

AUDITED FINANCIAL STATEMENTS
CITY OF PRAIRIE DU CHIEN, WISCONSIN
DECEMBER 31, 2009

CITY OF PRAIRIE DU CHIEN, WISCONSIN
DECEMBER 31, 2009

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INDEPENDENT AUDITOR'S REPORT

The City Council
City of Prairie du Chien, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prairie du Chien, Wisconsin as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the City of Prairie du Chien, Wisconsin, which represents 100 percent of the assets, net assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Prairie du Chien, Wisconsin, is based on the report of the 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 provides a reasonable basis for our opinion.

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 Prairie du Chien, Wisconsin as of December 31, 2009, 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.

The City of Prairie du Chien, Wisconsin has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison schedule on page 51 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Prairie du Chien's basic financial statements. The combining fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

JOHNSON BLOCK AND COMPANY, INC.

Johnson Block and Company, Inc.

June 16, 2010

BASIC FINANCIAL STATEMENTS

Exhibit A-1
City of Prairie du Chien, Wisconsin
Statement of Net Assets
December 31, 2009

	Governmental Activities	Business-Type Activities	Total	Component Unit
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 4,789,149	\$ 748,433	\$ 5,537,582	\$ 302,762
Receivables				
Taxes	3,228,827		3,228,827	
Customer		517,719	517,719	
Unbilled revenue		110,350	110,350	
Other	119,147	556	119,703	
Due from other governments	238,515		238,515	
Internal balances	(341,575)	341,575		
Prepays	13,333		13,333	3,196
Materials and supplies	15,661	11,994	27,655	
	<u>8,063,057</u>	<u>1,730,627</u>	<u>9,793,684</u>	<u>305,958</u>
Noncurrent assets:				
Restricted Cash and Investments	780,702	2,346,055	3,126,757	3,210
Other assets:				
Unamortized debt issuance expense	282,908	42,786	325,694	
Special assessments receivable	247,921		247,921	
Long-term receivables				
Accounts	70,000		70,000	
Notes	1,655,329		1,655,329	
Total other assets	<u>2,256,158</u>	<u>42,786</u>	<u>2,298,944</u>	
Capital assets:				
Property Plant, and Equipment	14,317,071	19,136,046	33,453,117	1,354,789
Less: Accumulated Depreciation	4,907,470	5,208,540	10,116,010	794,802
Net book value of capital assets	<u>9,409,601</u>	<u>13,927,506</u>	<u>23,337,107</u>	<u>559,987</u>
Total noncurrent assets	<u>12,446,461</u>	<u>16,316,347</u>	<u>28,762,808</u>	<u>563,197</u>
Total Assets	<u>\$ 20,509,518</u>	<u>\$ 18,046,974</u>	<u>\$ 38,556,492</u>	<u>\$ 869,155</u>

Exhibit A-1 (Continued)
City of Prairie du Chien, Wisconsin
Statement of Net Assets
December 31, 2009

	Governmental Activities	Business-Type Activities	Total	Component Unit
Liabilities				
Current liabilities:				
Accounts Payable	\$ 499,995	\$ 146,438	\$ 646,433	\$ 3,645
Due to Other Governmental Units	84,735		84,735	6,999
Accrued Payroll				1,589
Accrued Interest	215,093	569	215,662	
Deferred Revenues	4,422,087		4,422,087	1
Deposits	30,878		30,878	3,210
Current portion of:				
Capital lease payable	1,892	4,730	6,622	
Compensated absences	55,383	17,756	73,139	
Bonds and notes payable	1,276,897	4,582	1,281,479	
Total current liabilities	6,586,960	174,075	6,761,035	15,444
Current Liabilities Payable from Restricted Assets:				
Accrued Interest		30,330	30,330	
Current Maturities of Long-term Debt		523,614	523,614	
Total Liabilities Payable from Restricted Assets		553,944	553,944	
Noncurrent liabilities:				
Mortgage revenue bonds payable		4,748,822	4,748,822	
Less: deferred amount on refunding		(7,080)	(7,080)	
Lease revenue bonds payable				
less deferred amount on refunding of \$ 150,950	5,964,050		5,964,050	
General obligation bonds and notes payable	9,467,174	371,393	9,838,567	
Capital lease payable	2,215		2,215	
Installment contract payable		4,730	4,730	
Compensated absences	274,104	112,290	386,394	
Less: current portion	(1,334,172)	(550,682)	(1,884,854)	
Total noncurrent liabilities	14,373,371	4,679,473	19,052,844	
Total Liabilities	20,960,331	5,407,492	26,367,823	15,444
Net Assets				
Investment in capital assets, net of related debt	1,268,461	8,795,481	10,063,942	559,987
Restricted	4,392,521	2,315,725	6,708,246	
Unrestricted (Deficit)	(6,111,795)	1,528,276	(4,583,519)	293,724
Net Assets	(450,813)	12,639,482	12,188,669	853,711
Total Liabilities and Net Assets	\$ 20,509,518	\$ 18,046,974	\$ 38,556,492	\$ 869,155

Exhibit A-2
City of Prairie du Chien, Wisconsin
Statement of Activities
For the Year Ended December 31, 2009

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business Type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 595,747	\$ 27,251	\$ 49,634	\$	\$ (518,862)	\$	\$ (518,862)
Public safety	1,708,177	62,572	42,992		(1,602,613)		(1,602,613)
Transportation Facilities	1,029,852	78,266	815,513		(136,073)		(136,073)
Sanitation	251,163	233,825	35,312		17,974		17,974
Health and human services	6,675				(6,675)		(6,675)
Leisure activities	808,230	185,336	52,184	35,028	(535,682)		(535,682)
Urban redevelopment and housing	25,527	250			(25,277)		(25,277)
Community and Economic Development	436,325	185,566	32,426	304,103	85,770		85,770
Interest and fiscal charges	769,309				(769,309)		(769,309)
Amortization	46,895				(46,895)		(46,895)
Total Expenses	5,677,900	773,066	1,028,061	339,131	(3,537,642)		(3,537,642)
Business-type activities:							
Water utility	625,929	808,765	3,474		186,310		186,310
Sewer utility	910,742	1,149,122	2,600		240,980		240,980
Total business-type activities	1,536,671	1,957,887	6,074		427,290		427,290
Total primary government	\$ 7,214,571	\$ 2,730,953	\$ 1,028,061	\$ 345,205	(3,537,642)		(3,110,352)
Component Unit:							
Housing authority	241,016	108,568	63,510	92,818			23,880
General Revenues:							
Property Taxes							
General purposes					\$ 2,106,422		\$ 2,106,422
Tax increments					1,724,555		1,724,555
Other taxes					61,652		61,652
Federal and State aid not restricted for specific purposes							
General					1,473,183		1,473,183
Interest and investment earnings					25,256	47,812	73,068
Gain (loss) on sale of fixed assets					127,910		127,910
Miscellaneous					33,794		33,794
Total general revenues					5,552,772	47,812	5,600,584
Special items:							
Transfers					133,903	(133,903)	
Total special items					133,903	(133,903)	
Changes in net assets					2,149,033	341,199	2,490,232
Net assets-beginning of year					(2,599,846)	12,298,283	9,698,437
Net assets-end of year					\$ (450,813)	\$ 12,639,482	\$ 12,188,669
							\$ 853,711

See accompanying notes to the basic financial statements.

Exhibit A-3
City of Prairie du Chien, Wisconsin
Balance Sheet
Governmental Funds
December 31, 2009

	General	Community Development Block Grant	Tax Increment District 6	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and investments	\$ 1,897,988	\$ 42,701	\$ 1,445,238	\$ 1,403,222	\$ 4,789,149
Restricted cash and investments			780,702		780,702
Receivables:					
Taxes	1,307,153		1,423,592	498,082	3,228,827
Special assessments	247,921				247,921
Accounts	32,762		2,950	83,435	119,147
Due from other governmental units	238,515				238,515
Due from other funds	163,356			48,036	211,392
Materials and supplies	15,661				15,661
Prepaid expenses	13,333				13,333
Long-term receivables:					
Accounts	70,000				70,000
Notes	3,000	1,234,945		417,384	1,655,329
Total Assets	\$ 3,989,689	\$ 1,277,646	\$ 3,652,482	\$ 2,450,159	\$ 11,369,976
<u>Liabilities</u>					
Accounts payable	\$ 198,988	\$ 14,756	\$ 41	\$ 286,210	\$ 499,995
Due to other governmental units	80,787			3,948	84,735
Due to other funds	275,750			171,596	447,346
Advance due to other funds				105,621	105,621
Deferred revenues	2,743,119	1,235,358	1,423,592	898,952	6,301,021
Deposits	30,878				30,878
Total Liabilities	3,329,522	1,250,114	1,423,633	1,466,327	7,469,596
<u>Fund Equity</u>					
Reserved	13,534	27,532	2,228,849	1,095,369	3,365,284
Unreserved					
Designated				172,291	172,291
Undesignated (deficit)	646,633			(283,828)	362,805
Total Fund Equity	660,167	27,532	2,228,849	983,832	3,900,380
Total Liabilities and Fund Equity	\$ 3,989,689	\$ 1,277,646	\$ 3,652,482	\$ 2,450,159	\$ 11,369,976

Exhibit A-4
City of Prairie du Chien, Wisconsin
Reconciliation of the Governmental Funds Balance Sheet
with the Statement of Net Assets
December 31, 2009

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund balances-governmental funds:	\$	3,900,380
Capital assets used in governmental funds are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:		
Governmental capital asset	14,317,071	
Governmental accumulated depreciation	<u>(4,907,470)</u>	9,409,601
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Long-term notes and loans		1,621,498
Special assessments		257,436
Payments for bond issuance costs are reported in the funds statement when expended, but are amortized over the life of the bond in the statement of net assets.		
		282,908
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds statements. Long-term liabilities reported in the statement of net assets that are not reported in the funds balance sheet are:		
General Obligation		(9,467,174)
Lease Revenue Bonds		(6,115,000)
Less: deferred amount on refunding		150,950
Capital Lease		(2,215)
Accrued interest on general obligation debt		(215,093)
Compensated absences		<u>(274,104)</u>
Net Assets of Governmental Funds	\$	<u>(450,813)</u>

Exhibit A-5
City of Prairie du Chien, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General	Community Development Block Grant	Tax Increment District 6	Other Government Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,340,919		\$ 1,316,363	\$ 421,311	\$ 4,078,593
Special assessments	22,994				22,994
Licenses and permits	25,994				25,994
Intergovernmental	2,638,551		65,236	77,404	2,781,191
Fines and forfeitures	33,393				33,393
Charges for services	454,051			25,915	479,966
Interest	12,003	42	8,512	3,629	24,186
Miscellaneous revenues	196,733	46,044		127,494	370,271
Total Revenues	5,724,638	46,086	1,390,111	655,753	7,816,588
Expenditures:					
Current:					
General government	551,285				551,285
Public safety	1,504,713				1,504,713
Transportation facilities	1,025,115			1,686	1,026,801
Sanitation	251,163				251,163
Health and social services	6,675				6,675
Leisure activities	656,112			28,020	684,132
Urban redevelopment and housing		57,138			57,138
Community and economic development	211,325		9,903	36,211	257,439
Capital Outlay:					
General government				150	150
Public safety			11,295	157,482	168,777
Transportation facilities	63,613		1,458	213,524	278,595
Leisure activities				101,013	101,013
Community and economic development	89,031			100,047	189,078
Debt Service:					
Principal Retirement	578,102		831,781	245,424	1,655,307
Interest and Fiscal Charges	298,121		383,437	76,425	757,983
Total Expenditures	5,235,255	57,138	1,237,874	959,982	7,490,249
Excess of Revenues Over (Under) Expenditures	489,383	(11,052)	152,237	(304,229)	326,339

Exhibit A-5 (Continued)
City of Prairie du Chien, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General	Community Development Block Grant	Tax Increment District 6	Other Government Funds	Total Governmental Funds
<u>Other Financing Sources (Uses):</u>					
Long-term debt proceeds			106,591	915,023	1,021,614
Debt issue costs			(12,225)	(2,374)	(14,599)
Transfer from water utility - tax equivalent	133,903				133,903
Transfer from other funds	24,000			73,555	97,555
Transfer to other funds	(5,000)	(15,000)	(32,525)	(45,030)	(97,555)
Total Other Financing Sources (Uses)	152,903	(15,000)	61,841	941,174	1,140,918
Net Change in Fund Balances	642,286	(26,052)	214,078	636,945	1,467,257
Fund Balance January 1	17,881	53,584	2,014,771	346,887	2,433,123
Fund Balance December 31	\$ 660,167	\$ 27,532	\$ 2,228,849	\$ 983,832	\$ 3,900,380

Exhibit A-6
City of Prairie du Chien, Wisconsin
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2009

Net change in fund balances-total governmental funds		\$ 1,467,257
Amounts reported for governmental activities in the statement of activities are different because:		
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.		
Capital outlay reported in governmental fund statements	676,209	
Depreciation expenses reported in the statement of activities	<u>(450,635)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		225,574
Compensated absences are reported in the governmental funds when amounts are paid. The statement of activities reports the amount earned during the year. The difference between the amount paid and earned was:		
		(52,114)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities		
The amount of long-term debt principal payments in the current year is:		1,655,307
The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds but does not affect the statement of activities		
		(1,021,614)
Repayment of housing rehabilitation loans are reflected as revenue in governmental funds, but are reported as a reduction of loans receivable in the statement of net assets and does not affect the statement of activities.		
		(121,990)
Additional housing rehabilitation loans are reflected as expenditures in governmental funds, but are reported as additions to loans receivable in statement of net assets and does not affect the statement of activities.		
		63,229

Exhibit A-6 (Continued)
City of Prairie du Chien, Wisconsin
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities (Continued)
For the Year Ended December 31, 2009

In governmental funds, special assessment collections are reflected as revenue when received.

In the statement of activities, revenue is recognized when assessed.

Amount collected	(22,994)	
Amount assessed		
Amount assessed is greater than collected by:		(22,994)

In the governmental funds, the bond issuance costs and the amount paid to the bond escrow from the advance refunding issue are reported as expenditures. However, the bond issuance costs and the deferred amount on refunding (difference between the amount of the bonds advance refunded and the refunding bonds) are shown in the statement of net assets and amortized over the term of the new bond issue in the statement of activities.

Amount of debt issuance costs and deferred amount on refunding	36,647	
Amount amortized	(46,895)	
		(10,248)

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.

The amount of interest paid during the current period	736,488	
The amount of interest accrued during the current period	(769,862)	
Interest paid is greater (less) than interest expensed by		(33,374)

Change in net assets-governmental activities		\$ 2,149,033
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Exhibit A-7
City of Prairie du Chien, Wisconsin
Statement of Net Assets
Proprietary Funds
December 31, 2009

	Water Utility	Sewer Utility	Totals
<u>Assets</u>			
<u>Current Assets:</u>			
Cash	\$ 527,022	\$ 221,411	\$ 748,433
Receivables:			
Customer accounts	225,002	292,717	517,719
Unbilled revenue	48,400	61,950	110,350
Other	530	26	556
Due from other funds	226,617	64,332	290,949
Materials and supplies	11,994		11,994
Total Current Assets	<u>1,039,565</u>	<u>640,436</u>	<u>1,680,001</u>
<u>Restricted Assets:</u>			
Cash and Investments			
Replacement account		987,774	987,774
Redemption account	210,746	1,000,636	1,211,382
Depreciation account	37,969	108,930	146,899
Total Restricted Assets	<u>248,715</u>	<u>2,097,340</u>	<u>2,346,055</u>
<u>Other Assets:</u>			
Unamortized debt issuance expense	25,840	16,946	42,786
Advance due from other funds	105,621		105,621
Total Other Assets	<u>131,461</u>	<u>16,946</u>	<u>148,407</u>
<u>Fixed Assets:</u>			
Property, plant and equipment	7,150,509	11,985,537	19,136,046
Less: accumulated depreciation	2,092,259	3,116,281	5,208,540
Net Property and Plant	<u>5,058,250</u>	<u>8,869,256</u>	<u>13,927,506</u>
Total Assets	<u>\$ 6,477,991</u>	<u>\$ 11,623,978</u>	<u>\$ 18,101,969</u>

Exhibit A-7 (Continued)
City of Prairie du Chien, Wisconsin
Statement of Net Assets
Proprietary Funds
December 31, 2009

	Water Utility	Sewer Utility	Totals
<u>Liabilities and Fund Equity</u>			
<u>Current Liabilities:</u>			
(Payable from Current Assets)			
Accounts payable	\$ 102,785	\$ 43,653	\$ 146,438
Accrued interest	234	335	569
Due to other funds	26,735	28,260	54,995
Compensated absences	8,788	8,968	17,756
Current maturities of installment contract		4,730	4,730
Current maturities of long-term debt	1,883	2,699	4,582
Total	140,425	88,645	229,070
<u>Current Liabilities:</u>			
(Payable from Restricted Assets)			
Accrued interest	18,602	11,728	30,330
Current maturities of long-term debt	206,856	316,758	523,614
Total	225,458	328,486	553,944
<u>Long-Term Liabilities:</u>			
Mortgage Revenue Bonds	2,454,554	2,294,268	4,748,822
Less: deferred amount on refunding	(7,080)		(7,080)
General obligation bonds	292,365	79,028	371,393
Installment note payable		4,730	4,730
Compensated absences	50,016	62,274	112,290
Less: current portion	(217,527)	(333,155)	(550,682)
Total Long-Term Liabilities	2,572,328	2,107,145	4,679,473
Total Liabilities	2,938,211	2,524,276	5,462,487
<u>Net Assets:</u>			
Investment in capital assets, net of related debt	2,304,251	6,491,230	8,795,481
Reserved	230,113	2,085,612	2,315,725
Unreserved	1,005,416	522,860	1,528,276
Total Net Assets	3,539,780	9,099,702	12,639,482
Total Liabilities and Net Assets	6,477,991	11,623,978	18,101,969
	\$ 6,477,991	\$ 11,623,978	\$ 18,101,969

Exhibit A-8
City of Prairie du Chien, Wisconsin
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2009

	Water Utility	Sewer Utility	Totals
<u>Operating Revenues:</u>			
Charges for Services	\$ 785,739	\$ 1,128,718	\$ 1,914,457
Other	23,026	20,404	43,430
Total Operating Revenues	808,765	1,149,122	1,957,887
<u>Operating Expenses:</u>			
Operation and Maintenance	395,084	562,646	957,730
Depreciation	146,893	252,587	399,480
Taxes	8,144	12,979	21,123
Total Operating Expenses	550,121	828,212	1,378,333
Net Operating Income	258,644	320,910	579,554
<u>Nonoperating Revenues (Expenses):</u>			
Interest Income	3,708	44,104	47,812
Interest Expense	(68,671)	(80,685)	(149,356)
Amortization Expense	(7,137)	(1,845)	(8,982)
Total Non-operating Revenues (Expenses)	(72,100)	(38,426)	(110,526)
Income Before Contributions and Transfers	186,544	282,484	469,028
Capital Contributions	3,474	2,600	6,074
Transfer of Tax Equivalent	(133,903)		(133,903)
Change in Net Assets	56,115	285,084	341,199
Net Assets - Beginning of Year	3,483,665	8,814,618	12,298,283
Net Assets - End of Year	\$ 3,539,780	\$ 9,099,702	\$ 12,639,482

Exhibit A-9
City of Prairie du Chien, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2009

	Business Type Activities- Enterprise Funds		
	Water Utility	Sewer Utility	Totals
<u>Cash Flows From (Used by) Operating Activities:</u>			
Received from customers	\$ 760,220	\$ 1,072,532	\$ 1,832,752
Payments to employees	(142,930)	(184,716)	(327,646)
Payments for employee benefits	(21,971)	(73,454)	(95,425)
Payments to suppliers	(540,714)	(443,866)	(984,580)
Net Cash Flows From Operating Activities	54,605	370,496	425,101
<u>Cash Flows (Used by) Noncapital Financing Activities:</u>			
Paid to municipality for tax equivalent	(133,903)		(133,903)
Net Cash Flows (Used by) Noncapital Financing Activities	(133,903)		(133,903)
<u>Cash Flows From (Used by) Capital and Related Financing Activities:</u>			
Payments for capital acquisitions	(54,497)	(156,617)	(211,114)
Capital contributions received	3,474	2,600	6,074
Debt issued	237,220	8,232	245,452
Principal payments	(197,185)	(332,917)	(530,102)
Interest paid	(67,106)	(80,471)	(147,577)
Net Cash Flows (Used by) Capital and Related Financing Activities	(78,094)	(559,173)	(637,267)
<u>Cash Flows From (Used by) Investing Activities:</u>			
Purchase of investments		(101,661)	(101,661)
Receipts of interest	3,708	44,104	47,812
Net Cash Flows From (Used by) Investing Activities	3,708	(57,557)	(53,849)
Net change in Cash and Cash Equivalents	(153,684)	(246,234)	(399,918)
Cash and Cash Equivalents - Beginning of Year	929,421	1,429,333	2,358,754
Cash and Cash Equivalents - End of Year	\$ 775,737	\$ 1,183,099	\$ 1,958,836

Exhibit A-9 (Continued)
City of Prairie du Chien, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2009

	Business Type Activities- Enterprise Funds		Totals
	Water Utility	Sewer Utility	
<u>Reconciliation of operating income to net cash provided</u>			
<u>by operating activities:</u>			
Operating Income	\$ 258,644	\$ 320,910	\$ 579,554
Noncash items in operating income:			
Depreciation Expense	152,249	252,587	404,836
Changes in assets and liabilities:			
Customer accounts receivable	(130,981)	(76,948)	(207,929)
Other accounts receivable	7	358	365
Due from other funds	(192,045)	(13,616)	(205,661)
Material and supplies	1		1
Compensated absences	6,866	8,531	15,397
Accounts payable	(7,733)	(66,561)	(74,294)
Due to other funds	(32,403)	(54,765)	(87,168)
 Net Cash Provided by Operating Activities	 \$ 54,605	 \$ 370,496	 \$ 425,101
 <u>Reconciliation of Cash and Cash Equivalents to</u>			
<u>Statement of Net Asset Accounts</u>			
Cash and investments	\$ 527,022	\$ 221,411	\$ 748,433
Restricted cash and investments	248,715	2,097,340	2,346,055
 Subtotal	 775,737	 2,318,751	 3,094,488
Less: Long-term investments		(1,135,652)	(1,135,652)
 Cash and cash equivalents	 \$ 775,737	 \$ 1,183,099	 \$ 1,958,836

Exhibit A-10
City of Prairie du Chien, Wisconsin
Statement of Net Assets
Fiduciary Funds
December 31, 2009

	Tax Collection Fund	Employee Benefit Accounts	Total Fiduciary Funds
Assets			
Cash and investments	\$	\$ 25,425	\$ 25,425
Taxes receivable	5,242,453		5,242,453
Total Assets	\$ 5,242,453	\$ 25,425	\$ 5,267,878
Liabilities			
Due to Other Governmental Units	\$ 5,242,453	\$	\$ 5,242,453
Due to employees		25,425	25,425
Total Liabilities	\$ 5,242,453	\$ 25,425	\$ 5,267,878

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Prairie du Chien, Wisconsin have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the City are described below:

A. Reporting Entity

The City of Prairie du Chien, Wisconsin was incorporated under the laws of Wisconsin. The City operates under a Common Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, water and sewer, and general administrative services.

The reporting entity for the City consists of the (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.

Included within the reporting entity:

Redevelopment Authority of the City of Prairie du Chien

The financial statements include the Redevelopment Authority of the City of Prairie du Chien as a component unit. The Redevelopment Authority is a legally separate organization. The board of the Redevelopment Authority is appointed by the City Council. The Redevelopment Authority also creates a potential financial benefit to or burden on the City. Since the Redevelopment Authority provides services entirely to the City, its transactions have been blended with the various funds of the City.

Prairie du Chien Housing Authority

The City has determined that the Prairie du Chien Housing Authority is a component unit of the City. The Prairie du Chien Housing Authority was created by the City of Prairie du Chien under the provisions of Section 66.40 to 66.404 of the Wisconsin Statutes. The central purpose of the Prairie du Chien Housing Authority is to provide the opportunity for the City of Prairie du Chien residents to live in decent, affordable and standard housing. The programs at the Prairie du Chien Housing Authority are created to enable Prairie du Chien families to improve their housing conditions. Its governing board is appointed by the City Council.

Audited financial statements of the Housing Authority can be obtained from its office in Prairie du Chien, Wisconsin.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

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

FUND FINANCIAL STATEMENTS

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

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

Funds are organized in 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. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is 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.

Major Governmental Funds:

The city reports the following major governmental funds:

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.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Cont.)

Community Development Block Grant Fund – Accounts for the activity of the City’s community development block grant program.

Tax Increment District No. 6 Fund – Accounts for the activity of tax incremental district No. 6, including the payment of general long-term debt principal, interest and related costs.

Major Enterprise Funds:

The City reports the following major enterprise funds:

Water Utility – Accounts for operations of the water system

Sewer Utility – Accounts for operations of the sewer system

Non-Major Governmental Funds:

The City reports the following non-major governmental funds:

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

- Redevelopment Authority
- DOD Community Development Block Grant
- Boat Landing
- Downtown Revolving Loan
- Library Trust
- Tax Increment District No. 1
- Storm Sewer
- Community Service
- Tax Increment District No. 2
- Tax Increment District No. 4
- Tax Increment District No. 5
- Tax Increment District No. 7
- Flood Disaster Relief
- Environmental Remediation District No. 1

Capital Improvements Fund – Accounts for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.

In addition, the City reports the following fund type:

Agency Fund - Accounts for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

- Tax agency
- Employee Benefit Accounts

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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 and sewer utility 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont.)

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

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

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

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

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

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

Revenues and expenditures arising from non-exchange transactions, such as property and sales taxes, fines, and grants are recorded according to the standards in Governmental Accounting Standards Board Statement 33 (GASB-33).

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 Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents/Investments

The City has pooled some cash resources of its funds. 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, all cash deposits and highly liquid investments with an original maturity of three months or less (including restricted assets) are considered to be cash equivalents.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost, which approximates fair value. Investments with a maturity of more than one year at acquisition and nonmoney market investments are carried at fair value as determined by quoted market prices.

E. 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 in the accompanying agency fund balance sheet.

Property tax calendar - 2009 tax roll:

Lien date and levy date	December 2009
Tax bills mailed	December 2009
Payment in full, or	January 31, 2009
First installment due	January 31, 2009
Second installment due	July 31, 2010
Personal property taxes in full	January 31, 2010
Tax sale- 2009 delinquent real estate taxes	October 2011

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

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

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

F. Inventories and Prepaid Items

Inventories of governmental fund types consist of expendable supplies held for consumption. Such items, which are not material, are considered expenditures when purchased and, accordingly, are not reflected on the Balance Sheet- Governmental Funds.

Inventories of proprietary fund types are valued at cost using the first-in, first-out method and are charged as expenditures when used.

G. 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.

H. 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 estimated useful life of two years or more and an initial cost of more than the following:

	Capitalize only
Land	
Land improvements	\$ 12,500
Buildings and improvements	25,000
Machinery and equipment	2,500
Vehicles	2,500
Infrastructure	25,000

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.

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

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	<u>Years</u>
Governmental Activities:	
Land improvements	20-30
Buildings	20-40
Machinery and Equipment	5-20
Business-Type Activities:	
Utility Systems	5-77

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.

I. Other Assets

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

J. Compensated Absences

Employees earn twelve sick days annually with a maximum accumulation of 105 days. Upon termination of employment in good standing, an employee (or the estate) will be paid 50% of the monetary value of his/her unused accumulated sick leave, or have 100% applied toward future health insurance premiums. Only benefits considered to be vested are disclosed in these statements.

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2009 are determined on the basis of current salary rates and include salary related payments.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Long-Term Obligations/Conduit Debt

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

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

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is \$3,130,000 made up of one issue.

L. 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.

M. 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt.
- 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 Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balances represent amounts not available for appropriation or is legally restricted by outside parties for use for a specific purpose. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled "designated". The balance of unreserved fund balance is labeled "undesignated", which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

N. Budgets

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1(C).

The City budget is adopted in accordance with state law. Budget amounts in the financial statements include appropriations authorized in the original budget resolution, designated carryovers from prior years, and subsequent revisions authorized by the City Council. Such revisions are required by a statutory provision which states that no expenditures can be made from an expired appropriation. The statutes also require publication of the budget revisions. Revisions require a majority vote of the Common Council. Appropriations for the general fund lapse at year end unless specifically carried forward by council action. A formal budget has not been adopted for the major special revenue funds. Control for Tax Increment District No. 6 is maintained by comparison to the project plan.

O. Transfers

Transfers include the payment in lieu of taxes from the water utility to the general fund.

P. Risk Management

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Q. Encumbrances

Encumbrances outstanding represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders at year-end are fulfilled. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not represent liabilities or expenditures. Encumbrance accounting applies only to governmental fund types. The City does not use encumbrance accounting.

R. Restricted Assts

Certain proceeds of enterprise fund revenue bonds and lease revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Income Tax

Municipal utilities are exempt from income taxes and, therefore, no income tax liability is recorded by the City of Prairie du Chien.

NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS
AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories.

- a. Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities.
- b. Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the statement of activities.
- c. Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred, and principal payments are recorded as a reduction of liabilities.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 3

CASH AND INVESTMENTS

As previously discussed, cash for all City funds is not pooled for investment purposes. At December 31, 2009, the cash and investments included the following:

Deposits with financial institutions	\$ 2,928,866
Wisconsin Local Government Investment Pool	4,718,724
Mutual Funds	318,466
Treasury Instruments Portfolio	723,128
Petty Cash	580
Total cash and investments	\$ 8,689,764

Cash and investments as of December 31, 2009 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 5,537,582
Cash and investments-restricted	3,126,757
Fiduciary Funds:	
Cash and investments	25,425
Total cash and investments	\$ 8,689,764

Investments Authorized by Wisconsin State Statutes

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

- Time deposits in any credit union, bank, savings bank, trust company or savings and loan association maturing in three years or less.
- Bonds or securities of any county, city, drainage district, technical college district, district, town, or school district of the state.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.
- Bonds issued by a local exposition district
- Bonds issued by a local professional baseball park district
- Bonds issued by the University of Wisconsin Hospital and Clinics Authority

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

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 the sensitivity of its fair value to changes in market interest rates.

The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)	
	Amount	12 Months or Less
Certificates of Deposit	\$ 1,288,972	\$ 1,288,972
Mutual Funds	318,466	318,466
Federal Agency Notes	723,128	723,128
Totals	\$ 2,330,566	\$ 2,330,566

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's investment policy does not further limit its investments. As of December 31, 2009, the City's investment in the Wisconsin Local Government Investment Pool, mutual funds and treasury instruments portfolio were not rated.

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 possession of another party. The City's investment policy requires all time deposits to be fully collateralized by bonds or securities issued or guaranteed by the federal government for any amounts exceeding \$500,000.

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 noninterest bearing accounts. In addition, the banks used by the City participate in the FDIC's transaction account guarantee program. Under this program, the FDIC provides unlimited protection to all accounts earning interest at .5% or less. This program is effective through December 31, 2010. 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.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

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, 2009, 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.

SWIB may invest in obligations of the U.S. Treasury and its agencies, Commercial Paper, Bank Time Deposits/Certificates of Deposit, Bankers' Acceptances, Asset Backed Securities and Repurchase Agreements secured by the U.S. Government or its agencies and other instruments authorized under State Investment Fund Investment guidelines.

Investment allocation in the local government investment pool as of December 31, 2009 was: 88% in U.S. Government Securities, 12% in FDIC insured deposit accounts. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

The League of Wisconsin Municipalities has sponsored the establishment of the Wisconsin Investment Trust to provide municipalities with another option for investing public funds. The Wisconsin Investment Trust is a fund comprised of U.S. government and federal agency securities and certain highly rated corporate debt securities and bank obligations, which are permitted for investment by municipalities under sec. 666.0603 (1m) (2). The average maturity of the fund ranges from 5 to 18 months, which is longer than the average maturity normally associated with money market funds. The funds net asset value changes daily as interest rates fluctuate. Eligible investors may invest funds in any amount without a sales charge. There is no minimum or maximum investment. Funds may be withdrawn at any time at net asset value.

As of December 31, 2009, all of the City's deposits with financial institutions were insured or collateralized.

Concentration of Credit Risk

The City's investment policy limits investments to no more than 25% in a single security or at a single financial institution. This excludes government and agency securities and authorized investment pools. At December 31, 2009, City investments were comprised of the following:

	%
Mutual Funds	5.5
Treasury Instruments Portfolio	12.6
Wisconsin Local Government Investment Pool	81.9
Total	100.0

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 4

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance 1/1/09	Additions	Deletions	Reclassification	Balance 12/31/09
Governmental Activities:					
Capital assets not being depreciated:					
Construction work in progress	\$	\$ 189,719	\$	\$	\$ 189,719
Land	2,411,217	64,946			2,476,163
Total capital assets not being depreciated	2,411,217	254,665			2,665,882
Other Capital Assets:					
Buildings and improvements	2,464,322	19,875		5,114	2,489,311
Machinery and equipment	2,257,314	207,289		2,530	2,467,133
Vehicles	1,411,402	37,586			1,448,988
Furniture and artwork	46,522	30,204			76,726
Land improvements	3,567,641	5,473		485,092	4,058,206
Infrastructure	1,482,444	121,117		(492,736)	1,110,825
Total other capital assets at historical costs	11,229,645	421,544			11,651,189
Less: Accumulated Depreciation for:					
Buildings and improvements	799,915	63,920			863,835
Machinery and equipment	1,566,045	122,418			1,688,463
Vehicles	916,077	61,296			977,373
Furniture and artwork	42,829	1,979			44,808
Land improvements	1,093,621	151,280			1,244,901
Infrastructure	38,348	49,742			88,090
Total Accumulated depreciation	4,456,835	450,635			4,907,470
Net Other Capital Assets	6,772,810	(29,091)			6,743,719
Total Net Capital Assets	\$ 9,184,027	\$ 225,574	\$	\$	\$ 9,409,601

GASBS No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The City has not capitalized infrastructure assets acquired prior to January 1, 2004.

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 36,685
Public Safety	70,339
Transportation facilities	233,959
Leisure activities	109,652
Total Governmental Activities Depreciation Expense	<u>\$ 450,635</u>

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 4

CAPITAL ASSETS (CONTINUED)

	Balance 1/1/09	Additions	Removals	Balance 12/31/09
<u>Business-Type Activities:</u>				
Capital assets not being depreciated:				
Intangible plant				
Construction work in progress	\$	\$ 17,864	\$	\$ 17,864
Land and land rights	75,605			75,605
Total capital assets not being depreciated	75,605	17,864		93,469
Capital assets being depreciated:				
Water:				
Wells and Springs	397,874			397,874
Structures and Improvements	258,595			258,595
Transmission and Distribution Equipment	6,084,780	45,565	(540)	6,129,805
Other Equipment	340,183			340,183
Sewer:				
Structures and Improvements	5,625,522			5,625,522
Transmission and Distribution Equipment	3,238,004	127,921	(23,000)	3,342,925
Equipment	2,940,909	19,764	(13,000)	2,947,673
Total Capital Assets Being Depreciated	18,885,867	193,250	(36,540)	19,042,577
Less: Accumulated Depreciation for:				
Water	1,940,550	152,249	(540)	2,092,259
Sewer	2,899,694	252,587	(36,000)	3,116,281
Total Accumulated Depreciation	4,840,244	404,836	(36,540)	5,208,540
Net Capital Assets Being Depreciated	14,045,623	(211,586)		13,834,037
Total Net Capital Assets	\$ 14,121,228	\$ (193,722)	\$	\$ 13,927,506

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Water	\$ 146,893
Sewer	252,587
Per Exhibit A-8	399,480
Allocation from water to sewer utility	5,356
Total	<u>\$ 404,836</u>

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 5

LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2009 was as follows:

	Beginning 1/1/09	Increases	Decreases	Balance 12/31/09	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable:					
General obligation bond and notes	\$ 9,267,233	\$ 1,021,614	\$ (821,673)	\$ 9,467,174	\$ 866,897
Lease revenue bonds	6,505,000		(390,000)	6,115,000	410,000
Total Bonds and Notes Payable	15,772,233	1,021,614	(1,211,673)	15,582,174	1,276,897
Other Liabilities:					
Land contract	441,780		(441,780)		
Capital lease	4,070		(1,855)	2,215	1,892
Compensated absences	221,990	52,114		274,104	55,383
Total Other Liabilities	667,840	52,114	(443,635)	276,319	57,275
Total Governmental Activities Long-Term Liabilities	\$ 16,440,073	\$ 1,073,728	\$ (1,655,308)	\$ 15,858,493	\$ 1,334,172
Business –Type Activities					
Bonds and Notes Payable:					
Mortgage revenue bonds	\$ 5,243,513	\$ 8,323	\$ (503,014)	\$ 4,748,822	\$ 523,614
Taxable general obligation bonds	138,100		(3,927)	134,173	4,582
General obligation notes	16,965	237,220	(16,965)	237,220	
Less amortized loss on advance refunding	(10,028)		2,948	(7,080)	
Subtotal	5,388,550	245,543	(520,958)	5,113,135	528,196
Other Liabilities					
Installment Contract	10,926		(6,196)	4,730	4,730
Compensated absences	96,893	15,397		112,290	17,756
Total other liabilities	107,819	15,397	(6,196)	117,020	22,486
Total Business-Type Activities Long-Term Liabilities	\$ 5,496,369	\$ 260,940	\$ (527,154)	\$ 5,230,155	\$ 550,682

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. 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.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

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, 2009 was \$17,808,570. Total general obligation debt outstanding at year-end was \$9,838,567.

General Obligation Debt

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/09
Governmental Activities:					
State Trust Note	9/29/93	3/15/13	5.75%	304,570	\$ 23,905
Taxable Bonds	5/20/03	12/1/22	4.1-5.50%	990,774	890,827
Taxable Refunding Bonds	5/27/03	3/15/21	5.15%	1,305,000	880,000
Bank Note	6/27/01	6/27/11	6.83%	180,000	25,791
Bank Note	8/1/01	12/1/10	4.50%	1,270,000	370,000
Bank Note	5/21/02	12/1/11	4.3-4.45%	350,000	145,000
Refunding Bonds	5/21/02	12/1/16	4.25-4.75%	1,670,000	1,375,000
State Trust Note	1/23/04	3/15/13	3.75%	339,870	165,865
Bank Note	5/2/04	8/1/14	6.05%	77,500	38,750
Bank Note	8/2/04	8/2/14	3.75%	350,000	215,000
Bank Note	6/1/05	6/1/11	1.25%	420,000	340,000
Refunding Bonds	12/27/07	12/1/20	3.7-4.20%	3,120,692	2,535,000
General Obligation Bonds	6/24/08	6/1/18	3.5-4.1%	590,000	590,000
State Trust Note	12/23/08	3/15/18	4.5%	838,503	838,503
General Obligation Notes	5/15/08	5/1/28	0%	16,198 (A)	16,198
State Trust Note	9/9/09	3/15/19	4.5%	258,488	258,488
State Trust Note	9/9/09	3/15/29	5.5%	636,980	636,980
State Trust Note	2/17/09	3/15/18	4.5%	121,867	121,867
Total Government Activities – General Obligation Debt					<u>\$ 9,467,174</u>

A) Total loan approved of \$682,500; \$16,198 drawn down at December 31, 2009.

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/09
Business-Type Activities					
Taxable general obligation bonds	5/20/03	12/1/22	4.1-5.50%	149,226	\$ 134,173
State Trust Note	09/9/09	3/15/29	5.50%	237,220	237,220
Total Business-Type Activities – General Obligation Debt					<u>\$ 371,393</u>

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-Type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2010	\$ 866,897	\$ 382,418	\$ 4,582	\$ 6,830
2011	1,229,582	389,177	6,494	26,373
2012	931,181	326,678	13,866	19,441
2013	914,448	287,158	14,995	18,725
2014	855,632	247,523	16,114	17,959
2015-2019	3,630,772	688,875	106,122	75,611
2020-2024	798,004	146,996	119,596	42,144
2025-2029	240,658	41,139	89,624	15,321
Totals	\$ 9,467,174	\$ 2,509,964	\$ 371,393	\$ 222,404

Revenue Debt

Revenue debt payable at December 31, 2009 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2009
Governmental Activities:					
Lease Revenue Bonds	8/23/05	9/1/20	4.35-4.375%	1,285,000	\$ 1,285,000
Lease Revenue Bonds	8/23/05	9/1/19	5.5-6.50%	5,945,000	4,830,000
Total Governmental Revenue Debt					<u>\$ 6,115,000</u>
Business-Type Activities:					
Revenue Bonds	8/1/01	9/1/12	4.75-5.00%	1,060,000	\$ 345,000
Revenue Bonds	4/29/92	5/1/11	3.888%	429,815	61,328
Revenue Bonds	9/1/00	9/1/14	5.50-5.60%	340,000	290,000
Revenue Bonds	9/1/00	5/1/14	5.4-5.60%	270,000	160,000
Revenue Bonds	4/27/94	5/1/13	3.529%	3,198,383	867,313
Revenue Bonds	4/28/04	5/1/23	1.419%	539,262	411,036
Revenue Bonds	10/22/08	5/1/28	2.365%	1,247,122 (B)	1,205,628
Revenue Bonds	10/22/08	5/1/28	1.419%	1,472,715 (C)	1,408,517
Total Business-Type Revenue Debt					<u>\$ 4,748,822</u>

B) Total approved loan of \$1,522,480; \$1,247,122 drawn at December 31, 2009.

C) Total approved loan of \$1,760,779; \$1,472,715 drawn at December 31, 2009.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

Debt service requirements to maturity are as follows:

Years	Governmental Activities Revenue Debt		Business-Type Activities Revenue Debt	
	Principal	Interest	Principal	Interest
2010	\$ 410,000	\$ 347,244	\$ 523,614	\$ 122,904
2011	435,000	324,694	539,552	104,658
2012	460,000	300,116	523,374	86,276
2013	485,000	273,666	548,759	67,635
2014	510,000	245,051	328,177	51,477
2015-2019	3,080,000	714,544	807,467	171,310
2020-2024	735,000	32,156	849,146	96,580
2025-2029			628,733	23,811
Totals	\$ 6,115,000	\$ 2,237,471	\$ 4,748,822	\$ 724,651

Lease Revenue Bonds

As security for the bonds, the Authority has entered into lease agreements with the City of Prairie du Chien. The term and amounts of the rent payments are the same as the payment dates and amounts of the lease revenue bonds. In addition, the Authority agrees to maintain a reserve account for each lease revenue bond issue equal to 10% of the principal amount of the bonds. Upon full and final payment of all bonds, the lease shall terminate and title to the leased property shall be transferred to the City.

The bonds are limited obligation of the Authority payable by it solely from the revenues and income derived by the Authority pursuant to the terms of the lease. It shall never be considered a general obligation of the Authority or the City.

Water System Mortgage Revenue Bonds

Under the terms of the bond resolutions, local officials must comply with certain requirements specified therein as discussed below:

Section 1 provides that the City of Prairie du Chien reserves the right to call and redeem bonds maturing on and after September 1, 2003 in whole or in part and, at the price of par plus accrued interest.

Section 5 provides for a lien on the system.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

Section 4 provides that income and revenues of the sewer utility shall be set aside into separate and special funds (bank accounts) as follows:

Account	Amount	Nature of Authorized Expenditure
Operation and Maintenance Fund		Paying current expenses in the operation and maintenance of system
Depreciation Fund	Revenue deposited monthly until and amount equal to 5% of annual revenues is accumulated.	New construction, repairs, replacements, extensions, or additions to the system
Special Redemption Fund	Monthly payments to be not less than 1/6 of interest next coming due, plus 1/12 of the principal next maturing	Paying current interest and principal on bonds
Debt Service Reserve Account (Part of Special Redemption Fund)	Reserve requirement of \$152,888. Should the balance in this account at any time be less than the reserve requirement, the City will then deposit \$5,000 monthly from the above funds which is in excess of the amounts required for the purpose of such funds. Such payments shall be continued until the account equals \$138,600.	Paying principal and interest in the event of a deficiency in the Special Redemption Fund

Section 5 requires that the "net revenues" of the system for each year be not less than 1.10 times the maximum annual debt service requirement. The City will pay an amount that year to pay the balance of an amount which together with the "net revenues" of the System will produce monies equivalent to not less than 1.10 times the maximum annual debt service requirement. For the year ended December 31, 2009, the "net revenues" of the system were \$471,399 or 1.61 times the annual debt service requirement.

Sewerage System Mortgage Revenue Bonds

Under the terms of the bond resolutions, local officials must comply with certain requirements specified therein as discussed below:

Section 1 provides that the City of Prairie du Chien reserves the right to call and redeem bonds maturing on and after December 1, 1998 in whole or in part and, at the price of par plus accrued interest.

Section 5 provides for a lien on the system.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

Section 3 provides that income and revenues of the sewer utility shall be set aside into separate and special funds (bank accounts) as follows:

Account	Amount	Nature of Authorized Expenditure
Operation and Maintenance Fund		Paying current expenses in the operation and maintenance of system
Depreciation Fund	Revenue deposited monthly until \$120,000 is accumulated.	New construction, repairs, replacements, extensions, or additions to the system
Special Redemption Fund	Monthly payments to be not less than 1/6 of interest next coming due, plus 1/12 of the principal next maturing	Paying current interest and principal on bonds
1994 Debt Service Reserve Account (Part of Special Redemption Fund)	Reserve requirement of \$124,700. Should the balance in this account at any time be less than the reserve requirement, the City will then deposit \$10,392 monthly from the above funds which is in excess of the amounts required for the purpose of such funds. Such payments shall be continued until the account equals \$124,700.	Paying principal and interest in the event of a deficiency in the Special Redemption Fund
2000 Debt Service Reserve Account (Part of a Special Redemption Fund)	Reserve requirement of \$27,000. Should the balance in this account at any time be less than the reserve requirement, the city will then deposit 1/12 of the reserve requirement monthly until the reserve requirement is attained.	Paying principal and interest in the event of a deficiency in the Special Redemption Fund.

Section 5 requires that the "net revenues" of the system for each year be not less than 1.20 times the annual debt service requirement. The City will pay an amount not to exceed the lesser of \$185,695 or such amount as may be necessary that year to pay the balance of an amount which together with the "net revenues" of the System will produce monies equivalent to not less than 1.20 times the annual debt service requirement. For the year ended December 31, 2009, the "net revenues" of the system were \$617,601 or 1.59 times the annual debt service requirement.

Other Installment Contracts Payable

On August 18, 2005, the City approved a five-year installment contract with Alliant Energy to install equipment to reduce emissions. The contract calls for 60 payments of \$530 at 2.02% interest. The balance of the contract at December 31, 2009 was \$4,730.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

Debt service payments are as follows:

Year	Business-Type Activities	
	Principal	Interest
2010	\$ 4,730	\$ 32

Capital Lease

During 2006, the City approved a five-year lease purchase agreement of \$9,000 at 3.07% related to a lighting project. The lease calls for sixty payments of \$162 beginning in March, 2006.

The following is a schedule by years of future minimum lease payments under the capital leases together with the present value of the set minimum lease payments as of December 31, 2009:

Year ended December 31,	Governmental Activities
2010	\$ 1,944
2011	324
Total minimum lease payment	2,268
Less: Amount representing interest	(53)
Present value of net minimum lease payments	\$ 2,215

Prior refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This difference, along with the unamortized debt discount on the callable bonds is reported in the accompanying financial statements as a deduction from bonds payable and is being charged to operations based on the amount of interest costs incurred annually to the total interest costs of the new issue.

NOTE 6

DEFINED BENEFIT PENSION PLAN

All eligible City of Prairie du Chien employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer defined public employee retirement system (PERS). All permanent employees expected to work at least 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 City employees covered by the WRS for the year ended December 31, 2009 was \$1,761,025; the employer's total payroll was \$2,103,831. The total required contribution for the year ended December 31, 2009 was \$212,769, which consisted of 12.1 percent of the covered payroll from the employer. Total contributions for the years ending December 31, 2008 and 2007 were \$216,566 and \$208,186, respectively, equal to the required contributions for each year.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Employees who retire at or after 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings are the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service 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 for and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report, which may be obtained by writing to the Department of Employee Trust Funds, Post Office Box 7931, Madison, Wisconsin 53707-7931.

NOTE 7

INTERFUND RECEIVABLES AND PAYABLES

The following is a schedule of interfund advances at December 31, 2009:

Receivable Fund	Payable Fund	Amount
Enterprise Funds:		
Water Utility	TIF #7	\$ 105,621

The advances to the TIF district are to pay for project costs incurred over and above amounts that had been originally borrowed to pay for these project costs. No repayment schedule has been established for these advances. The repayment of these advances is subject to the tax incremental financing districts generating sufficient increments to pay the debt service for funds borrowed and advanced.

The following is a schedule of interfund receivables and payables at December 31, 2009:

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General	TIF #7	\$ 121,798
General	Community Service	1,762
General	Water Utility	26,735
General	Sewer Utility	13,061
Capital Projects	TIF #7	2,479
Capital Projects	TIF #4	45,557
	Total	\$ 211,392
Proprietary Funds:		
Water Utility	Sewer Utility	\$ 15,199
Water Utility	General	211,418
Sewer Utility	General	64,332
	Total	\$ 290,949

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

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 7 INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

The following is a schedule of interfund transfers:

Fund Transfer To	Fund Transfer From	Amount
Government Funds:		
Redevelopment Authority	TIF #6	\$ 32,525
General	Library Trust	10,000
General	Water Utility – Tax Equivalent	133,903
General	Redevelopment Authority	14,000
Library Trust	General	5,000
TIF #4	TIF #5	21,030
Downtown Revolving Loan	CDBG	15,000
	Total	\$ 231,458
Proprietary Funds:		
General	Water Utility	\$ 133,903

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) used unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move fund balances whose designated purpose has been removed.

The transfer from the Downtown Revolving Loan fund to the Community Development Block Grant fund was for housing rehabilitation loans.

NOTE 8 EXCESS OF ACTUAL EXPENDITURES OVER BUDGET

The following expenditures exceeded budget appropriations in the general fund:

Expenditure	Excess Expenditure
Sanitation	\$ 13,563
Health and social services	4,675
Leisure activities	16,711
Community & economic development	21,172
Capital outlay	152,644
Interest and fiscal charges	23,722

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 9

DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes receivable for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At December 31, 2009 the various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Property tax receivable	\$ 2,415,404	\$	\$ 2,415,404
Tax increment receivable	1,921,675		1,921,675
Special assessments not yet due	257,436		257,436
Subsequent period prepayments		278	278
Mortgages Receivable	1,603,228		1,603,228
Long term receivable	103,000		103,000
Total Deferred Revenue for Governmental Funds	<u>\$ 6,300,743</u>	<u>\$ 278</u>	<u>\$ 6,301,021</u>

Postponed special assessments are generally collectible on annual installments from one to five years while others have been deferred until the property is sold or placed in service.

The mortgage receivable of \$1,603,228 represents various loans to homeowners and businesses that were originally financed from grants received by the City from the State of Wisconsin. Repayment of principal and interest on the mortgages is recorded as revenue in the community development block grant, DOD community block grant and downtown revolving loan special revenue funds and are used to finance additional loans.

The Tax Incremental Financing Districts were created under the provision of Wisconsin Statute 66.46. The purpose of that section is to allow a municipality to recover development and improvements costs in a designated area from the property taxes generated on the increased value of property after the creation date of the district. The tax on the increased value is called a tax increment.

NOTE 10

TAX INCREMENTAL DISTRICTS

Project costs may be incurred up to five years before the District's mandatory termination date. The statutes allow the municipality to collect tax increments until the net project cost has been fully recovered, or for a maximum of 23 years (TID's created before October 1, 1995) or 20 years (TID's created after September 30, 1995). TID's created after October 1, 2004 will have a maximum life of 27 years for blight elimination districts and 20 years for industrial and mixed use TID's. An industrial and mixed-use TID has the option to extend maximum life by 5 years. Project costs uncollected at the dissolution date are absorbed by the City.

	Creation Date	Last Date to Incur Project Costs	Final Dissolution Date
District #1	9/29/88	9/28/10	9/28/15
District #2	9/13/89	9/12/11	9/12/16
District #4	7/14/94	7/13/16	7/13/21
District #5	9/28/94	9/27/16	9/27/21
District #6	9/15/96	9/15/14	9/15/19
District #7	9/15/96	9/15/14	9/15/19

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 10

TAX INCREMENTAL DISTRICTS (CONTINUED)

Following is the cumulative status of the TIF Districts as of December 31, 2009:

	TIF #1	TIF #2	TIF #4	TIF #5	TIF #6	TIF #7
Revenues:						
Tax Increments	\$ 1,001,273	\$ 1,257,641	\$ 812,818	\$ 1,289,834	\$ 9,763,789	\$ 38,551
Intergovernmental	51,154	127,031	7,382	127,606	1,246,205	991
Interest	37,301	30,414	5,238	9,243	226,974	633
Other Income	276,488	32,345	25,711	178,179	805,726	47,085
Operating Transfers-In			21,030			
Total Revenues	1,366,216	1,447,431	872,179	1,604,862	12,042,694	87,260
Expenditures:						
Construction	686,117	921,297	969,658	1,361,475	7,424,756	276,922
Economic Development	544,093	622,696	51,491	53,253	2,963,885	52,504
Interest and Fiscal Charges	247,123	536,720	402,012	459,310	5,253,551	35,740
Bond Refunding Costs	2,780	5,617	332	5,663	360,719	594
Operating Transfers-Out				21,030	32,525	
Total Expenditures	1,480,113	2,086,330	1,423,493	1,900,731	16,035,436	365,760
Amount to be Recovered Through Future Increments	\$ 113,897	\$ 638,899	\$ 551,314	\$ 295,869	\$ 3,992,742	\$ 278,500
Accounts Payable	\$ 85,824	\$ 3	\$ 86,754	\$ 10	\$ 41	\$ 119
Long-term Debt						
Outstanding	217,430	654,946	483,732	405,715	6,221,591	60,468
Due to Other Fund			45,557			124,277
Advance due to Other Funds						105,621
Cash	(188,809)	(15,839)	(64,434)	(109,329)	(2,225,940)	(11,458)
Accounts Receivable	(548)	(211)	(295)	(527)	(2,950)	(527)
Amount to be Recovered Through Future Increments	\$ 113,897	\$ 638,899	\$ 551,314	\$ 295,869	\$ 3,992,742	\$ 278,500

The amount to be recovered shown above will be increased by interest payments made in the future and by interest to be charged on the advances from other funds.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 11

GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES

Governmental activities net assets reported on the government wide statement of net assets at December 31, 2009 includes the following:

GOVERNMENTAL ACTIVITIES

Invested in capital assets, net of related debt	
Land and construction work in progress	\$ 2,665,882
Other capital assets, net of accumulated depreciation	6,743,719
Less: related long-term debt outstanding	(8,560,149)
Add: unspent loan proceeds	419,009
Total Invested Capital Assets	<u>1,268,461</u>
Restricted for:	
TIF Expenditures	2,458,275
Long-Term Notes Receivable	1,725,329
Urban Redevelopment	68,967
Library Purposes	10,534
Flood Relief	51,317
Trust Purposes	78,099
Total Restricted	<u>4,392,521</u>
Unrestricted (deficit)	<u>(6,111,795)</u>
Total Governmental Activities Net Assets	<u>\$ (450,813)</u>

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 11 GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES (CONTINUED)

Governmental fund balances reported on the fund financial statements at December 31, 2009 includes the following:

GOVERNMENTAL FUND BALANCES

Reserved:	
Major Funds:	
General Fund:	
Long-Term Receivables	\$ 3,000
Library purposes	10,534
Community Development Block Grant:	
Urban Redevelopment	27,532
Tax Increment District No.6	
TIF Expenditures	2,228,849
Total	<u>2,269,915</u>
Non-Major Funds	
TIF Expenditures	229,426
Urban Redevelopment	68,967
Economic Development	67,115
Flood Relief	51,317
Trust Purposes	78,099
Boat Landing	117,516
Environmental Remediation District No. 1	63,920
Capital Projects:	
Unspent Bond Proceeds	419,009
Total Non-Major Funds	<u>1,095,369</u>
Total Reserved	<u>\$ 3,365,284</u>
Unreserved:	
Undesignated (deficit)	
Major Fund:	
General Fund	<u>\$ 646,633</u>
Non-Major Funds:	
Designated for:	
Capital Projects	140,310
Storm Sewer	31,981
Undesignated (deficit)	
TIF District No. 4	(67,582)
TIF District No. 7	(218,029)
Redevelopment Authority	1,783
Total Non-Major Funds	<u>(111,537)</u>
Total Unreserved	<u>\$ 535,096</u>

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE 12

SUBSEQUENT EVENTS

On February 17, 2010, the City issued \$815,000 of general obligation refunding bonds. The bonds mature serially through March 1, 2017 at interest rates of 1.25% to 4.1%. Debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$	\$ 10,557	\$ 10,557
2011	110,000	21,408	131,408
2012	110,000	19,758	129,758
2013	140,000	17,185	157,185
2014	150,000	13,438	163,438
2015-2017	305,000	14,423	319,423
Totals	<u>\$ 815,000</u>	<u>\$ 96,769</u>	<u>\$ 911,769</u>

On June 1, 2010, the City issued \$770,000 of general obligation refunding bonds. The bonds mature serially through June 1, 2019 at interest rates of 1.2% to 3.4%. Debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$	\$ 8,849	\$ 8,849
2011	60,000	17,338	77,338
2012	60,000	16,558	76,558
2013	65,000	15,569	80,569
2014	190,000	13,100	203,100
2015-2019	395,000	27,494	422,494
Totals	<u>\$ 770,000</u>	<u>\$ 98,908</u>	<u>\$ 868,908</u>

Subsequent to December 31, 2009, the City approved various public works projects of approximately \$430,000 and the purchase of a sludge truck for \$150,000.

NOTE 13

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT
PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Application of this standard may restate portions of these financial statements.

NOTE 14

COMPONENT UNIT

This report contains the Housing Authority of the City of Prairie du Chien (housing authority), which is included as a component unit. Financial information is presented as a discrete column in the combined balance sheet and combined statement of revenues, expenditures, and changes in fund balances. A copy of the Housing Authority audit report can be obtained at the Housing Authority offices.

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

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE A

SUMMARY OF ACCOUNTING POLICIES

A summary of the Housing Authority's significant accounting policies applied in the preparation of the accompanying financial statements follow:

1. Description of Entity

The Housing Authority was created by the City of Prairie du Chien under the provisions of Section 66.40 to 66.404 of the Wisconsin Statutes.

The central purpose of the Housing Authority of the City of Prairie du Chien is to provide the opportunity for elderly residents to live in decent, affordable and standard housing.

2. Measurement Focus and Basis of Accounting

The term measurement focus is used to denote what is being measured and reported in the Housing Authority's operating statement. The Housing Authority is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Housing Authority is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on the Housing Authority's operating statement. The Housing Authority uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

3. Assets, Liabilities and Equity

Deposits and Investments

The Housing Authority's cash and cash equivalents are considered to be cash and investments having original maturities of four years or less from the date of acquisition. Investments are stated at the lower of cost or market.

Receivables/Payables

Transactions between the Housing Authority and other funds of the municipality that are representative of lending/borrowing arrangements outstanding at year-end are referred to as advances to/from other funds.

The Housing Authority is charged tax equivalents due the City of Prairie du Chien at December 31, 2009. Payments in lieu of taxes of \$6,999 are treated as revenues in the General Fund of the City of Prairie du Chien.

Inventories

Materials and supplies inventories are valued at the lower of cost (first-in, first-out) or market.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE A SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Additions to the Housing Authority are recorded at cost or, if contributed property, at their estimated fair value at the date of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale and disposal of fixed assets is recorded by removing cost and accumulated depreciation.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

Use of Estimates

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 expenses during the reporting period. Actual results could differ from those estimates.

NOTE B CASH AND INVESTMENTS

The Authority's deposits and investments as of December 31, 2009:

	Bank Balance	Carrying Value
Petty Cash	\$ 200	\$ 200
Deposits covered by federal insurance	311,609	305,772
Totals	\$ 311,609	\$ 305,972

The Authority had no significant type of investment during the year not included in the above schedule.

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 noninterest bearing accounts.

Fluctuating cash flows during the year due to receipt of federal grants and/or proceeds from borrowing may have resulted in temporary balances exceeding insured amounts by substantially higher amounts.

NOTE C FIXED ASSETS

A summary of the Fixed Assets follows:

Land	\$ 16,499
Buildings	1,126,542
Building Improvement	47,810
Furniture and Equipment-Dwelling	135,707
Furn., Equip., and Machines-Admin	28,231
Total	1,354,789
Accumulated Depreciation	(794,802)
Net	\$ 559,987

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2009

NOTE C

FIXED ASSETS (CONTINUED)

A summary of depreciation rates and accumulated depreciation for the Housing Authority is as follows:

	Depr. Rate	Balance 1/1/2009	Depr. Expense	Retirements	Balance 12/31/2009
Building	2.5%	\$ 682,729	\$ 14,845	\$	\$ 697,574
Building Improvements	6.7%	17,477	27,744		45,221
Furniture & Equipment	10.0%	43,977	11,813	(3,783)	52,007
Totals		<u>\$ 744,183</u>	<u>\$ 54,402</u>	<u>\$ (3,783)</u>	<u>\$ 794,802</u>

NOTE D

COMPENSATED ABSENCES

No accrual of compensated absences has been made because all employees are part-time and no benefits for absences are given.

NOTE E

RISK MANAGEMENT

The Housing Authority is exposed to various risks of loss to torts; theft, damage, and destruction of assets; errors and emissions; and natural disasters for which the Housing Authority carries commercial insurance. There has been no significant reduction in insurance coverage from the previous year. In addition, there have been no settlements in excess of coverage in any of the prior three fiscal years.

NOTE F

ECONOMIC DEPENDENCY

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

Required Supplementary Information

Exhibit B-1
Required Supplementary Information

City of Prairie du Chien, Wisconsin
Budgetary Comparison Schedule for the General Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variances - Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
Revenues:					
Taxes	\$ 2,338,624	\$ 2,338,624	\$ 2,340,919	\$ 2,295	\$ 2,295
Special assessments	9,817	9,817	22,994	13,177	13,177
Licenses and permits	33,580	33,580	25,994	(7,586)	(7,586)
Intergovernmental	2,287,605	2,287,605	2,638,551	350,946	350,946
Fines and forfeitures	38,000	38,000	33,393	(4,607)	(4,607)
Charges for services	476,162	476,162	454,051	(22,111)	(22,111)
Interest income	36,800	36,800	12,003	(24,797)	(24,797)
Miscellaneous	59,700	59,700	196,733	137,033	137,033
Total Revenues	5,280,288	5,280,288	5,724,638	444,350	444,350
Expenditures:					
General government	865,635	865,635	551,285	314,350	314,350
Public safety	1,556,257	1,556,257	1,504,713	51,544	51,544
Transportation facilities	1,041,741	1,041,741	1,025,115	16,626	16,626
Sanitation	237,600	237,600	251,163	(13,563)	(13,563)
Health and social services	2,000	2,000	6,675	(4,675)	(4,675)
Leisure activities	639,401	639,401	656,112	(16,711)	(16,711)
Community and economic development	190,153	190,153	211,325	(21,172)	(21,172)
Capital outlay			152,644	(152,644)	(152,644)
Debt service:					
Principal retirement	578,102	578,102	578,102		
Interest and fiscal charges	274,399	274,399	298,121	(23,722)	(23,722)
Total Expenditures	5,385,288	5,385,288	5,235,255	150,033	150,033
Excess (Deficiency) of Revenues Over Expenditures	(105,000)	(105,000)	489,383	594,383	594,383
Other Financing Sources (Uses):					
Transfer to other funds			(5,000)	(5,000)	(5,000)
Transfer from water utility-tax equivalent	105,000	105,000	133,903	28,903	28,903
Transfer from other funds			24,000	24,000	24,000
Net Change in Fund Balances			642,286	642,286	642,286
Fund Balance - Beginning of Year	17,881	17,881	17,881		
Fund Balance - End of Year	\$ 17,881	\$ 17,881	\$ 660,167	\$ 642,286	\$ 642,286

Supplementary Information

Exhibit C-1
City of Prairie du Chien, Wisconsin
Statement of Net Assets
Non-major Funds
December 31, 2009

	Special Revenue Funds						
	DOD						
	Community Development Block Grant	Downtown Revolving Loan	Boat Landing	Library Trust	Tax Increment District 1	Tax Increment District 2	Tax Increment District 4
Assets:							
Cash and investments	\$ 68,967	\$ 67,115	\$ 117,532	\$ 78,099	\$ 188,809	\$ 15,839	\$ 64,434
Receivables:							
Taxes receivable					69,919	137,324	111,204
Accounts receivable		33,000			548	211	295
Loans receivable	249,592	118,278					
Due from other funds							
Total Assets	\$ 318,559	\$ 218,393	\$ 117,532	\$ 78,099	\$ 259,276	\$ 153,374	\$ 175,933
Liabilities:							
Accounts payable	\$	\$	\$ 16	\$	\$ 85,825	\$ 3	\$ 86,754
Due to other governmental units							
Due to other funds							45,557
Advance due to other funds							
Deferred revenues	249,592	151,278			69,919	137,324	111,204
Total Liabilities	249,592	151,278	16		155,744	137,327	243,515
Fund Balances:							
Reserved	68,967	67,115	117,516	78,099	103,532	16,047	
Unreserved:							
Designated							
Undesignated (deficit)							(67,582)
Total Fund Balances	68,967	67,115	117,516	78,099	103,532	16,047	(67,582)
Total Liabilities and Fund Equity	\$ 318,559	\$ 218,393	\$ 117,532	\$ 78,099	\$ 259,276	\$ 153,374	\$ 175,933

Exhibit C-1 (Continued)
City of Prairie du Chien, Wisconsin
Statement of Net Assets
Non-major Funds
December 31, 2009

Special Revenue Funds

Tax Increment District 5	Tax Increment District 7	Flood Disaster Relief	Redevelopment Authority	Environmental Remediation District #1	Community Service	Storm Sewer	Capital Projects	Total
\$ 109,329	\$ 11,458	\$ 1,803	\$ 2,042	\$ 63,920	\$	\$ 31,981	\$ 581,894	\$ 1,403,222
159,456	6,850			13,329				498,082
527	527		2,809		1,762		43,756	83,435
		49,514						417,384
							48,036	48,036
\$ 269,312	\$ 18,835	\$ 51,317	\$ 4,851	\$ 77,249	\$ 1,762	\$ 31,981	\$ 673,686	\$ 2,450,159
\$ 9	\$ 116	\$	\$ 3,068	\$	\$	\$	\$ 110,419	\$ 286,210
	124,277				1,762		3,948	3,948
	105,621							171,596
159,456	6,850			13,329				105,621
159,465	236,864		3,068	13,329	1,762		114,367	1,466,327
109,847		51,317		63,920			419,009	1,095,369
	(218,029)		1,783			31,981	140,310	172,291
								(283,828)
109,847	(218,029)	51,317	1,783	63,920		31,981	559,319	983,832
\$ 269,312	\$ 18,835	\$ 51,317	\$ 4,851	\$ 77,249	\$ 1,762	\$ 31,981	\$ 673,686	\$ 2,450,159

Exhibit C-2
City of Prairie du Chien, Wisconsin
Statement of Changes in Net Assets
Non-major Funds
For the Year Ended December 31, 2009

	Special Revenue Funds						
	DOD						
	Community Development Block Grant	Downtown Revolving Loan	Boat Landing	Library Trust	Tax Increment District 1	Tax Increment District 2	Tax Increment District 4
Revenues:							
Taxes	\$	\$	\$	\$	\$ 72,478	\$ 65,629	\$ 108,104
Intergovernmental					1,221	521	766
Charges for services			25,915				
Interest	106	99	88	626	515	1,269	20
Miscellaneous	15,883	23,887					
Total revenues	15,989	23,986	26,003	626	74,214	67,419	108,890
Expenses:							
Transportation			1,686				
Leisure							
Community and economic development	10,192				9,888	375	9,371
Debt service:							
Principal retirement					38,448	77,492	67,162
Interest and fiscal charges					14,593	6,171	25,722
Capital outlay							
General							
Public safety					2,097	807	90,690
Transportation					88,833	104	146
Leisure activities							
Community and economic development							
Total Expenditures	10,192		1,686		153,859	84,949	193,091
Excess of Revenues (Expenditures)	5,797	23,986	24,317	626	(79,645)	(17,530)	(84,201)
Other Financing Sources:							
Long-term debt proceeds					142,007	7,620	73,122
Debt issue costs					(617)	(237)	(332)
Operating transfers in		15,000		5,000			21,030
Operating transfers out				(10,000)			
Total Other Financing Sources		15,000		(5,000)	141,390	7,383	93,820
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	5,797	38,986	24,317	(4,374)	61,745	(10,147)	9,619
Fund Balances, Beginning	63,170	28,129	93,199	82,473	41,787	26,194	(77,201)
Fund Balances, Ending	\$ 68,967	\$ 67,115	\$ 117,516	\$ 78,099	\$ 103,532	\$ 16,047	\$ (67,582)

Exhibit C-2 (Continued)
City of Prairie du Chien, Wisconsin
Statement of Changes in Net Assets
Non-major Funds
For the Year Ended December 31, 2009

Special Revenue Funds									
Tax Increment District 5	Tax Increment District 7	Flood Disaster Relief	Redevelopment Authority	Environmental Remediation District #1	Community Service	Storm Sewer	Capital Projects	Total	
\$ 155,246	\$ 6,735	\$	\$	\$ 13,119	\$	\$	\$	\$ 421,311	
1,451	591		28,996	102			43,756	77,404	
								25,915	
209	1		13	664		19		3,629	
901	4,524		30,000		28,020	24,279		127,494	
157,807	11,851		59,009	13,885	28,020	24,298	43,756	655,753	
								1,686	
					28,020			28,020	
938	2,444			3,003				36,211	
55,694	6,628							245,424	
20,538	1,611			7,790				76,425	
							150	150	
2,018	512						61,358	157,482	
261	261					228	123,691	213,524	
							101,013	101,013	
			36,182				63,865	100,047	
79,449	11,456		36,182	10,793	28,020	228	350,077	959,982	
78,358	395		22,827	3,092		24,070	(306,321)	(304,229)	
51,553	36,442		4,279				600,000	915,023	
(594)	(594)							(2,374)	
			32,525					73,555	
(21,030)			(14,000)					(45,030)	
29,929	35,848		22,804				600,000	941,174	
108,287	36,243		45,631	3,092		24,070	293,679	636,945	
1,560	(254,272)	51,317	(43,848)	60,828		7,911	265,640	346,887	
\$ 109,847	\$ (218,029)	\$ 51,317	\$ 1,783	\$ 63,920	\$	\$ 31,981	\$ 559,319	\$ 983,832	

Exhibit C-3
 Prairie du Chien Water and Sewer Utilities
 Schedule of Insurance
 December 31, 2009

Type	Coverage	Term
Property	\$24,116,735 \$1,318,995 Contractor's Equipment ACV Motor Vehicle Comprehensive ACV Collision \$ 30,000 Monies and Securities	1/1/09 - 1/1/10
General Liability	\$2,000,000 Aggregate; \$1,000,000 per occurrence \$ 500,000 Fire Damage	1/1/09 - 1/1/10
Auto	\$1,000,000 Liability	1/1/09 - 1/1/10
Worker's Compensation	\$ 500,000/Accident \$ 500,000/Disease/Employee \$ 500,000/Disease/Policy Limit	1/1/09 - 1/1/10
Linebacker	\$1,000,000/Loss/Aggregate	1/1/09 - 1/1/10
Umbrella	\$4,000,000/Loss/Aggregate	1/1/09 - 1/1/10

Exhibit C-4
Prairie du Chien Water and Sewer Utilities
Other Information
December 31, 2009

1. The number of connections to the system at the end of the year were as follows:

	<u>Number</u>	<u>Gallons (000's)</u>
Residential	2,025	100,067
Commercial	311	152,582
Industrial	19	133,057
Public Authority	44	45,190
Sales for Resale	1	15,932
Totals	<u>2,400</u>	<u>446,828</u>



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COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

To the City Council
City of Prairie du Chien, Wisconsin

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Prairie du Chien, Wisconsin as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Prairie du Chien's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Prairie du Chien's internal control. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the City of Prairie du Chien's internal control to be material weaknesses:

Segregation of Duties

The size of the office staff precludes a proper segregation of functions to assure adequate internal control. This is not unusual in organizations of your size, but management should continue to be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge and monitoring of matters relating to the City's operations.

Preparation of Financial Statements

The City's staff does not prepare the financial statements and accompanying notes. It has designated an individual responsible for reviewing and accepting the financial statements and related notes.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the material weakness described above and the following deficiencies in the City's internal control to be significant deficiencies:

Bond Activity

The debt service and reserve accounts on the redevelopment lease refunding bonds are maintained at a financial institution. The City makes required deposits to these funds and the financial institution invests the funds and makes the bond payments. The City receives statements from the financial institution detailing the activity in the funds. The journal entry made to the general ledger to reflect this activity was not correct.

Cash Disbursement Procedures

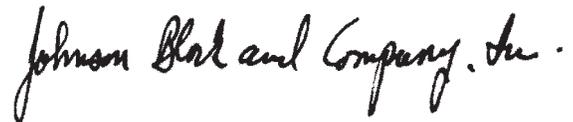
Presently, individuals with computer access to the cash disbursement cycle can enter invoices and generate checks with authorized signatures. A password should be established for the various stages of the disbursement cycle to limit access by unauthorized individuals.

Other observations are summarized on the attached page.

This communication is intended solely for the information and use of management, the City Council, and others within the administration, and is not intended to be and should not be used by anyone other than these specified parties.

June 16, 2010

JOHNSON BLOCK AND COMPANY, INC.

A handwritten signature in cursive script that reads "Johnson Block and Company, Inc." with a period at the end.

PRIOR YEAR ITEMS

Budgets

It was noted that several areas were over budget. The budget should be compared to actual revenues/expenditures on a regular basis. When it appears that expenditures will exceed the budget, the budget should be amended according to state statute. A resolution should be adopted indicating which functions are being amended and where the transfers are being taken from.

2009 Update

This still applies for 2009.

Cash and Investments

There were instances when the average daily bank balance exceeded the coverage provided by federal depository insurance. In addition, the balance of the State Deposit Guaranty Fund (state depository insurance) is limited. As such, a material amount of losses by individual municipalities may exhaust the fund so that recovery by individual municipalities would not be significant. We recommend the City consider the following to reduce this risk:

- A. Determine whether its present depositories can obtain additional insurance coverage. We have noted several banks which have now obtained a bank deposit guaranty bond to insure public entity deposits.
- B. Develop a system to analyze the financial stability of potential depositories. This would include receiving rating reports from credit rating bureaus such as Standard and Poor's, Moody's, etc. City policy could then be to not use any depository with a rating below a certain level.
- C. Depending on interest rates, consider investing more funds in U.S. securities versus certificates of deposits.
- D. Investigating the use of repurchase agreements to invest excess daily funds. This would also result in increased interest earnings for the City.

2009 Update

All City deposits were fully insured or collateralized at December 31, 2009.

TIF District Funds

Presently, the City records all debt payments in the general fund and payments are made by the various TIF districts to the general fund to reimburse the fund for the District's proportionate share of the debt service payment. The general fund then reflects the receipt of these payments as revenue.

We recommend the City allocate the TIF portion of any debt payments directly to the District when paid. This will avoid the additional work of issuing vouchers from the TIF Districts to pay back the general fund and the receipting of the funds in the general fund. In addition, it will eliminate the additional time it takes to reclassify this revenue in the general fund for financial reporting purposes.

2009 Update

This was done for 2009. The City should still budget for any excess of expenditures over revenues in those TIF districts with a deficit fund balance.

Accounts Receivable

The City has \$2,906 of receivables related to 2007 or earlier. We recommend that the City determine the status of these receivable and write off uncollectible amounts.

2009 Update

Accounts receivable at December 31, 2009 includes \$2,906 of items related to 2007 or earlier. This recommendation still applies for 2009.

Old Outstanding Checks

The payroll checking account has checks outstanding greater than one-year. We recommend the City determine the status of these checks and either void and reissue checks or add these amounts back to cash.

2009 Update

This account no longer has old outstanding checks.

Interest Allocation

The City's checking account is a pooled account across all funds. As such, several funds may have a negative balance in the checking account and a positive balance in other cash accounts. We recommend that cash be transferred from the local government investment account to the operating cash for funds with negative checking account balances on a quarterly basis. This will provide a more equitable allocation of interest income between funds.

2009 Update

This still applies for 2009.

Special Revenue Funds

The City presently accounts for boat landing fees and harbor revenue in the general fund. Related expenditures are also recorded in the general fund. Since the harbor income is restricted in its use, we recommend that this activity be reflected in a separate special revenue fund. This will allow management to better track any unspent proceeds and will also benefit the City in qualifying for the expenditure restraint payment. This may also apply to the boat landing fees. However, the City should first determine whether this source of revenue is restricted by any ordinance. If it is not restricted by ordinance, this revenue could be reported in the general fund.

2009 Update

The City is recording this activity in a separate special revenue fund.

2009 Items
Future Accounting Standard

The Governmental Accounting Standards Board recently issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions effective for periods beginning after June 15, 2010. Some of the major changes are as follows:

A) Governmental Fund Balance Reporting

The reporting of governmental fund balances as reserved, unreserved or designated will be replaced with five possible classifications of governmental fund balances. They are as follows:

- Nonspendable Fund Balance
- Restricted Fund Balance
- Committed Fund Balance
- Assigned Fund Balance
- Unassigned Fund Balance

The goal of these new classifications is to report governmental balances based on a hierarchy that shows, from the highest to the lowest, the level or form of constraints on fund balance and, accordingly, the extent to which the government is bound to honor them.

In order to report fund balance as committed, the amounts must be constrained for a specific purpose by the government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources. In addition, action to constrain resources must occur prior to year-end, however, the amount can be determined in the subsequent period.

Statement No. 54 requires fund balances to be restated for the prior year when comparative financial statements are presented.

B) Fund Definition

The most significant change is the definition of a special revenue fund. The definition under GASB No. 54 is: "Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The basis for the special revenue fund should be from a revenue source that is either restricted or committed. That restricted or committed revenue source should be expected to represent a substantial portion of the inflows reported in that fund. Those that do not have a significant committed revenue source or that receive most or all of their revenue as a transfer from another fund would likely not meet the revised definition for a special revenue fund and would then be reported in the general fund. This may impact the calculation of additional shared revenue under the State's expenditure restraint program.

C) Disclosure

The new standard requires disclosure of:

- a description of the authority for and actions that lead to committed and assigned fund balance.
- the government's policy regarding order of spending for committed, assigned and unassigned funds.
- description of any formally adopted minimum fund balance policies.
- purpose of each major special revenue fund and which revenues or other sources are reported in each of those funds. This may impact the calculation of additional shared revenue under the State's expenditure restraint program.

Actions to consider before year end in the year of implementation

- In order to report fund balance as committed, the government's highest level of decision making authority must act to establish committed fund balances, including stabilization arrangements.
- Decide which person(s) have direct or delegated authority to assign fund balance.
- Review any formal minimum fund balance policy and possible changes required as it relates to this new standard.
- Determine if special revenue funds meet the revised definition in the standard.
- Establish a policy on the order in which unrestricted resources are to be used when any of these amounts are available for expenditure. If no policy exists, the default assumes committed funds are used first, followed by assigned and then unassigned amounts.

Debt Allocation

Debt proceeds used for capital projects are presently allocated across several funds including the TIF Districts and capital projects funds. It becomes very difficult to track expenditures to ensure that they are being paid from the appropriate fund based on the debt allocation. We recommend that capital debt proceeds be reflected in the capital projects fund and transfers be made to the TIF District funds for TIF related costs. All expenditures related to the borrowing would also be reflected in the capital projects fund.

Utility Rate Implementation

New water utility rates become effective for service rendered after, June 1, 2009. However, the City applied the new rates for the billing dated June 15, 2009. This billing included usage for service rendered prior to the effective date of the new rates. This usage should have been billed at the old rates. The Utility is presently in the process of issuing refunds for the service period prior to the effective date of the new rates.

The Utility should note that any future rate changes are effective for service rendered after the implementation date, not for billings after the implementation date.



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June 16, 2010

To the City Council
City of Prairie du Chien, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Prairie du Chien, Wisconsin for the year ended December 31, 2009, and have issued our report thereon dated June 16, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriations of accounting policies and their application. The significant accounting policies used by the City of Prairie du Chien, Wisconsin are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

We are not aware of any particular sensitive accounting estimates utilized by management.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The following material misstatements detected as a result of audit procedures were corrected by management:

- Correct recording of activity in bond redemption fund
- Reallocate loan proceeds across funds
- Record additional accounts payable
- Record additional accounts receivable
- Reflect payments on long-term receivables
- Record depreciation expense
- Record unbilled revenue
- Capitalize utility fixed assets and record removals
- Reflect utility customers refunds
- Adjust public fire protection

The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 16, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statement or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City of Prairie du Chien and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

JOHNSON BLOCK AND COMPANY, INC.



City of Prairie du Chien

Potential Journal Entries
for the period ended December 31, 2009

Account #	Account Name / Description	Debits	Credits
12/31/2009	<u>PJE 7</u>		
001-50-00000-000	Depreciation	6,064.56	
001-00-10000-000	Fixed Assets-Accum Depr		6,064.56
Record estimate of depreciation for additional 2009 fixed assets to be recorded by City in 2010.			
Totals		<u>84,911.87</u>	<u>84,911.87</u>

Prairie du Chien Water Utility

Potential Journal Entries
for the period ended December 31, 2009

Account #	Account Name / Description	Debits	Credits
12/31/2009	<u>PJE 1</u>		
600-00-34216-000	Unappropriated Earned Surplus	1,906.00	
600-53-06200-110	Pumping Operations-Wages	603.00	
600-00-21233-000	Accrued Wages Payable		2,509.00
Record accrued payroll at 12/31/09.			
	Totals	<u>2,509.00</u>	<u>2,509.00</u>

Prairie du Chien Water Utility

Potential Journal Entries
for the period ended December 31, 2009

Account #	Account Name / Description	Debits	Credits
12/31/2009	<u>PJE 1</u>		
600-00-34216-000	Unappropriated Earned Surplus	1,906.00	
600-53-06200-110	Pumping Operations-Wages	603.00	
600-00-21233-000	Accrued Wages Payable		2,509.00
Record accrued payroll at 12/31/09.			
	Totals	<u>2,509.00</u>	<u>2,509.00</u>