283	(359,282)	1,525,053	1,518,870	1,595,336	1,159,588
Total Net Assets	\$ 2,358,227	\$ 1,778,973	\$ 23,037,689	\$ 22,756,324	\$ 25,395,916	\$ 24,535,297

A significant portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure, etc.); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The restricted portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$1,595,336, may be used to meet the City's ongoing obligations to citizens and creditors.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Table 2, below, provides a summary of the City's operating results and their impact on net assets for the year ended December 31, 2011. In 2011, the governmental activities relied primarily on property taxes (50%), program revenues (36%) and state aids (11%) to fund its operations. Combined, these account for 97% of all revenues or \$4.67 million. Business-type activities relied primarily on program revenues to fund its operations. Utility charges accounted for 96% of business-type revenues.

TABLE 2
City of Evansville's Change in Net Assets
2011 and 2010

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$ 994,525	\$ 951,475	\$ 9,471,128	\$ 8,829,560	\$ 10,465,653	\$ 9,781,035
Operating grants and contributions	686,817	784,524	18,155	8,642	704,972	793,166
Capital grants and contributions	50,673	54,597	235,697	2,198,682	286,370	2,253,279
General Revenues:						
Property taxes	2,422,109	2,453,175	-	-	2,422,109	2,453,175
Grants and contributions not restricted to specific programs	512,817	511,470	-	-	512,817	511,470
Unrestricted Interest/Investment income	24,865	30,860	69,008	60,457	93,873	91,317
Other- Loss on sale of capital assets	136,159	-	-	-	136,159	-
Miscellaneous	31,013	30,581	21,011	20,800	52,024	51,381
Total Revenues	4,858,978	4,816,682	9,824,999	11,118,141	14,683,977	15,934,823
Expenses:						
General Government	536,229	535,352	-	-	536,229	535,352
Public Safety	1,738,285	1,697,325	-	-	1,738,285	1,697,325
Public Works	967,052	996,571	-	-	967,052	996,571
Health & human services	136,214	137,690	-	-	136,214	137,690
Recreation and education	645,826	654,744	-	-	645,826	654,744
Conservation and development	258,903	406,554	-	-	258,903	406,554
Interest on long-term debt	404,107	421,772	-	-	404,107	421,772
Electric and Water	-	-	8,333,322	7,822,084	8,333,322	7,822,084
Sewer	-	-	739,035	592,156	739,035	592,156
Storm-water	-	-	64,385	69,502	64,385	69,502
Total Expenses	4,686,616	4,850,008	9,136,742	8,483,742	13,823,358	13,333,750
Increase (decrease) in net assets before transfers	172,362	(33,326)	688,257	2,634,399	860,619	2,601,073
Transfers	406,892	390,605	(406,892)	(390,605)	-	-
Increase (Decrease) in Net Assets	579,254	357,279	281,365	2,243,794	860,619	2,601,073
Net Assets - January 1	1,778,973	1,421,694	22,756,324	20,512,530	24,535,297	21,934,224
Net Assets - December 31	\$ 2,358,227	\$ 1,778,973	\$ 23,037,689	\$ 22,756,324	\$ 25,395,916	\$ 24,535,297

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities: Governmental activities increased the City's net assets by \$579,254. A key element of this increase is that general fund expenses were under budget by \$114,367.

Business-type activities: Business-type activities increased City of Evansville's net assets by \$281,365. Key elements of this increase are as follows:

- The City's electric and water utility had operating income of \$539,388 before an operating transfer out for the tax equivalent of \$406,892.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds. The focus of City of Evansville's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of December 31, 2011, the City's governmental funds reported combined ending fund balances of \$1,228,756, an increase of \$426,637 from the prior year. Of the combined ending fund balance, \$1,220,224 is nonspendable, \$244,673 is restricted, and \$1,015,315 is assigned. The net deficit of (\$1,252,456) in unassigned fund balance is due mainly to the TIF 5 deficit of (\$1,650,959). This deficit has been financed by advances from the general fund, electric and water utility and sewer fund.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$1,267,041, while total fund balance reached \$2,136,300. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 46% of total general fund expenditures, while total fund balance represents 77% of that same amount.

During the current year, the City's general fund balance increased by \$209,629. Key factors in this increase are as follows:

- The total revenues were \$15,573 over budgeted amounts and expenditures were \$114,367 under budget.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

Proprietary funds. City of Evansville's proprietary funds provide the same type of information found in the City's government-wide financial statements, but in more detail.

Operating revenues increased \$643,214 from 2010. The main reason for the increase was due to the electric and water utility's operating revenues being up \$587,662.

Operating expenses increased by approximately \$628,123.

The Electric and Water Utility had an increase in net assets of \$141,472 in 2011 after deducting a transfer of \$406,892 the City's General Fund. Net assets were \$12,442,707 as of December 31, 2011.

The Wastewater Treatment Plant Utility had an increase in net assets of \$23,121 in 2011. Net assets were \$10,243,080 as of December 31, 2011.

The storm-water utility had an increase in net assets of \$116,775 in 2011. Net assets were \$351,902 as of December 31, 2011.

The Electric and Water Utility's outstanding debt at December 31, 2011 was \$6,925,100, a decrease of \$92,800 over the balance at December 31, 2010. Fixed assets, net of accumulated depreciation, of \$17,140,036 increased \$81,755 from 2010.

The Wastewater Treatment Plant Utility's outstanding debt at December 31, 2011 was \$4,407,170, a decrease of \$96,186 from the balance at December 31, 2010. Fixed assets, net of accumulated depreciation, of \$13,477,482 decreased \$239,936 from 2010.

The Storm-water utility has fixed assets, net of accumulated depreciation, of \$241,699 as of December 31, 2011, which increased \$41,226 from 2010.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City of Evansville's general fund expenditures had an original and final budget of \$2,892,270, amounting to neither an increase or decrease in appropriations. Actual expenditures totaled \$2,777,903. Budgeted differences can be briefly summarized as follows:

- Actual expenditures were less than budgeted expenditures by \$114,367. The majority were in the public safety area (\$32,084 less than budget) and public works (\$52,563 less than budget).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. City of Evansville’s investment in capital assets for its governmental and business-type activities as of December 31, 2011, amounts to \$38,721,653 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, public domain infrastructure (highway and bridges), and construction in progress.

- A summary of the fixed assets is identified below:

City of Evansville Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
	Land	\$ 521,756	\$ 521,756	171,362	171,362	\$ 693,118
Infrastructure Work in Process	439,080	121,012	7,413,082	175,278	7,852,162	296,290
Other Work in Process	293,895	-	-	-	293,895	-
Depreciable Capital Assets	10,632,768	11,472,636	32,299,464	40,309,586	42,932,232	51,782,222
Accumulated depreciation	(3,688,592)	(4,252,968)	(8,907,736)	(9,797,009)	(12,596,328)	(14,049,977)
Total	\$8,198,907	\$ 7,862,436	\$30,976,172	\$30,859,217	\$39,175,079	\$38,721,653

The significant capital additions in 2011 included computer system upgrades, police station remodel, energy lighting project, upgrades for equipment, work in progress for the Allen Creek bridge project, and capitalizing the wastewater treatment plant, as well as other capital items. Additional information on the City of Evansville’s capital assets can be found in Note IV-B on pages 27-29 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-term debt. At the end of the current fiscal year, the City of Evansville had total debt outstanding of \$18,646,485. Of this amount, \$7,734,232 was backed by the full faith of the City.

	City of Evansville Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
2003A GO Notes	\$ 82,900	\$ 124,100	\$ 117,100	\$ 175,900	\$ 200,000	\$ 300,000
2003B GO Notes	117,000	197,000	288,000	408,000	405,000	605,000
2005 GO Notes	1,152,985	1,360,522	97,015	114,478	1,250,000	1,475,000
2007 GO Comm. Dev. Bonds	930,000	930,000	-	-	930,000	930,000
2007 GO Comm. Dev. Bonds	2,715,000	2,780,000	-	-	2,715,000	2,780,000
2009 GO Refunding Notes	1,105,000	1,155,000	-	-	1,105,000	1,155,000
2007 STFL	450,625	467,972	-	-	450,625	467,972
2008 STFL	45,607	89,152	-	-	45,607	89,152
2008 STFL	-	164,234	-	-	-	164,234
2011 STFL	144,000	-	-	-	144,000	-
2011 STFL	159,000	-	-	-	159,000	-
2005 CWFL	-	-	1,197,853	1,269,336	1,197,853	1,269,336
2009 CWFL	-	-	2,977,636	2,933,715	2,977,636	2,933,715
2005 Mortgage Revenue Bonds	-	-	2,800,000	2,900,000	2,800,000	2,900,000
2007 Mortgage Revenue Bonds	-	-	2,465,000	2,515,000	2,465,000	2,515,000
2009 Water Revenue Bonds	-	-	925,000	935,000	925,000	935,000
2008 Note Anticipation Note	-	131,000	-	119,000	-	250,000
2010 WPPI Loan	-	-	134,666	150,827	134,666	150,827
2011 WPPI Loan	33,144	-	-	-	33,144	-
2008 Capital Lease	47,815	93,338	-	-	47,815	93,338
2011 GO Notes	-	-	330,000	-	330,000	-
Compensated absences	211,799	232,742	119,340	141,761	331,139	374,503
Total	\$ 7,194,875	\$ 7,725,060	\$ 11,451,610	\$ 11,663,017	\$ 18,646,485	\$ 19,388,077

The City is not rated by Moody's Investors Service or any other rating agency for its general obligation debt.

Additional information on the City's long-term debt can be found in Note III-D on pages 31-37 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City of Evansville's Mayor and Common Council adopted a general fund budget for the year 2012 which is a increase of .13% over the adopted budget of the previous year.
- The property tax rate decreased from \$6.87257 to \$6.82234 per \$1,000 assessed valuation.
- The City's financial results are dependent on two main factors:
 - Having sufficient growth in tax base from new construction to produce sufficient revenue to cover increased costs of current service levels without needing to increase the City's mill rate on assessed value.
 - Being able to provide high-quality services to a growing population while putting off increases in staffing as long as possible.
- Where appropriate, services should be funded by reasonable user charges.

All of these factors were considered in preparing the City's budget for the 2012 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Evansville's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Evansville Finance Department, 31 South Madison Street, Evansville, Wisconsin, 53536. General information relating to the City of Evansville, Wisconsin, can be found at the City's website, <http://www.ci.evansville.wi.gov> .

**City of Evansville
Evansville, WI**

**Statement of Net Assets
December 31, 2011**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
ASSETS				
Cash and Investments	\$ 2,142,299	\$ 988,821	\$ 3,131,120	\$ 561,675
Restricted Cash	-	1,579,089	1,579,089	-
Receivables	3,391,582	1,449,265	4,840,847	239,704
Internal Balances	(661,848)	661,848	-	-
Inventories	-	212,207	212,207	-
Other assets	113,230	150,243	263,473	4,019
Capital Assets				
Land, improvements, and construction in progress	642,768	346,640	989,408	25,758
Other Capital Assets, net of depreciation	7,219,668	30,512,577	37,732,245	250,265
Net Capital Assets	<u>7,862,436</u>	<u>30,859,217</u>	<u>38,721,653</u>	<u>276,023</u>
Total Assets	<u>\$ 12,847,699</u>	<u>\$ 35,900,690</u>	<u>\$ 48,748,389</u>	<u>\$ 1,081,421</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 543,930	\$ 666,543	\$ 1,210,473	\$ 18,223
Deferred Revenues	2,657,151	679,534	3,336,685	-
Long-term liabilities				
Due within one year				
Bonds, notes and capital leases	572,166	694,624	1,266,790	-
Accrued interest	93,516	65,314	158,830	-
Compensated Absences	20,374	8,364	28,738	19,105
Due in more than one year				
Bonds, notes and capital leases	6,410,910	10,637,646	17,048,556	-
Compensated absences	191,425	110,976	302,401	-
Total liabilities	<u>10,489,472</u>	<u>12,863,001</u>	<u>23,352,473</u>	<u>37,328</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,129,985	19,933,547	22,063,532	276,023
Restricted for:				
Special Revenue	157,959	-	157,959	-
Other Purposes	-	1,579,089	1,579,089	23,289
Unrestricted	70,283	1,525,053	1,595,336	744,781
Total net assets	<u>2,358,227</u>	<u>23,037,689</u>	<u>25,395,916</u>	<u>1,044,093</u>
Total Liabilities and Net Assets	<u>\$ 12,847,699</u>	<u>\$ 35,900,690</u>	<u>\$ 48,748,389</u>	<u>\$ 1,081,421</u>

See accompanying notes to the basic financial statements.

City of Evansville
Evansville, WI

Statement of Activities
For the Year Ended December 31, 2011

<u>Functions/Programs</u>	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General Government	\$ 536,229	\$ 117,562	\$ -	\$ -	\$ (418,667)		\$ (418,667)	
Public Safety	1,738,285	481,601	63,809	-	(1,192,875)		(1,192,875)	
Public Works	967,052	236,047	347,038	30,171	(353,796)		(353,796)	
Health, Welfare and Sanitation	136,214	32,815	-	-	(103,399)		(103,399)	
Culture and Recreation	645,826	113,251	61,184	20,502	(450,889)		(450,889)	
Conservation and Development	258,903	13,249	214,786	-	(30,868)		(30,868)	
Interest on Long-term debt	404,107	-	-	-	(404,107)		(404,107)	
Total governmental activities	4,686,616	994,525	686,817	50,673	(2,954,601)		(2,954,601)	
Business-type activities:								
Electric and Water	8,333,322	8,606,759	-	202,507	-	475,944	475,944	
Sewer	739,035	694,809	18,155	33,190	-	7,119	7,119	
Stormwater	64,385	169,560	-	-	-	105,175	105,175	
Total business-type activities	9,136,742	9,471,128	18,155	235,697	-	588,238	588,238	
Total primary government	\$ 13,823,358	\$ 10,465,653	\$ 704,972	\$ 286,370	(2,954,601)	588,238	(2,366,363)	
Component Units								
Housing Authority	\$ 486,097	\$ 58,607	\$ 381,390	\$ -				\$ (46,100)
Total component units	\$ 486,097	\$ 58,607	\$ 381,390	\$ -				\$ (46,100)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					1,891,891	-	1,891,891	-
Property taxes, levied for debt service					510,971	-	510,971	-
Other taxes					19,247	-	19,247	-
Grants and contributions not restricted to specific programs					512,817	-	512,817	-
Unrestricted investment earnings					24,865	69,008	93,873	5,154
Miscellaneous					31,013	21,011	52,024	-
Special item - gain (loss) on disposal of asset					136,159	10,000	146,159	-
Transfers					406,892	(406,892)	-	-
Total general revenues and transfers					3,533,855	(306,873)	3,226,982	5,154
Change in net assets					579,254	281,365	860,619	(40,946)
Net assets - beginning					1,778,973	22,756,324	24,535,297	1,085,039
Net assets - ending					\$ 2,358,227	\$ 23,037,689	\$ 25,395,916	\$ 1,044,093

See accompanying notes to the basic financial statements.

**City of Evansville
Evansville, WI**

**Balance Sheet
Governmental Funds
December 31, 2011**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>TIF 5</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents	\$ 1,301,685	\$ 210,415	\$ -	\$ 23,057	\$ 607,143	\$ 2,142,300
Receivables:						
Taxes	1,091,078	386,113	209,866	226,303	493,811	2,407,171
Special Assessments	251,350	149,017	-	-	35,373	435,740
Accounts	-	-	-	-	26,107	26,107
Loans	280,000	-	-	-	-	280,000
Other	79,060	-	6,288	-	-	85,348
Due from Other Funds	421,359	-	-	-	-	421,359
Prepaid Expenses	27,316	-	-	-	8,475	35,791
Advances Receivable	746,569	437,679	-	-	432,354	1,616,602
Total Assets	<u>\$ 4,198,417</u>	<u>\$ 1,183,224</u>	<u>\$ 216,154</u>	<u>\$ 249,360</u>	<u>\$ 1,603,263</u>	<u>\$ 7,450,418</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 263,492	\$ 1,000	\$ -	\$ -	\$ 19,520	\$ 284,012
Accrued Liabilities	59,608	-	-	-	13,913	73,521
Due to Other Funds	27,387	25,458	-	-	-	52,845
Deferred Revenue	1,711,630	509,860	209,869	239,152	493,811	3,164,322
Advances Payable	-	-	870,032	1,661,167	115,763	2,646,962
Total Liabilities	<u>2,062,117</u>	<u>536,318</u>	<u>1,079,901</u>	<u>1,900,319</u>	<u>643,007</u>	<u>6,221,662</u>
Fund Balances (Deficit)						
Nonspendable	782,545	437,679	-	-	-	1,220,224
Restricted	86,714	-	-	-	157,959	244,673
Assigned	-	209,227	4,791	-	802,297	1,016,315
Unassigned	1,267,041	-	(868,538)	(1,650,959)	-	(1,252,456)
Total Fund Balances (Deficit)	<u>2,136,300</u>	<u>646,906</u>	<u>(863,747)</u>	<u>(1,650,959)</u>	<u>960,256</u>	<u>1,228,756</u>
Total Liabilities and Fund Balances (Deficit)	<u>\$ 4,198,417</u>	<u>\$ 1,183,224</u>	<u>\$ 216,154</u>	<u>\$ 249,360</u>	<u>\$ 1,603,263</u>	<u>\$ 7,450,418</u>

See accompanying notes to the basic financial statements.

**City of Evansville
Evansville, WI**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net
Assets
December 31, 2011**

Total fund balance, governmental funds		\$ 1,228,756
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.</p>		
		7,862,435
<p>Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Assets. This amount represents unamortized debt issuance costs.</p>		
		77,439
<p>Special assessment and loan receivables are fully accrued and recognized as revenue when the receivable is established for the governmental activities of the Statement of Net Assets. They are reported as deferred revenue in the fund financial statements to the extent they are not available.</p>		
		477,988
<p>Some liabilities (such as Notes Payable, Long-term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.</p>		
Bonds and notes - due within one year	572,166	
Bonds and notes - due in more than one year	6,410,910	
Compensated absences - current	20,374	
Compensated absences - non-current	191,425	
Accrued interest	93,516	
		(7,288,391)
Net Assets of Governmental Activities in the Statement of Net Assets		\$ 2,358,227

See accompanying notes to the basic financial statements.

City of Evansville
Evansville, WI

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>TIF 5</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Property Taxes	\$ 1,076,052	\$ 510,971	\$ 107,997	\$ 210,613	\$ 497,229	\$ 2,402,862
Other Taxes	19,247	-	-	-	6,868	26,115
Special Assessment Revenue	-	19,175	-	-	26,203	45,378
Intergovernmental	870,750	-	256,069	1,064	131,591	1,259,474
License and Permits	82,413	-	-	-	-	82,413
Fines, Forfeits and Penalties	123,780	-	-	-	-	123,780
Public Charges for Services	342,624	-	-	-	323,358	665,982
Interest Income	12,066	4,828	175	-	11,195	28,264
Miscellaneous Income	55,010	18,600	156,661	15,863	18,075	264,209
Total Revenues	<u>2,581,942</u>	<u>553,574</u>	<u>520,902</u>	<u>227,540</u>	<u>1,014,519</u>	<u>4,898,477</u>
EXPENDITURES						
Current:						
General Government	492,087	-	-	150	3,100	495,337
Public Safety	1,298,603	-	-	-	361,714	1,660,317
Public Works	674,061	-	-	-	-	674,061
Health and Human Services	32,110	-	-	-	97,284	129,394
Culture, Recreation and Education	237,524	-	-	-	276,506	514,030
Conservation and Development	43,518	-	-	-	-	43,518
Capital Outlay	-	-	418,850	75,896	1,100	495,846
Principal Repayment	-	800,713	-	-	-	800,713
Interest Expense	-	316,474	-	80,523	5,513	402,510
Total Expenditures	<u>2,777,903</u>	<u>1,117,187</u>	<u>418,850</u>	<u>156,569</u>	<u>745,217</u>	<u>5,215,726</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(195,961)</u>	<u>(563,613)</u>	<u>102,052</u>	<u>70,971</u>	<u>269,302</u>	<u>(317,249)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from Long-Term Debt	-	144,000	33,994	159,000	-	336,994
Transfers In	406,892	412,617	12,500	1,300	-	833,309
Transfers Out	(1,300)	-	-	(228,161)	(196,956)	(426,417)
Total Other Financing Sources and Uses	<u>405,592</u>	<u>556,617</u>	<u>46,494</u>	<u>(67,861)</u>	<u>(196,956)</u>	<u>743,886</u>
Net Change in Fund Balances	209,631	(6,996)	148,546	3,110	72,346	426,637
Fund Balances (Deficits) - Beginning	1,926,669	653,902	(1,012,293)	(1,654,069)	887,910	802,119
Fund Balances (Deficits) - Ending	<u>\$ 2,136,300</u>	<u>\$ 646,906</u>	<u>\$ (863,747)</u>	<u>\$ (1,650,959)</u>	<u>\$ 960,256</u>	<u>\$ 1,228,756</u>

See accompanying notes to the basic financial statements.

**City of Evansville
Evansville, WI**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to
the Statement of Activities
For the Year Ended December 31, 2011**

Net change in fund balances - total governmental funds:	\$	426,637
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.</p>		
Capital outlay reported in governmental fund statements		227,904
Depreciation expenses reported in the statement of activities		(564,376)
		(336,472)
<p>Amount by which capital outlays are greater (less) than depreciation in the current period.</p>		
		(336,472)
<p>Vested employee benefits are reported in the governmental funds as an expenditure, but are reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities.</p>		
Amounts paid are more than amount accrued by		20,943
<p>Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.</p>		
Debt proceeds for the year		(336,994)
The amount of long-term debt principal payments in the current year is:		846,236
<p>In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.</p>		
Interest accrual change		7,518
<p>In governmental funds, revenues are reported when measurable and available. In the statements of activities, revenue is reported when earned.</p>		
Special assessments		(39,499)
Debt issuance costs reported on governmental fund statements but deferred and amortized on statement of activities.		(9,115)
Change in net assets of governmental activities		579,254

See accompanying notes to the basic financial statements.

**City of Evansville
Evansville, WI**

**Statement of Net Assets
Proprietary Funds
December 31, 2011**

	<u>Enterprise Funds</u>			
	<u>Electric and Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 465,302	\$ 340,962	\$ 182,557	\$ 988,821
Receivables				
Special Assessments	1,788	-	-	1,788
Accounts	1,379,224	52,055	14,304	1,445,583
Due from Other Funds	81,836	116,442	21,521	219,799
Inventories	212,207	-	-	212,207
Prepaid Expenses	20,472	15,784	1,215	37,471
Total Current Assets	<u>2,160,829</u>	<u>525,243</u>	<u>219,597</u>	<u>2,905,669</u>
Restricted:				
Restricted Cash and Cash Equivalents	<u>883,253</u>	<u>695,836</u>	<u>-</u>	<u>1,579,089</u>
Total Restricted Assets	<u>883,253</u>	<u>695,836</u>	<u>-</u>	<u>1,579,089</u>
Capital Assets:				
Land and Improvements	76,448	94,914	-	171,362
Construction Work in Progress	158,551	16,727	-	175,278
Other Capital Assets	24,130,588	15,913,035	265,964	40,309,587
Less Accumulated Depreciation	<u>(7,225,551)</u>	<u>(2,547,194)</u>	<u>(24,265)</u>	<u>(9,797,010)</u>
Net Capital Assets	<u>17,140,036</u>	<u>13,477,482</u>	<u>241,699</u>	<u>30,859,217</u>
Noncurrent Assets				
Advances Receivable	849,193	290,147	-	1,139,340
Unamortized Debt Discount	112,196	-	-	112,196
Special Assessments	-	1,893	-	1,893
Other Deferred Debits	<u>577</u>	<u>-</u>	<u>-</u>	<u>577</u>
Total Noncurrent Assets	<u>961,966</u>	<u>292,040</u>	<u>-</u>	<u>1,254,006</u>
TOTAL ASSETS	<u>\$ 21,146,084</u>	<u>\$ 14,990,601</u>	<u>\$ 461,296</u>	<u>\$ 36,597,981</u>

See accompanying notes to the basic financial statements.

**City of Evansville
Evansville, WI**

**Statement of Net Assets
Proprietary Funds
December 31, 2011**

	Enterprise Funds			Total
	Electric and Water	Sewer	Stormwater	
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 606,896	\$ 2,857	\$ 100	\$ 609,853
Accrued Liabilities	97,899	23,789	316	122,004
Due to Other Funds	533,864	54,449	-	588,313
Compensated Absences	8,364	-	-	8,364
Current Portion of Long-Term Debt:				
Advance Payables	-	-	108,978	108,978
Bonds and Notes Payable	456,800	237,824	-	694,624
Total Current Liabilities	1,703,823	318,919	109,394	2,132,136
Non-Current Liabilities:				
Long-Term Debt				
Bonds and Notes Payable	6,468,300	4,169,346	-	10,637,646
Total Long-Term Debt	6,468,300	4,169,346	-	10,637,646
Other Liabilities				
Compensated Absences	79,420	31,556	-	110,976
Construction Advances	12,614	-	-	12,614
Deferred Revenue including regulatory credit	439,220	227,700	-	666,920
Total Other Liabilities	531,254	259,256	-	790,510
Total Non-Current Liabilities	6,999,554	4,428,602	-	11,428,156
Total Liabilities	8,703,377	4,747,521	109,394	13,560,292
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	10,621,536	9,070,312	241,699	19,933,547
Restricted Assets	883,253	695,836	-	1,579,089
Unrestricted	937,918	476,932	110,203	1,525,053
Total Net Assets	12,442,707	10,243,080	351,902	23,037,689
TOTAL LIABILITIES & NET ASSETS	\$ 21,146,084	\$ 14,990,601	\$ 461,296	\$ 36,597,981

See accompanying notes to the basic financial statements.

**City of Evansville
Evansville, WI**

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2011**

	Enterprise Funds			Total
	Electric and Water	Sewer	Stormwater	
OPERATING REVENUES				
Charges for Services	\$ 8,583,795	\$ 722,309	\$ 169,560	\$ 9,475,664
Other Operating Revenues	913	22,331	1,600	24,844
Total Operating Revenues	<u>8,584,708</u>	<u>744,640</u>	<u>171,160</u>	<u>9,500,508</u>
OPERATING EXPENSES				
Operation and Maintenance	7,417,748	330,368	48,239	7,796,355
Depreciation	627,572	297,352	13,298	938,222
Total Operating Expenses	<u>8,045,320</u>	<u>627,720</u>	<u>61,537</u>	<u>8,734,577</u>
Operating Income (Loss)	<u>539,388</u>	<u>116,920</u>	<u>109,623</u>	<u>765,931</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and Investment Revenue	53,841	16,681	-	70,522
Miscellaneous Non-Operating Revenue	22,052	832	10,000	32,884
Interest Expense	(288,002)	(111,312)	(2,848)	(402,162)
Amortization Revenue (Expense)	18,578	-	-	18,578
Total Non-Operating Revenue (Expenses)	<u>(193,531)</u>	<u>(93,799)</u>	<u>7,152</u>	<u>(280,178)</u>
Income (Loss) Before Contributions and Transfers	345,857	23,121	116,775	485,753
Capital Contributions	202,507	-	-	202,507
Transfers Out	(406,892)	-	-	(406,892)
Change in Net Assets	<u>141,472</u>	<u>23,121</u>	<u>116,775</u>	<u>281,368</u>
Total Net Assets - Beginning	<u>12,301,235</u>	<u>10,219,959</u>	<u>235,127</u>	<u>22,756,321</u>
Total Net Assets - Ending	<u>\$ 12,442,707</u>	<u>\$ 10,243,080</u>	<u>\$ 351,902</u>	<u>\$ 23,037,689</u>

See accompanying notes to the basic financial statements.

**City of Evansville
Evansville, WI**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011**

	Enterprise Funds			Total
	Electric & Water	Sewer	Stormwater	
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers	\$ 8,695,593	\$ 842,660	\$ 156,856	\$ 9,695,109
Payments to suppliers	(6,788,607)	(547,308)	(18,920)	(7,354,835)
Payments to employees	(631,523)	(92,377)	(29,266)	(753,166)
Taxes paid	(406,892)	-	-	(406,892)
Net cash provided (used) by operating activities	<u>868,571</u>	<u>202,975</u>	<u>108,670</u>	<u>1,180,216</u>
<u>Cash Flows From Capital and Related</u>				
<u>Financing Activities:</u>				
Acquisition and construction of plant assets	(736,404)	(48,126)	(44,524)	(829,054)
Advances paid	-	-	(13,623)	(13,623)
Proceeds from long-term debt	330,000	171,543	-	501,543
Principal payments on long-term debt	(422,800)	(267,729)	-	(690,529)
Deferred charges	(577)	-	-	(577)
Interest and fiscal charges	(288,002)	(111,312)	(2,848)	(402,162)
Contributions for plant	202,507	-	-	202,507
Net cash provided (used) for capital and related financing activities	<u>(915,276)</u>	<u>(255,624)</u>	<u>(60,995)</u>	<u>(1,231,895)</u>
<u>Cash Flows From Investing Activities:</u>				
Interest on investments	53,841	16,681	-	70,522
Net cash provided (used) for investing activities	<u>53,841</u>	<u>16,681</u>	<u>-</u>	<u>70,522</u>
Net increase (decrease) in cash and equivalents	7,136	(35,968)	47,675	18,843
Cash and equivalents - beginning of year	1,341,419	1,072,766	134,882	2,549,067
Cash and equivalents - end of year	<u>\$ 1,348,555</u>	<u>\$ 1,036,798</u>	<u>\$ 182,557</u>	<u>\$ 2,567,910</u>

See accompanying notes to the basic financial statements.

**City of Evansville
Evansville, WI**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011**

	Enterprise Funds			Total
	Electric & Water	Sewer	Stormwater	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 539,388	\$ 116,920	\$ 109,623	\$ 765,931
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Other Revenues	40,630	832	-	41,462
Amortization	9,792	-	-	9,792
Tax equivalent	(406,892)	-	-	(406,892)
Depreciation	627,572	297,352	13,298	938,222
Joint meter allocation	9,290	(9,290)	-	-
Changes in Assets and Liabilities:				
Receivables	110,885	98,020	-	208,905
Advances receivable	(40,438)	(13,817)	(14,304)	(68,559)
Due to/from other funds	38,130	5,314	114	43,558
Inventories	(8,939)	-	-	(8,939)
Prepays	(4,920)	(12,811)	152	(17,579)
Accounts payable	78,540	(257,382)	100	(178,742)
Other Accrued liabilities	(124,467)	(22,163)	(313)	(146,943)
Net cash provided (used) by operating activities	\$ 868,571	\$ 202,975	\$ 108,670	\$ 1,180,216
Reconciliation of cash and cash equivalents to balance sheet accounts				
Cash and investments	\$ 465,302	\$ 340,962	\$ 182,557	\$ 988,821
Restricted assets	883,253	695,836	-	1,579,089
Total Cash and Investments	1,348,555	1,036,798	182,557	2,567,910
Cash and cash equivalents- End of year	\$ 1,348,555	\$ 1,036,798	\$ 182,557	\$ 2,567,910

See accompanying notes to the basic financial statements.

**City of Evansville
Evansville, WI**

**Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2011**

	<u>Tax Agency</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,437,207
Receivables:	
Taxes Receivable	3,802,667
Total Assets	<u>\$ 6,239,874</u>
 LIABILITIES	
Due to Other Governments	\$ 6,239,874
Total Liabilities	<u>\$ 6,239,874</u>

See accompanying notes to the basic financial statements.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

I. NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Evansville, Wisconsin conform to U.S. generally accepted accounting principles as applicable to governmental units.

A. REPORTING ENTITY

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

Discretely Presented Component Unit

The Evansville Housing Authority

The Housing Authority is a legally separate organization. The City mayor appoints the board of the Housing Authority. Wisconsin Statutes provide for circumstances whereby the City can impose its will on the Housing Authority, and also create a potential financial benefit to or burden on the City. The financial statements of the Housing Authority have been added to the City's statements as a discretely presented component unit. This information can be found on the Statement of Net Assets and the Statement of Activities. The Authority issues separate financial statements. These can be obtained by contacting the Housing Authority.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

"Government-wide" financial statements are basic financial statements required for all governmental units. The statement of net assets and the statement of activities are the two required statements. Both statements are prepared on the full accrual basis. In accordance with accounting standards for governmental units, the city uses the modified accrual basis of accounting for certain funds. The modified accrual basis of accounting is the appropriate basis of accounting for governmental activity fund financial statements.

In addition, all funds in the fund financial statements are reported as business-type activities, governmental activities or fiduciary funds. The definitions for these types of activities are discussed in other portions of Note I.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

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

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, accounting standards concentrates on major funds versus non-major funds.

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

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

Fund Financial Statements (Continued)

The City reports the following major governmental funds:

Major Governmental

General Fund – accounts for the City’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than TID or enterprise debt.

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

Tax Increment Financing Districts #5 - accounts for proceeds from long-term borrowings and other resources to be used for capital improvement projects in the TIF boundaries.

The City reports the following enterprise funds:

Enterprise Funds

Electric and Water Utility – accounts for the operations of the electric and water system. (Major)

Sewer Utility – accounts for the operations of the sewer system. (Major)

Stormwater Utility- accounts for the operations the stormwater system (Non-Major)

The City reports the following non-major governmental funds:

Non-Major Governmental Funds

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

Emergency Medical Services Fund

Eager Free Public Library Fund

Cemetery Fund

Capital Projects Funds - used to account for the proceeds of specific capital improvement projects that are legally restricted to expenditures for specific purposes.

TIF #6

TIF #7

TIF #8

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

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

Fund Financial Statements (Continued)

In addition, the City reports the following fund types:

Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The Tax Collection Agency Fund is accounted for in the Agency Fund.

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

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

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

Fund Financial Statements (Continued)

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

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

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

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

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as described previously in this note.

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

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

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

The City has pooled the cash resources of its funds in order to maximize investment opportunities. Each fund's portion of total cash and investments is reported as cash and cash equivalents/investments by the City's individual major funds, and in the aggregate for non-major and agency funds.

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

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

See footnote III A for additional information.

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

2. Receivables

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

Property tax calendar – 2011 tax roll:

Lien date and levy date	December 2011
Tax bills mailed	December 2011
Payment in full, or	January 31, 2012
First installment due	January 31, 2012
Second installment due	July 31, 2012
Personal property taxes in full	January 31, 2012

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible utility accounts receivable has been made for the water, electric and sewer utilities because they have the right by law to place delinquent bills on the tax roll.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

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

2. Receivables (Continued)

A provision for uncollectible ambulance accounts receivable of \$15,990 has been made.

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

The City has a loan receivable of \$280,000 secured by a mortgage to finance apartment renovations. The loan is payable in installments of \$11,200 for 25 years with no interest. Payments are deferred for five years following issuance of the first occupancy permits. The funds were secured by a CDBG grant that was recorded as City revenue to offset costs to fund the renovations. The loan repayment will be used to fund a revolving loan fund. A deferred revenue is recorded to offset the receivable in the general fund. The revenue has been accrued in the government-wide statements.

3. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction, operation and maintenance expense when used.

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

4. Restricted Assets

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

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Electric and water	\$ 747,042	Bond reserve 2005 MRB and 2009 Reserve bond
Electric and water	136,211	Water impact fees
Sewer	234,573	Hook-up fee
Sewer	461,263	Replacement fee
	<u>\$ 1,579,089</u>	

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

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

5. Capital Assets

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$5,000 for infrastructure assets, and an estimated useful life in excess of 1 year for general capital assets and infrastructure assets. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Prior to January 2004, infrastructure assets of governmental funds were not capitalized. After 1/1/04, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is not required. The City has not retroactively reported all infrastructure acquired by its governmental fund types. The infrastructure reported only includes additions since January 1, 2004.

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

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

Buildings	20-50 Years
Improvements	10-50 Years
Machinery and Equipment	3-50 Years
Infrastructure	25-50 Years
Water Utility	6.67-150 Years
Electric Utility	6.67-40 Years
Sewer Utility	5-100 Years

Fund Financial Statements

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

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

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

6. Deferred Debt Issuance Costs

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the period of the outstanding debt. The unamortized debt issuance costs in the statement of net assets for the governmental activities are \$77,439.

7. Compensated Absences

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

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

The balance in compensated absences is as follows:

	Government	Business-type
Compensated time-off liability	\$ 2,262	\$ -
Year-end excess sick hours liability	2,047	5,654
Accumulated sick leave	191,423	110,976
Vacation and holiday liability	16,067	2,710
	<u>\$ 211,799</u>	<u>\$ 119,340</u>

City employees earn sick leave at various rates depending on the union or nonunion contracts. Employees can accumulate sick leave as follows:

Police	1,080 hours
DPW, Water & Light, Clerical	720 hours
Library	720 hours

One-half the accumulation in excess of 1,080 or 720 hours may be payable in cash at the end of each year or paid for health insurance in retirement at the option of the employee. Sick leave is payable upon termination at their current pay rate times one-half the accumulated sick days up to a maximum number of hours listed above.

8. Long-Term Debt

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

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

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

8. Long-Term Debt (Continued)

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

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

10. Equity Classifications

Government-Wide Statements

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

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

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

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

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

10. Equity Classifications (Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance.

In 2011, the City implemented the following GASB statement:

GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions.*” The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The categories of fund balance presented in the City’s financial statements have changed as a result of implementing this Statement.

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitation the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Assigned – resources neither restricted nor committed for which a government has a stated intended use as established by the City Board or a body or official to which the City Board has delegated the authority to assign amounts for specific purposes.

Unassigned – resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

E. REVENUE RECOGNITION – ENTERPRISE FUNDS

The City of Evansville Sewer and Stormwater Utility user charges are regulated and established by the City Council. The City of Evansville Electric and Water Utilities operate under service rules, which are established by the Public Service Commission of Wisconsin. Rates charged are regulated by the Public Service Commission. Billings are made to customers on a monthly basis for water, electric, stormwater and sewer service.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

F. INCOME TAXES

The City of Evansville Utilities are municipal utilities. Municipal utilities are exempt from income taxes and therefore no income tax liability is recorded.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for all governmental funds of the City.

The budgeted amounts include any amendments made. Transfers between departments and changes to the overall budget must be approved by City Council. Appropriations lapse at year-end unless specifically carried over. Carryovers to the following year were \$0 for the general fund. There were carryovers in the capital projects fund shown as designated fund balance.

Limitations on the City Tax Levy

As part of Wisconsin's Act 25 (2005), legislation was passed that limits the city's future tax levies. In 2008 this legislation was amended and extended. Generally, the city is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the percentage change in the city's equalized value due to new construction. Changes in debt service from one year to the next are generally exempt from this limit.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Some individual expenditure line items experienced expenditures which exceeded appropriations. The detail of those items can be found in the City's year-end budget to actual report. By function general government expenditures exceeded the budget by \$7,476.

C. TAX INCREMENTAL FINANCING DISTRICTS

The City has four Tax Incremental Districts (TID). The transactions of the Districts are shown in the Capital Projects and Special Revenue Funds. TIDs are authorized by Section 66.1105 of the Wisconsin Statutes. It is a method by which the City can recover its project costs in designated districts of the City. Those costs are recovered through tax increments, which are placed on the tax rolls.

NOTE III- DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents/Investments

As previously discussed, cash for City funds is pooled for investment purposes. At December 31, 2011, the cash and investments consist of the following:

Petty cash/cash on hand	\$ 1,950
Deposits with financial institutions	6,924,903
Wisconsin Local Government Investment Pool	160,142
RESCO stock certificates	35,371
Mutual fund	25,050
	<u>\$ 7,147,416</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

A. Cash and Cash Equivalents/Investments (continued)

Cash and investments as of December 31, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

Cash and investments	\$ 3,131,120
Restricted cash	1,579,089

Fiduciary Funds:

Cash and investments	2,437,207
	<u>\$ 7,147,416</u>

Investments Authorized by Wisconsin Statutes

Investment of City funds is restricted by State statutes. Available investments are limited to:

- (1) Deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in this State if the time deposits mature in not more than three years;
- (2) Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government;
- (3) Bonds or securities of any county, drainage district, VTAE district, village, city, town, district or school district of this State;
- (4) Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's investor service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating;
- (5) Bonds or securities issued under the authority of the municipality;
- (6) The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes;
- (7) Agreements in which a public depository agrees to repay funds advanced to it by the City plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
- (8) Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- (9) Repurchase agreements with public depositories, with certain conditions.
- (10) Bonds issued by the University of Wisconsin Hospital and Clinics Authority.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity its fair value has to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from increasing

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

A. Cash and Cash Equivalents/Investments (continued)

Interest Rate Risk (continued)

interest rates. The City has \$160,142 invested in the Local Government Investment Pool (LGIP) which has an average maturity of 97 days. The City has Certificates of Deposit of \$15,223 that mature at varying dates. The average maturity is approximately 11 months.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investments choices. As of December 31, 2011, the City's investment in the Wisconsin Local Government Investment Pool was not rated. On a scale of one to five stars, the Mutual Fund was rated four stars by Morningstar Ratings.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the City would not be able to recover the value of its investment of collateral securities that are in the possession of another party. The City does not have an investment policy for custodial credit risk.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and \$250,000 for non-interest bearing accounts. As of January 1, 2011 through December 31, 2012 only noninterest bearing account are fully insured under the Dodd Frank Act. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

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

As of December 31, 2011, the City's deposits with financial institutions in excess of federal depository insurance limits were exposed to custodial credit risk as follows:

Uninsured and collateralized	\$ 5,324,684
Uninsured and uncollateralized	25,050
Total	<u>\$ 5,349,734</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

B. CAPITAL ASSETS

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

	Balance 1/1/11	Additions	Retirements	Balance 12/31/11
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 521,756	\$ -	\$ -	\$ 521,756
Infrastructure CWIP	439,080	79,080	(397,148)	121,012
Buildings CWIP	293,895	15,449	(309,344)	-
Total Non-Depreciable Capital Assets	<u>1,254,731</u>	<u>94,529</u>	<u>(706,492)</u>	<u>642,768</u>
Capital Assets being Depreciated				
Land improvements	1,785,390	63,472		1,848,862
Buildings and structures	2,419,060	311,320		2,730,380
Equipment	2,296,102	46,436	-	2,342,538
Infrastructure	4,132,216	418,640	-	4,550,856
Total Capital Assets being Depreciated	<u>10,632,768</u>	<u>839,868</u>	<u>-</u>	<u>11,472,636</u>
 Total Capital Assets	 11,887,499	 934,397	 (706,492)	 12,115,404
 Less Accumulated Depreciation	 <u>(3,688,592)</u>	 <u>(564,376)</u>	 <u>-</u>	 <u>(4,252,968)</u>
 Capital Assets Net of Depreciation	 <u>\$ 8,198,907</u>	 <u>\$ 370,021</u>	 <u>\$ (706,492)</u>	 <u>\$ 7,862,436</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 31,550
Public Safety	102,982
Public Works	290,687
Health and Human Services	6,784
Culture, Recreation and Education	<u>132,373</u>
 Total Governmental Activities Depreciation Expense	 <u>\$ 564,376</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

B. CAPITAL ASSETS (Continued)

	Balance 1/1/11	Additions	Retirements	Balance 12/31/11
Electric and Water				
Non-Depreciable Capital Assets:				
Land	\$ 76,448	\$ -	\$ -	\$ 76,448
Construction in progress	105,868	52,683	-	158,551
Total Non-Depreciable Capital Assets	182,316	52,683	-	234,999
Capital Assets being Depreciated				
Buildings and structures	685,091	-	-	685,091
Equipment	1,477,741	186,378	-	1,664,119
Infrastructure	21,350,770	479,556	(48,949)	21,781,377
Total Capital Assets being Depreciated	23,513,602	665,934	(48,949)	24,130,587
Total Capital Assets	23,695,918	718,617	(48,949)	24,365,586
Less Accumulated Depreciation	(6,637,637)	(636,862)	48,949	(7,225,550)
Capital Assets Net of Depreciation	<u>\$ 17,058,281</u>	<u>\$ 81,755</u>	<u>\$ -</u>	<u>\$ 17,140,036</u>

	Balance 1/1/11	Additions	Retirements	Balance 12/31/11
Wastewater Treatment:				
Non-Depreciable Capital Assets:				
Land	\$ 94,914	\$ -	\$ -	\$ 94,914
Construction in progress	7,241,997	48,126	(7,273,396)	16,727
Total Non-Depreciable Capital Assets	7,336,911	48,126	(7,273,396)	111,641
Capital Assets being Depreciated				
Buildings and structures	1,448,637	3,388,420	-	4,837,057
Equipment	1,333,086	3,884,976	-	5,218,062
Infrastructure	5,857,916	-	-	5,857,916
Total Capital Assets being Depreciated	8,639,639	7,273,396	-	15,913,035
Total Capital Assets	15,976,550	7,321,522	(7,273,396)	16,024,676
Less Accumulated Depreciation	(2,259,132)	(288,062)	-	(2,547,194)
Capital Assets Net of Depreciation	<u>\$ 13,717,418</u>	<u>\$ 7,033,460</u>	<u>\$ (7,273,396)</u>	<u>\$ 13,477,482</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

B. CAPITAL ASSETS (Continued)

	Balance 1/1/11	Additions	Retirements	Balance 12/31/11
Stormwater:				
Non-Depreciable Capital Assets:				
Construction in progress	\$ 65,217	\$ 54,524	\$ (119,741)	\$ -
Total Non-Depreciable Capital Assets	65,217	54,524	(119,741)	-
Capital Assets being Depreciated				
Land Improvements	-	119,741	-	119,741
Equipment	146,223	-	-	146,223
Total Capital Assets being Depreciated	146,223	119,741	-	265,964
Total Capital Assets	211,440	174,265	(119,741)	265,964
Less Accumulated Depreciation	(10,967)	(13,298)	-	(24,265)
Capital Assets Net of Depreciation	<u>\$ 200,473</u>	<u>\$ 160,967</u>	<u>\$ (119,741)</u>	<u>\$ 241,699</u>
	Balance 1/1/11	Additions	Retirements	Balance 12/31/11
Business-Type Activities				
Non-Depreciable Capital Assets:				
Land	\$ 171,362	\$ -	\$ -	\$ 171,362
Construction in progress	7,413,082	155,333	(7,393,137)	175,278
Total Non-Depreciable Capital Assets	7,584,444	155,333	(7,393,137)	346,640
Capital Assets being Depreciated				
Land improvements	-	119,741	-	119,741
Buildings and structures	2,133,728	3,388,420	-	5,522,148
Equipment	2,957,050	4,071,354	-	7,028,404
Infrastructure	27,208,686	479,556	(48,949)	27,639,293
Total Capital Assets being Depreciated	32,299,464	8,059,071	(48,949)	40,309,586
Total Capital Assets	39,883,908	8,214,404	(7,442,086)	40,656,226
Less Accumulated Depreciation	(8,907,736)	(938,222)	48,949	(9,797,009)
Capital Assets Net of Depreciation	<u>\$ 30,976,172</u>	<u>\$ 7,276,182</u>	<u>\$ (7,393,137)</u>	<u>\$ 30,859,217</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Water	\$ 177,256
Electric	459,606
Sewer	288,062
Stormwater	13,298
Total Business-Type Activities Depreciation Expense	<u>\$ 938,222</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

C. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

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

<u>Interfund Receivables and Payables</u>			
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Electric and Water	\$ 421,359	Operations
Electric and water	General	27,387	Operations
Electric and water	Sewer	54,449	Operations
Stormwater	Electric and Water	21,521	Operations
Sewer	Electric and Water	90,984	Operations
Sewer	Debt service	25,458	Debt
Subtotal fund financial statements		<u>\$ 641,158</u>	

The principal purpose of these interfunds is due to pooled cash between the governmental funds. In addition, the general fund collects delinquent utility charges that the utilities have placed on the current tax roll. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between funds are made.

Interfund Advances

The City has the following interfund advances outstanding:

<u>Advances</u>			
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	TIF 5	\$ 521,828	Capital
General	TIF 6	115,763	Capital
General	Stormwater	108,978	Capital
Subtotal general fund		746,569	
TIF 6	Capital	432,354	Capital
Debt service	Capital	437,679	Temporary Cash Flow
Electric and water	TIF 5	849,193	Capital
Sewer	TIF 5	290,147	Capital
Subtotal fund financial statements		<u>\$ 2,755,942</u>	
Total interfund receivables		\$ 641,158	
Total inter-fund advances		2,755,942	
less inter-fund eliminations		(2,735,252)	
Internal balances		<u>\$ 661,848</u>	

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

C. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (Continued)

The stormwater fund is set up for repayment with the general fund. Payments of \$16,470 per year include interest at 3.61%. None of the TIF advances are set up for repayment. The interest rate between the TIF 5, Special Revenue Fund and General Fund advances is 5.0% per year. No interest rates exist on the other advances. The advances to the TIF district are anticipated to be repaid from future tax increments.

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

The following is a schedule of interfund transfers:

<u>Transferred to</u>	<u>Transferred from</u>	<u>Amount</u>	<u>Purpose</u>
TIF 5	General	\$ 1,300	Fund allocation
General	Electric and Water	406,892	Tax equivalent
Capital	EMS	12,500	Fund allocation
Debt service	TIF 5	228,161	Debt payments
Debt service	TIF 6	75,740	Debt payments
Debt service	TIF 7	48,297	Debt payments
Debt service	EMS	25,450	Debt payments
Debt service	TIF 8	34,969	Debt payments
Subtotal fund statements		833,309	
less inter-fund eliminations		(426,417)	
Total per government-wide statements		<u>\$ 406,892</u>	

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

D. LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>1/1/11</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>12/31/11</u>
Governmental Activities				
General obligation notes	\$ 2,836,622	\$ -	\$ 378,737	\$ 2,457,885
General obligation bonds	3,710,000	-	65,000	3,645,000
State trust fund loans	721,358	303,000	225,126	799,232
Total Governmental General Obligation Debt	<u>7,267,980</u>	<u>303,000</u>	<u>668,863</u>	<u>6,902,117</u>
Capital Lease	93,338	-	45,523	47,815
WPPI loan		33,994	850	33,144
Note anticipation notes	131,000	-	131,000	-
Compensated absences	232,742	-	20,943	211,799
Total Governmental Long-Term Debt	<u>\$ 7,725,060</u>	<u>\$ 336,994</u>	<u>\$ 867,179</u>	<u>\$ 7,194,875</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

D. LONG-TERM OBLIGATIONS (Continued)

	Balance 1/1/11	Issued	Retired	Balance 12/31/11
Business-Type Activities				
General obligation notes	\$ 698,378	\$ 330,000	\$ 196,263	\$ 832,115
Note anticipation notes	119,000	-	119,000	-
WPPI loan	150,827	-	16,161	134,666
Mortgage revenue bonds	10,553,051	171,543	359,105	10,365,489
Total bonds and notes	<u>11,521,256</u>	<u>501,543</u>	<u>690,529</u>	<u>11,332,270</u>
Compensated absences	<u>141,761</u>	<u>-</u>	<u>22,421</u>	<u>119,340</u>
Total Business-Type Activities	<u>\$11,663,017</u>	<u>\$ 501,543</u>	<u>\$ 712,950</u>	<u>\$11,451,610</u>

GENERAL OBLIGATION DEBT

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

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2011 was \$16,122,170. Total general obligation debt outstanding at year-end was \$7,734,232.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

D. LONG-TERM OBLIGATIONS (Continued)

The following is a list of long-term obligations at December 31, 2011:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/11	Amounts Due within One Year
Governmental Activities						
General Obligation Debt						
2003 General Obligation Notes	4/1/2003	4/1/2013	1.3%-3.5%	\$ 350,000	\$ 82,900	\$ 41,200
2003 General Obligation Notes	10/1/2003	4/1/2013	1.4%-4.0%	297,000	117,000	55,000
2005 General Obligation Notes	8/9/2005	4/1/2015	3.50-3.80%	1,545,000	1,152,985	207,537
2007 G.O. Community Development Bonds	10/25/2007	4/1/2027	5.6%-6.3%	930,000	930,000	-
2007 G.O. Community Development Bonds	5/30/2007	4/1/2027	3.7%-4.25%	2,860,000	2,715,000	65,000
2007 STFL Loan	8/3/2007	3/15/2027	5.50%	500,000	450,625	18,233
2008 STFL Loan	1/8/2008	3/15/2012	4.75%	169,000	45,607	45,607
2009 G.O. (2008B NAN refunded)	4/30/2009	4/1/2027	2.30-5.10%	1,205,000	1,105,000	50,000
2011 STFL Loan	7/12/2011	3/15/2017	3.75%	144,000	144,000	23,275
2011 STFL Loan	7/12/2011	3/15/2021	3.75%	159,000	159,000	15,100
					<u>6,902,117</u>	<u>520,952</u>
Other Long-Term Debt						
WPPI Note	10/1/2011	10/1/2021	0.00%	33,994	33,144	3,399
Total Governmental Long-Term Bonds and Notes					<u>\$ 6,935,261</u>	<u>\$ 524,351</u>

The purpose of governmental activities long-term debt is to finance various capital improvements and Tax Incremental District planned projects. Debt service requirements to maturity are as follows:

Years	Governmental Activities Long-term notes and bonds		
	Principal	Interest	Total
2012	\$ 524,351	\$ 291,159	\$ 815,510
2013	525,081	273,804	798,885
2014	595,217	252,353	847,570
2015	607,742	229,059	836,801
2016	321,356	210,651	532,007
2017-2021	1,741,297	835,285	2,576,582
2022-2026	2,129,377	387,917	2,517,294
2027-2028	490,840	13,085	503,925
	<u>\$ 6,935,261</u>	<u>\$ 2,493,313</u>	<u>\$ 9,428,574</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

D. LONG-TERM OBLIGATIONS (Continued)
PROPRIETARY DEBT

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/11	Amounts Due within One Year
Business-Type Activities						
General Obligation Debt						
Electric and Water						
2003 General Obligation Notes	4/1/2003	4/1/2013	1.30-3.50%	\$ 500,000	\$ 117,100	\$ 58,800
2003 General Obligation Notes	10/1/2003	10/1/2013	1.40-4.00%	\$ 473,000	288,000	145,000
2011 General Obligation Notes	6/28/2011	6/28/2021	3.27%	\$ 330,000	330,000	33,000
Subtotal electric and water general obligation debt					<u>735,100</u>	<u>236,800</u>
Other Long-Term Debt						
Note Anticipation Notes	5/29/2008	4/1/2011	2.9%-3.4%	139,000	-	-
Mortgage Revenue Bonds						
2005 Mortgage Revenue Bonds	8/30/2005	5/1/2025	3.2-4.75%	3,250,000	2,800,000	100,000
2007 Mortgage Revenue Bonds	5/30/2007	5/1/2027	4.0-4.125%	2,615,000	2,465,000	100,000
2009 Revenue Bonds	9/24/2009	5/1/2022	2.40-4.70%	935,000	925,000	20,000
Total Electric and Water long-term notes and bonds					<u>6,925,100</u>	<u>456,800</u>
Sewer Utility						
2005 General Obligation Notes	8/9/2005	4/1/2015	3.50-3.80%	130,000	97,015	17,463
Subtotal sewer general obligation debt					97,015	17,463
Other Long-Term Debt						
WPPI Loan	3/25/2010	3/25/2020	0%	161,600	134,666	16,160
Mortgage Revenue Bonds						
2005 Clean Water Fund Debt	7/27/2005	5/1/2025	2.37%	1,602,737	1,197,853	73,175
2009 Clean Water Fund Debt	11/25/2009	5/1/2029	2.67%	50,000	2,977,636	131,026
Total Sewer long-term notes and bonds					<u>4,407,170</u>	<u>237,824</u>
Total Business-Type Activities long-term notes and bonds					<u>\$ 11,332,270</u>	<u>\$ 694,624</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

D. LONG-TERM OBLIGATIONS (Continued)

The purpose of business type activities long-term debt is to finance capital improvements. Debt service requirements to maturity are as follows:

Years	Business-Type activities Long-term notes and bonds		
	Principal	Interest	Total
2012	\$ 694,624	\$ 390,083	\$ 1,084,707
2013	717,350	366,645	1,083,995
2014	604,991	344,551	949,542
2015	625,491	324,023	949,514
2016	615,085	303,196	918,281
2017-2021	3,373,286	1,175,861	4,549,147
2022-2026	3,622,286	525,548	4,147,834
2027-2029	1,079,157	34,664	1,113,821
	\$ 11,332,270	\$ 3,464,571	\$ 14,796,841

OTHER DEBT INFORMATION

Estimated payments of accumulated employee benefits, leases and other commitments are not included in the above debt service requirements schedules.

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

CAPITAL LEASE

The City has a capital lease payable dated 7/11/08. The original amount outstanding was \$227,185 with interest at 5.05% and payments due each August 11 as follows:

	Principal	Interest	Total
2012	47,815	2,421	50,236
	\$ 47,815	\$ 2,421	\$ 50,236

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

D. LONG-TERM OBLIGATIONS (Continued)

General long-term obligations do not include water and sewer fund revenue bonds or bond anticipation notes issued in accordance with Wisconsin Statutes. The revenue bonds are secured by water and sewer revenue and are payable solely from water and sewer revenue of the water and sewer funds. The bonds do not constitute general indebtedness of the City.

Bond Covenant Disclosures

The following information is provided in compliance with the resolution creating the 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. Expiration for the following policies is September 1, 2011.

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

Type	Coverage
Valuation Policy	
Buildings, Personal Property, Inland Marine Floater & Property in the Open	\$ 28,155,714
Contractors Equipment	1,270,146
Monies and Securities	5,000
Accounts Receivable	20,000
Business Income	18,600
Motor Vehicle Comprehensive and Collision Group 1	758,648
Motor Vehicle Comprehensive and Collision Group 2	1,467,619

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

D. LONG-TERM OBLIGATIONS (Continued)

Debt Coverage – Water and Sewer-Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the annual debt service of the bonds. The coverage requirement was met as follows:

	Electric and	
	Water	Sewer
Annual debt service 2005 CWFL	\$ -	\$ 100,660
Annual debt service 2009 CWFL	-	196,987
Annual debt service 2005 bonds	226,613	-
Annual debt service 2007 bonds	152,006	-
Annual debt service 2009 bonds	48,130	-
Total debt service	426,749	297,647
Ratio	125%	110%
Net Revenues required	<u>\$ 533,436</u>	<u>\$ 327,412</u>
REVENUES		
Charges for Services	\$ 8,583,795	\$ 722,309
Other Operating Revenues	913	22,331
Total Operating Revenues	<u>8,584,708</u>	<u>744,640</u>
OPERATING EXPENSES		
Operation and Maintenance	7,417,748	330,368
Total expenses for coverage ratio calculation	<u>7,417,748</u>	<u>330,368</u>
Net from operations for coverage ratio calculation	1,166,960	414,272
NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	53,841	16,681
Miscellaneous Non-Operating Revenue	22,052	832
Capital Contributions and impact fees received	202,507	-
Net Revenues per bond ordinance	<u>\$ 1,445,360</u>	<u>\$ 431,785</u>
Net Revenues Above Required Amount	<u>\$ 911,924</u>	<u>\$ 104,373</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

D. LONG-TERM OBLIGATIONS (Continued)

Number of Customers – Water

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

	Customers	Sales (000 gals)
Residential	1,924	86,846
Commercial	185	14,818
Industrial	12	8,064
Public Authority	26	5,721
	<u>2,147</u>	<u>115,449</u>

E. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES

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

	Governmental	Water and Light	Sewer	Stormwater	Total Business-type
Capital assets	\$ 7,862,436	\$ 17,140,036	\$ 13,477,482	\$ 241,699	\$ 30,859,217
less current portion LT debt	(572,166)	(456,800)	(237,824)	-	(694,624)
less LT debt	(6,410,910)	(6,468,300)	(4,169,346)	-	(10,637,646)
less deferred regulatory credit	-	(340,443)	-	-	(340,443)
plus bond reserve	-	747,043	-	-	747,043
plus debt for non-capital items	1,250,625	-	-	-	-
Investment in capital assets, net	<u>\$ 2,129,985</u>	<u>\$ 10,621,536</u>	<u>\$ 9,070,312</u>	<u>\$ 241,699</u>	<u>\$ 19,933,547</u>

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

E. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES (Continued)

The following is a detail schedule of ending fund balances as reported in the fund financial statements.

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund:				
Advances	\$ 746,569	\$ -	\$ -	\$ -
Revolving loan	-	76,014	-	-
Building improvement grant	-	10,700	-	-
Prepaid expenses	27,316	-	-	-
Delinquent personal property taxes	8,660	-	-	-
Unassigned	-	-	-	1,267,041
Total General Fund	<u>782,545</u>	<u>86,714</u>	<u>-</u>	<u>1,267,041</u>
Debt Service Fund:				
Advances	437,679	-	-	-
Future debt service	-	-	209,227	-
Total Debt Service Fund	<u>437,679</u>	<u>-</u>	<u>209,227</u>	<u>-</u>
Capital Projects Fund:				
Bike path	-	-	4,791	-
Unassigned (Deficit)	-	-	-	(868,538)
Total Capital Projects Fund	<u>-</u>	<u>-</u>	<u>4,791</u>	<u>(868,538)</u>
TIF 5:				
Unassigned (Deficit)	-	-	-	(1,650,959)
Non-Major Governmental Funds:				
EMS	-	-	148,241	-
Cemetery	-	72,894	-	-
Library	-	85,065	-	-
TIF 6	-	-	323,250	-
TIF 7	-	-	279,668	-
TIF 8	-	-	51,138	-
Total Non-Major Governmental Funds	<u>-</u>	<u>157,959</u>	<u>802,297</u>	<u>-</u>
Grand Total	<u>\$ 1,220,224</u>	<u>\$ 244,673</u>	<u>\$ 1,016,315</u>	<u>\$ (1,252,456)</u>

The TIF deficit is anticipated to be recovered through future tax increments. The unassigned deficit in the capital projects fund is for capital expenses financed by TIF proceeds.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

NOTE IV – OTHER INFORMATION

A. EMPLOYEE’S RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN

All eligible City of Evansville employees participate in the Wisconsin Retirement System (WRS), a cost sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the WRS. Covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 5.9% of their salary (3.0% for Executives and Elected Officials, 5.0% for Protective Occupations with Social Security, and 3.2% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for the City of Evansville employees covered by the WRS for the year ended December 31, 2011 was \$2,031,232; the employer’s total payroll was \$2,211,341. The total required contribution for the year ended December 31, 2011 was \$262,458. Of this amount \$10,114 was paid by employees and \$252,344 was paid by the City. Total contributions for the years ending December 31, 2010 and 2009 were \$240,015 and \$217,977 respectively, equal to the required contributions for each year.

As part of Wisconsin’s Act 10 and 32 (2011), legislation was passed that prohibits employers from paying the employee portion of the required contribution on the employees’ behalf. Starting with the first payroll in September 2011, the City deducted the required contribution from employees pay. For the six months ending December 31, 2011 the required employee portion was 5.8% and for the calendar year 2012 the required portion is 5.9%.

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

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

B. RISK MANAGEMENT

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

C. DEFERRED REGULATORY CREDIT

In 2004 the Public Service Commission of Wisconsin required regulated utilities to create a deferred regulatory credit account. The amount of the credit was equal to the estimated accumulated depreciation on contributed utility plant as of December 31, 2003. The credit has the effect of reducing the rate base used by the Commission in approving user rates charged by the utilities. The credit is reported in the statement of net assets as a liability. The credit is being amortized to non-operating income over a period of 20 years. As of December 31, 2011, the balance was \$340,443.

D. COMMITMENTS AND CONTINGENCIES

Litigation

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

State Budget

Funding for the operating budget of the City comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the City. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the City.

E. PURCHASED POWER CONTRACT

The Evansville Water and Light has a long-term contract and purchases its power from WPPI, Wisconsin Public Power Incorporated. Purchased power expenses were \$5,897,967.

F. EVANSVILLE FIRE DISTRICT

The City of Evansville is a participant in the Evansville Fire Protection District ("District"), along with the townships of Brooklyn, Magnolia, Porter and Union. The entire city is within the district. Only portions of the aforementioned townships are included. The District was created on January 1, 1996. The District Board consists of 6 trustees; one from each township and two from the City. The District owns the Fire equipment. A budget is adopted annually by the District and each municipality contributes to the District based on the respective portion of equalized value within the District.

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

F. EVANSVILLE FIRE DISTRICT (Continued)

For 2011, the City contributed \$208,774 to the District for dues. The City's portion of the District's 2012 budget is \$209,520. The District issues separate financial statements.

The City has a residual non-equity interest of approximately 57.5% in the District.

G. EVANSVILLE MEDICAL EMERGENCY SERVICES

The City of Evansville provides emergency medical services to the city and portions of the Towns of Union, Brooklyn, Porter and Magnolia. The contract with the participating townships requires a payment of \$20 per capita. For 2011, the City received payments from the Townships in the amount of \$60,340.

H. SUBSEQUENT EVENTS

In 2012, the 2007 State Trust Fund loan was refinanced as a fifteen year, general obligation refunding bond with interest rates ranging from 1.25%-3.9%. The total borrowed in 2012 was \$460,000.

I. COMPONENT UNIT – HOUSING AUTHORITY OF THE CITY OF EVANSVILLE

This report contains the Housing Authority of the City of Evansville, which is included as a component unit. Financial information is presented as a discrete column in the government-wide statement of net assets and statement of activities. The financial information is reported as of and for the year ended December 31, 2011. In addition to the basic financial statements that apply, the following additional disclosures are considered necessary for a fair presentation.

(a) Basis of Accounting/Measurement Focus

The Housing Authority follows the full-accrual basis of accounting and the flow of economic resources measurement focus. The economic resources measurement focus means all assets and liabilities are recorded on the statement of net assets. Revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

(b) Cash and Cash Investments

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 at each depository. In addition the Wisconsin State Deposit Guarantee Fund insures deposits for up to \$400,000 per depository. The Authority had no deposits in excess of these limits. At year-end, the bank balance of the Authority's deposits was \$544,229. This included demand deposits of \$304,644 and CDs of \$239,585.

(c) Capital Assets

Capital assets included property, buildings, furniture and equipment. Capital assets are valued at historical cost or estimated historical cost. Donated assets are valued at fair market value at the date donated. Interest has not been capitalized. Depreciation is recorded using the straight-line method over the various lives of the assets which range from 3 to 40 years. A summary of the capital asset activity follows:

CITY OF EVANSVILLE
Notes to Financial Statements
December 31, 2011

I. COMPONENT UNIT – HOUSING AUTHORITY OF THE CITY OF EVANSVILLE
(Continued)

	<u>Balance</u> <u>1/1/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2011</u>
Non-depreciable capital assets:				
Land	\$ 25,758	\$ -	\$ -	\$ 25,758
Other improvements	522,588	1,342	-	523,930
Depreciable capital assets	144,734	39,678	(713)	183,699
Less: accumulated depreciation	<u>(437,055)</u>	<u>(21,022)</u>	<u>713</u>	<u>(457,364)</u>
Net Book Value	<u>\$ 256,025</u>	<u>\$ 19,998</u>	<u>\$ -</u>	<u>\$ 276,023</u>

REQUIRED SUPPLEMENTARY INFORMATION

**City of Evansville
Evansville, WI**

**Schedules of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (with Variances)
General Fund
For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 1,076,052	\$ 1,076,052	\$ 1,076,052	\$ -
Other Taxes	17,860	17,860	19,247	1,387
Intergovernmental	879,163	879,163	870,750	(8,413)
License and Permits	64,940	64,940	82,413	17,473
Fines, Forfeits and Penalties	113,000	113,000	123,780	10,780
Public Charges for Services	348,857	348,857	342,624	(6,233)
Interest Income	17,848	17,848	12,066	(5,782)
Miscellaneous Income	48,649	48,649	55,010	6,361
Total Revenues	<u>2,566,369</u>	<u>2,566,369</u>	<u>2,581,942</u>	<u>15,573</u>
EXPENDITURES				
Current:				
General Government	484,611	484,611	492,087	(7,476)
Public Safety	1,330,687	1,330,687	1,298,603	32,084
Public Works	726,624	726,624	674,061	52,563
Health and Human Services	32,110	32,110	32,110	-
Culture, Recreation and Education	261,378	261,378	237,524	23,854
Conservation and Development	56,860	56,860	43,518	13,342
Total Expenditures	<u>2,892,270</u>	<u>2,892,270</u>	<u>2,777,903</u>	<u>114,367</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(325,901)</u>	<u>(325,901)</u>	<u>(195,961)</u>	<u>129,940</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (including tax equivalent)	330,000	330,000	406,892	76,892
Total Other Financing Sources and Uses	<u>330,000</u>	<u>330,000</u>	<u>405,592</u>	<u>75,592</u>
Net Change in Fund Balances	4,099	4,099	209,631	205,532
Fund Balances - Beginning	1,926,669	1,926,669	1,926,669	-
Fund Balances - Ending	<u>\$ 1,930,768</u>	<u>\$ 1,930,768</u>	<u>\$ 2,136,300</u>	<u>\$ 205,532</u>

See accompanying notes to the basic financial statements.

OTHER SUPPLEMENTARY INFORMATION

**City of Evansville
Evansville, WI**

**Non-Major Funds
Combining Balance Sheet
December 31, 2011**

	<u>Special Revenue Funds</u>			<u>Capital Projects Funds</u>			<u>Non-Major Funds</u>
	<u>EMS</u>	<u>Library</u>	<u>Cemetery</u>	<u>TIF 6</u>	<u>TIF 7</u>	<u>TIF 8</u>	
ASSETS							
Cash and Cash Equivalents	\$ 135,373	\$ 92,229	\$ 77,449	\$ 6,659	\$ 244,295	\$ 51,138	\$ 607,143
Receivables:							
Taxes	105,693	186,395	67,353	79,429	2,992	51,949	493,811
Special Assessments	-	-	-	-	35,373	-	35,373
Accounts	26,107	-	-	-	-	-	26,107
							-
Prepaid Expenses	5,566	1,875	1,034	-	-	-	8,475
Advances Receivable	-	-	-	432,354	-	-	432,354
Total Assets	<u>\$ 272,739</u>	<u>\$ 280,499</u>	<u>\$ 145,836</u>	<u>\$ 518,442</u>	<u>\$ 282,660</u>	<u>\$ 103,087</u>	<u>\$ 1,603,263</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 12,668	\$ 4,175	\$ 2,677	\$ -	\$ -	\$ -	\$ 19,520
Accrued Liabilities	6,137	4,864	2,912	-	-	-	13,913
Deferred Revenue	105,693	186,395	67,353	79,429	2,992	51,949	493,811
Advances Payable	-	-	-	115,763	-	-	115,763
Total Liabilities	<u>124,498</u>	<u>195,434</u>	<u>72,942</u>	<u>195,192</u>	<u>2,992</u>	<u>51,949</u>	<u>643,007</u>
Fund Balance:							
Restricted	-	85,065	72,894	-	-	-	157,959
Assigned	148,241	-	-	323,250	279,668	51,138	802,297
Total Fund Balance	<u>148,241</u>	<u>85,065</u>	<u>72,894</u>	<u>323,250</u>	<u>279,668</u>	<u>51,138</u>	<u>960,256</u>
Total Liabilities and Fund Balances	<u>\$ 272,739</u>	<u>\$ 280,499</u>	<u>\$ 145,836</u>	<u>\$ 518,442</u>	<u>\$ 282,660</u>	<u>\$ 103,087</u>	<u>\$ 1,603,263</u>

See accompanying notes to the basic financial statements.

**City of Evansville
Evansville, WI**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Funds
For the Year Ended December 31, 2011**

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>			<u>Non-Major Funds</u>
	<u>EMS</u>	<u>Library</u>	<u>Cemetery</u>	<u>TIF 6</u>	<u>TIF 7</u>	<u>TIF 8</u>	
REVENUES							
Property Taxes	\$ 99,200	\$ 186,211	\$ 63,044	\$ 93,877	\$ 2,075	\$ 52,822	\$ 497,229
Other Taxes	-	-	-	-	6,868	-	6,868
Special Assessment Revenue	-	-	-	-	26,203	-	26,203
Intergovernmental	68,566	61,184	-	312	-	1,529	131,591
Public Charges for Services	265,678	17,450	31,300	-	8,930	-	323,358
Interest Income	-	551	580	-	10,064	-	11,195
Miscellaneous Income	-	6,221	1,515	3,571	-	6,768	18,075
Total Revenues	<u>433,444</u>	<u>271,617</u>	<u>96,439</u>	<u>97,760</u>	<u>54,140</u>	<u>61,119</u>	<u>1,014,519</u>
EXPENDITURES							
Current:							
General Government	-	-	-	3,100	-	-	3,100
Public Safety	361,714	-	-	-	-	-	361,714
Health and Human Services	-	-	97,284	-	-	-	97,284
Culture, Recreation and Education	-	276,506	-	-	-	-	276,506
Conservation and Development	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	550	550	1,100
Interest Expense	-	-	-	5,513	-	-	5,513
Total Expenditures	<u>361,714</u>	<u>276,506</u>	<u>97,284</u>	<u>8,613</u>	<u>550</u>	<u>550</u>	<u>745,217</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>71,730</u>	<u>(4,889)</u>	<u>(845)</u>	<u>89,147</u>	<u>53,590</u>	<u>60,569</u>	<u>269,302</u>
OTHER FINANCING SOURCES (USES)							
Transfers Out	<u>(37,950)</u>	<u>-</u>	<u>-</u>	<u>(75,740)</u>	<u>(48,297)</u>	<u>(34,969)</u>	<u>(196,956)</u>
Total Other Financing Sources and Uses	<u>(37,950)</u>	<u>-</u>	<u>-</u>	<u>(75,740)</u>	<u>(48,297)</u>	<u>(34,969)</u>	<u>(196,956)</u>
Net Change in Fund Balances	33,780	(4,889)	(845)	13,407	5,293	25,600	72,346
Fund Balances - Beginning	114,461	89,954	73,739	309,843	274,375	25,538	887,910
Fund Balances - Ending	<u>\$ 148,241</u>	<u>\$ 85,065</u>	<u>\$ 72,894</u>	<u>\$ 323,250</u>	<u>\$ 279,668</u>	<u>\$ 51,138</u>	<u>\$ 960,256</u>

See accompanying notes to the basic financial statements.