

AUDITED FINANCIAL STATEMENTS

CITY OF PRAIRIE DU CHIEN, WISCONSIN

DECEMBER 31, 2010

CITY OF PRAIRIE DU CHIEN, WISCONSIN

DECEMBER 31, 2010

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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, 2010, 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, 2010, 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.

In accordance with Government Auditing Standards, we will also issue a report on our consideration of the City of Prairie du Chien, Wisconsin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 51 to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information listed in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

JOHNSON BLOCK AND COMPANY, INC.

Johnson Block and Company, Inc.

June 28, 2011

BASIC FINANCIAL STATEMENTS

Exhibit A-1
City of Prairie du Chien, Wisconsin
Statement of Net Assets
December 31, 2010

	Governmental Activities	Business-Type Activities	Total	Component Unit
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 5,762,734	\$ 786,158	\$ 6,548,892	\$ 292,037
Receivables				
Taxes	2,891,601		2,891,601	
Customer		392,246	392,246	
Unbilled revenue		149,577	149,577	
Other	106,636	2,460	109,096	1,444
Due from other governments	366,535		366,535	
Internal balances	(766,734)	766,734		
Prepays	63,432		63,432	3,204
Materials and supplies	30,583	10,322	40,905	525
	<u>8,454,787</u>	<u>2,107,497</u>	<u>10,562,284</u>	<u>297,210</u>
Noncurrent assets:				
Restricted Cash and Investments	781,270	2,714,586	3,495,856	3,450
Other assets:				
Unamortized debt issuance expense	278,948	76,458	355,406	
Special assessments receivable	254,873		254,873	
Long-term receivables				
Accounts	70,000		70,000	
Notes	1,659,584		1,659,584	
Total other assets	<u>2,263,405</u>	<u>76,458</u>	<u>2,339,863</u>	
Capital assets:				
Property Plant, and Equipment	15,497,202	20,132,204	35,629,406	1,399,557
Less: Accumulated Depreciation	5,342,858	5,095,052	10,437,910	854,057
Net book value of capital assets	<u>10,154,344</u>	<u>15,037,152</u>	<u>25,191,496</u>	<u>545,500</u>
	<u>13,199,019</u>	<u>17,828,196</u>	<u>31,027,215</u>	<u>548,950</u>
Total noncurrent assets				
	<u>\$ 21,653,806</u>	<u>\$ 19,935,693</u>	<u>\$ 41,589,499</u>	<u>\$ 846,160</u>

Exhibit A-1 (Continued)
City of Prairie du Chien, Wisconsin
Statement of Net Assets
December 31, 2010

	Governmental Activities	Business-Type Activities	Total	Component Unit
<u>Liabilities</u>				
Current liabilities:				
Accounts Payable	\$ 381,946	\$ 62,672	\$ 444,618	\$ 7,649
Due to Other Governmental Units	115,337		115,337	6,743
Accrued Payroll				1,122
Accrued Interest	250,356	553	250,909	
Deferred Revenues	4,565,231		4,565,231	
Deposits	32,378		32,378	3,450
Current portion of:				
Capital lease payable	2,409	20	2,429	
Compensated absences	51,527	18,919	70,446	
Bonds and notes payable	1,394,678	66,494	1,461,172	
Total current liabilities	<u>6,793,862</u>	<u>148,658</u>	<u>6,942,520</u>	<u>18,964</u>
Current Liabilities Payable from Restricted Assets:				
Accrued Interest		26,009	26,009	
Current Maturities of Long-term Debt		406,954	406,954	
Total Liabilities Payable from Restricted Assets		<u>432,963</u>	<u>432,963</u>	
Noncurrent liabilities:				
Mortgage revenue bonds payable		3,943,256	3,943,256	
Less: deferred amount on refunding		(4,426)	(4,426)	
Lease revenue bonds payable				
less deferred amount on refunding of \$ 127,494	5,577,506		5,577,506	
General obligation bonds and notes payable	9,268,127	1,461,752	10,729,879	
Capital lease payable	9,305		9,305	
Installment contract payable		20	20	
Compensated absences	263,679	121,497	385,176	
Less: current portion	(1,448,614)	(492,387)	(1,941,001)	
Total noncurrent liabilities	<u>13,670,003</u>	<u>5,029,712</u>	<u>18,699,715</u>	
Total Liabilities	<u>20,463,865</u>	<u>5,611,333</u>	<u>26,075,198</u>	<u>18,964</u>
<u>Net Assets</u>				
Investment in capital assets, net of related debt	2,437,852	10,304,710	12,742,562	545,500
Restricted	4,384,594	2,688,577	7,073,171	
Unrestricted (Deficit)	(5,632,505)	1,331,073	(4,301,432)	281,696
Net Assets	<u>1,189,941</u>	<u>14,324,360</u>	<u>15,514,301</u>	<u>827,196</u>
Total Liabilities and Net Assets	<u>\$ 21,653,806</u>	<u>\$ 19,935,693</u>	<u>\$ 41,589,499</u>	<u>\$ 846,160</u>

Exhibit A-2
City of Prairie du Chien, Wisconsin
Statement of Activities
For the Year Ended December 31, 2010

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			Component Unit
	Expenses for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business Type Activities	Totals	
Primary Government:							
Governmental activities:							
General government	\$ 683,371	\$ 51,950	\$ 51,186	\$ (580,235)	\$	\$ (580,235)	
Public safety	1,632,257	71,494	29,925	(1,530,838)		(1,530,838)	
Transportation Facilities	1,332,646	197,446	916,212	(218,988)		(218,988)	
Sanitation	240,909	233,937	28,472	21,500		21,500	
Health and human services	5,224			(5,224)		(5,224)	
Leisure activities	893,702	182,741	16,222	(689,739)		(689,739)	
Urban redevelopment and housing	24,880	(73,285)		(98,165)		(98,165)	
Community and Economic Development	748,674	168,918	180,000	(233,627)		(233,627)	
Interest and fiscal charges	793,682			(793,682)		(793,682)	
Amortization	47,478			(47,478)		(47,478)	
Total Expenses	6,402,823	833,201	1,208,146	(4,176,476)		(4,176,476)	
Business-type activities:							
Water utility	664,088	932,656	278,399	546,967		546,967	
Sewer utility	928,912	1,209,728	972,723	1,253,539		1,253,539	
Total business-type activities	1,593,000	2,142,384	1,251,122	1,800,506		1,800,506	
Total primary government	\$ 7,995,823	\$ 2,975,585	\$ 1,208,146	(4,176,476)		(2,375,970)	
Component Unit:							
Housing authority	240,923	111,694	55,938	32,345		(40,946)	
General Revenues:							
Property Taxes				\$ 2,173,248	\$	2,173,248	
General purposes				1,908,346		1,908,346	
Tax Increments				61,367		61,367	
Other taxes							
Federal and State aid not restricted for specific purposes							
General				1,450,824		1,450,824	
Interest and investment earnings				16,578	21,993	38,571	9,984
Gain (loss) on sale of fixed assets				(8,808)		(8,808)	(524)
Miscellaneous				78,054		78,054	4,971
Transfers				137,621	(137,621)		
Total general revenues				5,817,230	(115,628)	5,701,602	14,431
Changes in net assets				1,640,754	1,684,878	3,325,632	(26,515)
Net assets-beginning of year				(450,813)	12,639,482	12,188,669	853,711
Net assets-end of year				\$ 1,189,941	\$ 14,324,360	\$ 15,514,301	\$ 827,196

See accompanying notes to the basic financial statements.

Exhibit A-3
City of Prairie du Chien, Wisconsin
Balance Sheet
Governmental Funds
December 31, 2010

	General	Community Development Block Grant	Tax Increment District 6	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and investments	\$ 2,345,487	\$ 5,361	\$ 1,174,599	\$ 2,237,287	\$ 5,762,734
Restricted cash and investments			781,270		781,270
Receivables:					
Taxes	907,840		1,476,069	507,692	2,891,601
Special assessments	254,873				254,873
Accounts	68,686			37,950	106,636
Due from other governmental units	161,011			205,524	366,535
Due from other funds	166,535			84,000	250,535
Materials and supplies	30,583				30,583
Prepaid expenses	63,432				63,432
Long-term receivables:					
Accounts	70,000				70,000
Notes	3,000	1,239,844		416,740	1,659,584
Total Assets	\$ 4,071,447	\$ 1,245,205	\$ 3,431,938	\$ 3,489,193	\$ 12,237,783
<u>Liabilities</u>					
Accounts payable	\$ 215,194			\$ 166,752	\$ 381,946
Due to other governmental units	35,580			79,757	115,337
Due to other funds	126,195			891,074	1,017,269
Deferred revenues	2,769,385	1,239,844	1,476,069	907,918	6,393,216
Deposits	32,378				32,378
Total Liabilities	3,178,732	1,239,844	1,476,069	2,045,501	7,940,146
<u>Fund Equity</u>					
Reserved	18,793	5,361	1,955,869	1,227,952	3,207,975
Unreserved					
Designated				25,035	25,035
Undesignated (deficit)	873,922			190,705	1,064,627
Total Fund Equity	892,715	5,361	1,955,869	1,443,692	4,297,637
Total Liabilities and Fund Equity	\$ 4,071,447	\$ 1,245,205	\$ 3,431,938	\$ 3,489,193	\$ 12,237,783

Exhibit A-4
City of Prairie du Chien, Wisconsin
Reconciliation of the Governmental Funds Balance Sheet
with the Statement of Net Assets
December 31, 2010

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

Total Fund balances-governmental funds:	\$	4,297,637
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		15,497,202
Governmental accumulated depreciation		(5,342,858)
		10,154,344
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		1,543,273
Special assessments		284,712
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.		
		278,948
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		(9,268,127)
Lease Revenue Bonds		(5,705,000)
Less: deferred amount on refunding		127,494
Capital Lease		(9,305)
Accrued interest on general obligation debt		(250,356)
Compensated absences		(263,679)
		(11,959,863)
Net Assets of Governmental Funds	\$	1,189,941

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, 2010

	General	Community Development Block Grant	Tax Increment District 6	Other Government Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,392,344		\$ 1,423,592	\$ 498,083	\$ 4,314,019
Special assessments	27,602				27,602
Licenses and permits	33,524				33,524
Intergovernmental	2,263,691		48,205	359,260	2,671,156
Fines and forfeitures	35,556				35,556
Charges for services	522,585			25,633	548,218
Interest	8,045	19	4,784	1,590	14,438
Miscellaneous revenues	121,901	12,648		217,953	352,502
Total Revenues	5,405,248	12,667	1,476,581	1,102,519	7,997,015
Expenditures:					
Current:					
General government	546,268		90,415	18,873	655,556
Public safety	1,570,080				1,570,080
Transportation facilities	1,060,704			22,766	1,083,470
Sanitation	240,909				240,909
Health and social services	5,224				5,224
Leisure activities	714,990			16,701	731,691
Urban redevelopment and housing		36,641			36,641
Community and economic development	278,606		270	26,802	305,678
Capital Outlay:					
General government				45,608	45,608
Public safety				35,303	35,303
Transportation facilities	200		23,904	395,631	419,735
Leisure activities				258,852	258,852
Community and economic development	29,078		237,637	701,479	968,194
Debt Service:					
Principal Retirement	1,332,827		410,000	626,868	2,369,695
Interest and Fiscal Charges	287,902		348,275	97,191	733,368
Total Expenditures	6,066,788	36,641	1,110,501	2,246,074	9,460,004
Excess of Revenues Over (Under) Expenditures	(661,540)	(23,974)	366,080	(1,143,555)	(1,462,989)

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, 2010

	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	754,960			1,012,892	1,767,852
Debt issue costs	(35,007)			(10,220)	(45,227)
Transfer from water utility - tax equivalent	137,621				137,621
Transfer from other funds	36,514	1,803		1,208,986	1,247,303
Transfer to other funds			(639,060)	(608,243)	(1,247,303)
 Total Other Financing Sources (Uses)	 894,088	 1,803	 (639,060)	 1,603,415	 1,860,246
 Net Change in Fund Balances	 232,548	 (22,171)	 (272,980)	 459,860	 397,257
 Fund Balance January 1	 660,167	 27,532	 2,228,849	 983,832	 3,900,380
 Fund Balance December 31	 \$ 892,715	 \$ 5,361	 \$ 1,955,869	 \$ 1,443,692	 \$ 4,297,637

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, 2010

Net change in fund balances-total governmental funds		\$ 397,257
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	1,234,811	
Depreciation expenses reported in the statement of activities	<u>(477,888)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		756,923
The City sold property resulting in a reduction of capital assets and recapture of prior year depreciation expense and has no affect on the governmental funds balance sheet.		
The value of capital assets disposed of during the year was:	(54,680)	
The amount of depreciation recapture for the year was:	<u>42,500</u>	
The difference in the value of assets net of recaptured depreciation		(12,180)
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:		
		10,425
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:		2,369,809
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		
		(1,767,852)
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.		
		(134,743)
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.		
		56,518

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, 2010

In governmental funds, special assessment collections are reflected as revenue when received.
In the statement of activities, revenue is recognized when assessed.

Amount collected	(25,353)	
Amount assessed	<u>52,629</u>	
Amount assessed is greater than collected by:		27,276

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	20,062	
Amount amortized	<u>(47,478)</u>	
		(27,416)

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	713,243	
The amount of interest accrued during the current period	<u>(748,506)</u>	
Interest paid is greater (less) than interest expensed by		<u>(35,263)</u>

Change in net assets-governmental activities		<u><u>\$ 1,640,754</u></u>
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Exhibit A-7
City of Prairie du Chien, Wisconsin
Statement of Net Assets
Proprietary Funds
December 31, 2010

	Water Utility	Sewer Utility	Totals
<u>Assets</u>			
<u>Current Assets:</u>			
Cash	\$ 563,102	\$ 223,056	\$ 786,158
<u>Receivables:</u>			
Customer accounts	164,323	227,923	392,246
Unbilled revenue	55,383	94,194	149,577
Other	862	1,598	2,460
Due from other funds	493,663	305,757	799,420
Materials and supplies	10,322		10,322
Total Current Assets	1,287,655	852,528	2,140,183
<u>Restricted Assets:</u>			
Cash and Investments			
Replacement account		840,964	840,964
Redemption account	191,993	1,218,192	1,410,185
Depreciation account	272,585	190,852	463,437
Total Restricted Assets	464,578	2,250,008	2,714,586
<u>Other Assets:</u>			
Unamortized debt issuance expense	57,128	19,330	76,458
Total Other Assets	57,128	19,330	76,458
<u>Fixed Assets:</u>			
Property, plant and equipment	7,433,750	12,698,454	20,132,204
Less: accumulated depreciation	2,193,890	2,901,162	5,095,052
Net Property and Plant	5,239,860	9,797,292	15,037,152
Total Assets	\$ 7,049,221	\$ 12,919,158	\$ 19,968,379

Exhibit A-7 (Continued)
City of Prairie du Chien, Wisconsin
Statement of Net Assets
Proprietary Funds
December 31, 2010

	Water Utility	Sewer Utility	Totals
<u>Liabilities and Fund Equity</u>			
<u>Current Liabilities:</u>			
(Payable from Current Assets)			
Accounts payable	\$ 38,614	\$ 24,058	\$ 62,672
Accrued interest	227	326	553
Due to other funds	17,621	15,065	32,686
Compensated absences	10,048	8,871	18,919
Current maturities of installment contract		20	20
Current maturities of long-term debt	63,410	3,084	66,494
Total	129,920	51,424	181,344
<u>Current Liabilities:</u>			
(Payable from Restricted Assets)			
Accrued interest	18,544	7,465	26,009
Current maturities of long-term debt	102,664	304,290	406,954
Total	121,208	311,755	432,963
<u>Long-Term Liabilities:</u>			
Mortgage Revenue Bonds	1,921,064	2,022,192	3,943,256
Less: deferred amount on refunding	(4,426)		(4,426)
General obligation bonds	1,045,488	416,264	1,461,752
Installment note payable		20	20
Compensated absences	56,577	64,920	121,497
Less: current portion	(176,122)	(316,265)	(492,387)
Total Long-Term Liabilities	2,842,581	2,187,131	5,029,712
Total Liabilities	3,093,709	2,550,310	5,644,019
<u>Net Assets:</u>			
Investment in capital assets, net of related debt	2,709,894	7,594,816	10,304,710
Reserved	446,034	2,242,543	2,688,577
Unreserved	799,584	531,489	1,331,073
Total Net Assets	3,955,512	10,368,848	14,324,360
Total Liabilities and Net Assets	7,049,221	12,919,158	19,968,379
	\$ 7,049,221	\$ 12,919,158	\$ 19,968,379

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, 2010

	Water Utility	Sewer Utility	Totals
<u>Operating Revenues:</u>			
Charges for Services	\$ 906,805	\$ 1,189,603	\$ 2,096,408
Other	25,851	20,125	45,976
 Total Operating Revenues	 932,656	 1,209,728	 2,142,384
<u>Operating Expenses:</u>			
Operation and Maintenance	431,155	600,643	1,031,798
Depreciation	148,805	259,361	408,166
Taxes	8,216		8,216
 Total Operating Expenses	 588,176	 860,004	 1,448,180
 Net Operating Income	 344,480	 349,724	 694,204
<u>Nonoperating Revenues (Expenses):</u>			
Interest Income	6,386	15,607	21,993
Interest Expense	(63,187)	(66,257)	(129,444)
Amortization Expense	(12,725)	(2,651)	(15,376)
 Total Non-operating Revenues (Expenses)	 (69,526)	 (53,301)	 (122,827)
 Income Before Contributions and Transfers	 274,954	 296,423	 571,377
Capital Contributions	278,399	972,723	1,251,122
Transfer of Tax Equivalent	(137,621)		(137,621)
 Change in Net Assets	 415,732	 1,269,146	 1,684,878
 Net Assets - Beginning of Year	 3,539,780	 9,099,702	 12,639,482
 Net Assets - End of Year	 \$ 3,955,512	 \$ 10,368,848	 \$ 14,324,360

Exhibit A-9
City of Prairie du Chien, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	Business Type Activities- Enterprise Funds		
	Water Utility	Sewer Utility	Totals
	<u>Cash Flows From (Used by) Operating Activities:</u>		
Received from customers	\$ 986,020	\$ 1,240,706	\$ 2,226,726
Payments to employees	(143,631)	(172,561)	(316,192)
Payments for employee benefits	(12,089)	(80,300)	(92,389)
Payments to suppliers	(504,761)	(619,350)	(1,124,111)
Net Cash Flows From Operating Activities	325,539	368,495	694,034
<u>Cash Flows (Used by) Noncapital Financing Activities:</u>			
Paid to municipality for tax equivalent	(137,621)		(137,621)
Net Cash Flows (Used by) Noncapital Financing Activities	(137,621)		(137,621)
<u>Cash Flows From (Used by) Capital and Related Financing Activities:</u>			
Payments for capital acquisitions	(319,974)	(1,179,398)	(1,499,372)
Capital contributions received	278,399	972,723	1,251,122
Proceeds from sale of assets	(15,808)	(8,000)	(23,808)
Debt issued	957,744	522,332	1,480,076
Principal payments	(779,470)	(466,917)	(1,246,387)
Interest paid	(63,252)	(70,529)	(133,781)
Net Cash Flows From (Used by) Capital and Related Financing Activities	57,639	(229,789)	(172,150)
<u>Cash Flows From Investing Activities:</u>			
Sale of investments		303,875	303,875
Receipts of interest	6,386	15,607	21,993
Net Cash Flows From Investing Activities	6,386	319,482	325,868
Net change in Cash and Cash Equivalents	251,943	458,188	710,131
Cash and Cash Equivalents - Beginning of Year	775,737	1,183,099	1,958,836
Cash and Cash Equivalents - End of Year	<u>\$ 1,027,680</u>	<u>\$ 1,641,287</u>	<u>\$ 2,668,967</u>

Exhibit A-9 (Continued)
City of Prairie du Chien, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	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	\$ 344,480	\$ 349,724	\$ 694,204
Noncash items in operating income:			
Depreciation Expense	154,172	259,361	413,533
Changes in assets and liabilities:			
Customer accounts receivable	53,696	32,550	86,246
Other accounts receivable	(332)	(1,572)	(1,904)
Due from other funds	(161,425)	(241,425)	(402,850)
Material and supplies	1,672		1,672
Compensated absences	6,561	2,647	9,208
Accounts payable	(64,171)	(19,595)	(83,766)
Due to other funds	(9,114)	(13,195)	(22,309)
 Net Cash Provided by Operating Activities	 \$ 325,539	 \$ 368,495	 \$ 694,034
 <u>Reconciliation of Cash and Cash Equivalents to</u>			
<u>Statement of Net Asset Accounts</u>			
Cash and investments	\$ 563,102	\$ 223,056	\$ 786,158
Restricted cash and investments	464,578	2,250,008	2,714,586
 Subtotal	 1,027,680	 2,473,064	 3,500,744
Less: Long-term investments		(831,777)	(831,777)
 Cash and cash equivalents	 \$ 1,027,680	 \$ 1,641,287	 \$ 2,668,967

Exhibit A-10
City of Prairie du Chien, Wisconsin
Statement of Net Assets
Fiduciary Funds
December 31, 2010

	Tax Collection Fund	Employee Benefit Accounts	Total Fiduciary Funds
Assets			
Cash and investments	\$	\$ 24,534	\$ 24,534
Taxes receivable	5,220,759		5,220,759
Total Assets	\$ 5,220,759	\$ 24,534	\$ 5,245,293
Liabilities			
Due to Other Governmental Units	\$ 5,220,759	\$	\$ 5,220,759
Due to employees		24,534	24,534
Total Liabilities	\$ 5,220,759	\$ 24,534	\$ 5,245,293

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

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, 2010

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, 2010

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
- Grants & Donation Fund

Debt Service Fund – Accounts for debt service payments not accounted for in other funds.

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

- Capital Improvements
- Hoffman Hall

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, 2010

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, 2010

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, 2010

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 - 2010 tax roll:

Lien date and levy date	December 2010
Tax bills mailed	December 2010
Payment in full, or	January 31, 2010
First installment due	January 31, 2010
Second installment due	July 31, 2011
Personal property taxes in full	January 31, 2011
Tax sale- 2009 delinquent real estate taxes	October 2012

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, 2010

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, 2010

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, 2010 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, 2010

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 \$3,000,000 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, 2010

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 statues 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. 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.

R. Income Tax

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

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

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.

NOTE 3 CASH AND INVESTMENTS

As previously discussed, cash for all City funds is not pooled for investment purposes. At December 31, 2010, the cash and investments included the following:

Deposits with financial institutions	\$ 4,057,644
Wisconsin Local Government Investment Pool	4,968,761
Mutual Funds	319,172
Treasury Instruments Portfolio	723,125
Petty Cash	580
Total cash and investments	\$ 10,069,282

Cash and investments as of December 31, 2010 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 6,548,892
Cash and investments-restricted	3,495,856
Fiduciary Funds:	
Cash and investments	24,534
Total cash and investments	\$ 10,069,282

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

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

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	\$ 842,512	\$ 842,512
Mutual Funds	319,172	319,172
Federal Agency Notes	723,125	723,125
Totals	<u>\$ 1,884,809</u>	<u>\$ 1,884,809</u>

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

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, 2010, 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 non interest 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 no higher than .25% interest through December 31, 2010. Beginning December 31, 2010, the Dodd-Frank Act took effect. Under this program, the FDIC provides unlimited protection to all noninterest bearing accounts through December 31, 2012. Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2010, 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, 2010 was: 97% in U.S. Government Securities, 2% in commercial paper and corporate notes and 1% in Bankers' Acceptances. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

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, 2010, 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, 2010, City investments were comprised of the following:

	<u>%</u>
Certificate of Deposits	12.3
Mutual Funds	4.7
Treasury Instruments Portfolio	10.5
Wisconsin Local Government Investment Pool	<u>72.5</u>
Total	<u><u>100.0</u></u>

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

NOTE 4

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance 12/31/09	Additions	Deletions	Reclassification	Balance 12/31/10
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Construction work in progress	\$ 189,719	\$ 95,333	\$	\$	\$ 285,052
Land	2,476,163	509,029			2,985,192
Total capital assets not being depreciated	<u>2,665,882</u>	<u>604,362</u>			<u>3,270,244</u>
Other Capital Assets					
Buildings and improvements	2,489,311	181,397			2,670,708
Machinery and equipment	2,467,133	131,106	(381)	30,203	2,628,061
Vehicles	1,448,988	219,827	(54,299)		1,614,516
Furniture and fixtures	76,726			(30,203)	46,523
Land improvements	4,058,206	31,293		121,117	4,210,616
Infrastructure	1,110,825	66,826		(121,117)	1,056,534
Total other capital assets at historical costs	<u>11,651,189</u>	<u>630,449</u>	<u>(54,680)</u>		<u>12,226,958</u>
Less Accumulated Depreciation for:					
Buildings and improvements	863,835	65,472			929,307
Machinery and equipment	1,688,463	135,943			1,824,406
Vehicles	977,373	66,954	(42,500)		1,001,827
Furniture and fixtures	44,808	652			45,460
Land improvements	1,244,901	158,192			1,403,093
Infrastructure	88,090	50,675			138,765
Total Accumulated Depreciation	<u>4,907,470</u>	<u>477,888</u>	<u>(42,500)</u>		<u>5,342,858</u>
Net Other Capital Assets	<u>6,743,719</u>	<u>152,561</u>	<u>(12,180)</u>		<u>6,884,100</u>
Total Net Capital Assets	<u>\$ 9,409,601</u>	<u>\$ 756,923</u>	<u>\$ (12,180)</u>	<u>\$</u>	<u>\$ 10,154,344</u>

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.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

NOTE 4

CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental Activities

General Government	\$	32,728
Public Safety		71,415
Trasportation facilities (including infrastructure)		253,759
Leisure activities		119,986
Total Governmental Activities Depreciation Expense	\$	<u>477,888</u>

	Balance 1/1/09	Additions	Retirements	Cost of Removals	Balance 12/31/2010
<u>Business-Type Activities:</u>					
Capital assets not being depreciated:					
Intangible plant:					
Construction work in progress	\$ 17,864	\$ 81,102	\$ (17,864)	\$	\$ 81,102
Land and land rights:	<u>75,605</u>				<u>75,605</u>
Total capital assets not being depreciated	<u>93,469</u>	<u>81,102</u>	<u>(17,864)</u>		<u>156,707</u>
Capital assets being depreciated:					
Water:					
Wells and springs	397,874	4,153	(2,759)		399,268
Structures and Improvements	258,595				258,595
Transmission and distribution equipment	6,129,805	243,651	(33,974)		6,339,482
Other Equipment	340,183				340,183
Sewer:					
Structures and Improvements	5,625,522	15,800			5,641,322
Transmission and distribution equipment	3,342,925	1,009,508	(462,092)		3,890,341
Equipment	<u>2,947,673</u>	<u>163,022</u>	<u>(4,389)</u>		<u>3,106,306</u>
Total Capital Assets Being Depreciated					
Depreciated	<u>19,042,577</u>	<u>1,436,134</u>	<u>(503,214)</u>		<u>19,975,497</u>
Less: Accumulated Depreciation for:					
Water	2,092,259	154,172	(36,733)	(15,807)	2,193,891
Sewer	<u>3,116,281</u>	<u>259,361</u>	<u>(466,481)</u>	<u>(8,000)</u>	<u>2,901,161</u>
Total Accumulated Depreciation	<u>5,208,540</u>	<u>413,533</u>	<u>(503,214)</u>	<u>(23,807)</u>	<u>5,095,052</u>
Net Capital Assets Being Depreciated	<u>13,834,037</u>	<u>1,022,601</u>		<u>23,807</u>	<u>14,880,445</u>
Total Net Capital Assets	<u>\$ 13,927,506</u>	<u>\$ 1,103,703</u>	<u>\$ (17,864)</u>	<u>\$ 23,807</u>	<u>\$ 15,037,152</u>

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

NOTE 4

CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Sewer	259,361
Per Exhibit A-8	408,166
Allocation from water to sewer utility	5,367
Total	\$ 413,533

NOTE 5

LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2010 was as follows:

	Beginning 12/31/09	Increases	Decreases	Balance 12/31/10	Amounts Due within One Year
<u>Governmental Activities</u>					
Bonds and Notes Payable:					
General obligation debt	\$ 9,467,174	\$ 1,757,892	\$ (1,956,939)	\$ 9,268,127	\$ 959,678
Lease revenue bonds	6,115,000		(410,000)	5,705,000	435,000
Total Bonds and Notes Payable	15,582,174	1,757,892	(2,366,939)	14,973,127	1,394,678
Other Liabilities:					
Capital Lease	2,215	9,960	(2,870)	9,305	2,409
Compensated absences	274,104		(10,425)	263,679	51,527
Total Other Liabilities	276,319	9,960	(13,295)	272,984	53,936
Total Governmental Activities Long-Term Liabilities	\$15,858,493	\$ 1,767,852	\$ (2,380,234)	\$15,246,111	\$ 1,448,614

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

	Beginning 12/31/09	Increases	Decreases	Balance 12/31/10	Amounts Due within One Year
<u>Business-Type Activities</u>					
Bonds and Notes Payable:					
Mortgage revenue bonds	\$ 4,748,822	\$ 385,135	\$ (1,190,701)	\$ 3,943,256	\$ 406,954
Taxable general obligation bond	134,173		(4,582)	129,591	5,236
General obligation notes	237,220	1,094,941		1,332,161	61,258
Less amortized loss on advance refunding	(7,080)		2,654	(4,426)	
Subtotal	<u>5,113,135</u>	<u>1,480,076</u>	<u>(1,192,629)</u>	<u>5,400,582</u>	<u>473,448</u>
Other Liabilities:					
Installment Contract	4,730		(4,710)	20	20
Compensated absences	112,290	9,207		121,497	18,919
Total other liabilities	<u>117,020</u>	<u>9,207</u>	<u>(4,710)</u>	<u>121,517</u>	<u>18,939</u>
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 5,230,155</u>	<u>\$ 1,489,283</u>	<u>\$ (1,197,339)</u>	<u>\$ 5,522,099</u>	<u>\$ 492,387</u>

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.

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, 2010 was \$17,381,945. Total general obligation debt outstanding at year-end was \$10,729,879.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Debt

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2010
Governmental Activities:					
State Trust Note	9/29/93	3/15/13	5.75%	304,570	\$ 18,420
Taxable Bonds	5/20/03	12/1/22	4.1-5.50%	990,774	860,409
Bank Note	6/27/01	6/27/11	6.83%	180,000	12,935
Bank Note	5/21/02	12/1/11	4.45%	350,000	90,000
Refunding Bonds	5/21/02	12/1/16	4.25-4.75%	1,670,000	1,370,000
State Trust Note	1/23/04	3/15/13	3.75%	339,870	126,657
Bank Note	5/2/04	8/1/14	6.05%	77,500	31,000
Bank Note	8/2/04	8/2/14	3.75%	350,000	180,000
Refunding Bonds	12/27/07	12/1/20	3.75-4.20%	3,120,692	2,440,000
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	768,226
General Obligation Notes	5/15/08	5/1/28	0%	26,870 (A)	26,870
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	110,923
Taxable Refunding Bonds	3/9/10	3/1/17	1.25-4.1%	815,000	815,000
Refunding Bonds	6/1/10	6/1/19	1.2-3.4%	345,000	345,000
State Trust Note	3/15/10	3/15/20	3.75%	587,219	587,219
Total Government Activities – General Obligation Debt					<u>\$ 9,268,127</u>

A) Total loan approved of \$682,500; \$26,870 drawn down at December 31, 2010.

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2010
Business-Type Activities					
Taxable general obligation bonds	5/20/03	12/1/22	4.1-5.50%	149,226	\$ 129,591
State Trust Note	9/9/09	3/15/29	5.50%	237,220	237,220
State Trust Note	3/15/10	3/15/20	3.75%	669,941	669,941
Refunding Bonds	6/1/10	6/1/19	1.2-3.4%	425,000	425,000
Total Business-Type Activities – General Obligation Debt					<u>\$ 1,461,752</u>

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

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
	2011	\$ 959,678	\$ 382,595	\$ 66,494
2012	1,016,219	349,491	138,002	53,282
2013	1,029,167	304,434	149,497	48,287
2014	991,781	263,178	262,310	41,863
2015	1,022,284	221,698	155,191	35,067
2016-2020	3,622,563	551,906	509,011	105,426
2021-2025	428,900	107,153	107,682	39,146
2026-2029	197,535	27,902	73,565	6,081
Totals	<u>\$ 9,268,127</u>	<u>\$ 2,208,357</u>	<u>\$ 1,461,752</u>	<u>\$ 387,115</u>

Revenue Debt

Revenue debt payable at December 31, 2010 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2010
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	5.65-6.50%	5,945,000	4,420,000
Total Governmental Revenue Debt					<u>\$ 5,705,000</u>
Business-Type Activities:					
Revenue Bonds	4/29/92	5/1/11	3.888%	429,815	\$ 31,248
Revenue Bonds	4/27/94	5/1/13	3.529%	3,198,383	661,631
Revenue Bonds	4/28/04	5/1/23	1.419%	539,262	384,289
Revenue Bonds	10/22/08	5/1/28	2.365%	1,247,122 (B)	1,329,314
Revenue Bonds	10/22/08	5/1/28	1.419%	1,472,715 (C)	1,536,774
Total Business-Type Revenue Debt					<u>\$ 3,943,256</u>

B) Total approved loan of \$1,522,480; \$1,329,314 drawn at December 31, 2010.

C) Total approved loan of \$1,760,779; \$1,536,774 drawn at December 31, 2010.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

Debt service requirements to maturity are as follows:

Years	Governmental Activities		Business-Type Activities	
	Revenue Debt		Revenue Debt	
	Principal	Interest	Principal	Interest
2011	\$ 435,000	\$ 324,694	\$ 406,954	\$ 74,782
2012	460,000	300,116	386,098	63,757
2013	485,000	273,666	396,811	53,018
2014	510,000	245,051	171,563	46,114
2015	545,000	214,196	174,608	43,183
2016-2020	3,270,000	532,504	920,761	169,935
2021-2025			940,403	88,644
2026-2029			546,058	14,712
Totals	\$ 5,705,000	\$ 1,890,227	\$ 3,943,256	\$ 554,145

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, 2010

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, 2010, the "net revenues" of the system were \$499,671 or 1.70 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, 2010

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, 2010, the "net revenues" of the system were \$624,692 or 1.61 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, 2010 was \$20.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

Debt service payments are as follows:

Year	<u>Business-Type Activities Principal</u>
2011	<u>\$ 20</u>

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.

During 2010, the City approved a five-year lease purchase agreement of \$9,960 at 2.0% for a pool pump. The lease calls for sixty payments of \$175 beginning in July, 2010.

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, 2010:

Year ended December 31,	Governmental Activities
2011	\$ 2,409
2012	2,095
2013	2,095
2014	2,095
2015	1,031
Total minimum lease payment	9,725
Less: Amount representing interest	(420)
Present value of net minimum lease payments	\$ 9,305

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.

Advance Refunding

On October 1, 2010, the City purchased (after payment of \$10,000 in issuance costs) \$251,373 of U.S. government securities that were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on \$235,000 of 2001 Mortgage Revenue Refunding bonds. As a result, the 2001 Mortgage Revenue Refunding Bonds are considered to be defeased and the liability for those bonds have been removed from the government-wide statement of net assets and the proprietary funds statements.

The City completed the advance refunding to reduce its debt service payments over the next two years and to obtain an economic gain (difference between the present value of the amount paid to the escrow plus issuance costs and the old debt service payments) of \$15,967.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

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 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% for Protective Occupations with Social Security, and 3.9% 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, 2010 was \$1,815,738; the employer's total payroll was \$2,094,427. The total required contribution for the year ended December 31, 2010 was \$232,498, which consisted of 12.8 percent of the covered payroll from the employer. Total contributions for the years ending December 31, 2009 and 2008 were \$212,769 and \$216,566, respectively, equal to the required contributions for each year.

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 receivables and payables at December 31, 2010:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds:		
General	TIF #7	\$ 143,550
General	Community Service	4,000
General	Grants and Donations	1,364
General	Capital Projects	84,000
General	Water Utility	17,621
	Total	<u>\$ 250,535</u>
Proprietary Funds:		
Water Utility	Capital Projects	\$ 432,160
Water Utility	General Fund	46,438
Water Utility	Sewer Utility	15,065
Sewer Utility	Capital Projects	226,000
Sewer Utility	General Fund	79,757
	Total	<u>\$ 799,420</u>

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

NOTE 7

INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

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

The following is a schedule of interfund transfers:

Fund Transfer To	Fund Transfer From	Amount
Government Funds:		
TIF #5	TIF #6	\$ 500,000
Redevelopment Authority	TIF #6	30,575
Redevelopment Authority	TIF #5	500,000
TIF #7	TIF #6	108,485
General	Water Utility – Tax Equivalent	137,621
General	Capital Projects	66,440
General	Library Trust	10,000
CDBG	Flood Disaster Relief	1,803
General	Downtown Revolving Loan	30,000
	Total	\$ 1,384,924
Proprietary Funds:		
General	Water Utility	\$ 137,621

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 TIF #6 to TIF #7 was a transfer in accordance with the TIF laws related to distressed TIF Districts.

NOTE 8

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET

The following expenditures exceeded budget appropriations in the general fund:

Expenditure	Excess Expenditure
Public Safety	\$ 64,951
Transportation Facilities	98,692
Sanitation	4,109
Health and Social Services	1,724
Leisure Activities	26,548
Community and Economic Development	49,190
Capital outlay	29,278

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

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, 2010 the various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Property tax receivable	\$ 2,432,903	\$	\$ 2,432,903
Tax increment receivable	1,983,759		1,983,759
Special assessments not yet due	265,925		265,925
Subsequent period prepayments		559	559
Mortgages Receivable	1,607,070		1,607,070
Long term receivable	103,000		103,000
Total Deferred Revenue for Governmental Funds	\$ 6,392,657	\$ 559	\$ 6,393,216

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 \$1,607,070 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.

During 2010, the City declared Tax Incremental District No. 7 to be a distressed District with tax Incremental District No. 6 as the donor District. A distressed designation allows for the extension of the donor District's maximum life by 10 years beyond the original termination date.

	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, 2010

NOTE 10

TAX INCREMENTAL DISTRICTS (CONTINUED)

Following is the cumulative status of the TIF Districts as of December 31, 2010:

	TIF #1	TIF #2	TIF #4	TIF #5	TIF #6	TIF #7
Revenues:					\$	
Tax Increments	\$ 1,071,192	\$ 1,394,966	\$ 924,022	\$ 1,449,290	11,096,966	\$ 45,401
Intergovernmental	51,591	127,496	7,850	128,326	1,294,410	1,046
Interest	37,458	30,574	5,310	9,565	231,758	646
Other Income	276,488	169,791	25,711	178,202	805,726	49,953
Operating Transfers-In			21,030			108,485
Total Revenues	1,436,729	1,722,827	983,923	1,765,383	13,428,860	205,531
Expenditures:						
Construction	880,660	925,193	1,005,221	1,371,209	7,676,528	307,950
Economic Development	555,728	622,857	51,491	67,972	2,973,924	55,640
Interest and Fiscal Charges	253,961	571,026	429,493	478,961	5,601,826	36,865
Bond Refunding Costs	4,650	5,617	1,819	5,663	360,719	594
Operating Transfers-Out				21,030	671,585	
Total Expenditures	1,694,999	2,124,693	1,488,024	1,944,835	17,284,582	401,049
Amount to be Recovered Through Future Increments	\$ 258,270	\$ 401,866	\$ 504,101	\$ 179,452	\$ 3,855,722	\$ 195,518
Accounts Payable	\$	\$	\$ 82,097	\$ 102,033	\$	\$ 614
Long-term Debt						
Outstanding	288,012	594,686	522,601	348,127	5,811,591	51,354
Due to Other Fund						21,752
Due from Other Funds			(84,000)			
Advance due to Other Funds						121,798
Cash	(29,742)	(192,820)	(16,597)	(90,708)	(1,955,869)	
Accounts Receivable				(180,000)		
Amount to be Recovered Through Future Increments	\$ 258,270	\$ 401,866	\$ 504,101	\$ 179,452	\$ 3,855,722	\$ 195,518

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, 2010

NOTE 11

GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES

Governmental activities net assets reported on the government wide statement of net assets at December 31, 2010 includes the following:

GOVERNMENTAL ACTIVITIES

Invested in capital assets, net of related debt:	
Land and construction work in progress	\$ 3,270,244
Other capital assets, net of accumulated depreciation	6,884,100
Less: related long-term debt outstanding	(8,186,492)
Add: unspent loan proceeds	470,000
Total Invested Capital Assets	<u>2,437,852</u>
Restricted for:	
TIF Expenditures	2,435,087
Long-Term Notes Receivable	1,729,584
Urban Redevelopment	55,790
Library Purposes	15,793
Flood Relief	49,514
Trust Purposes	64,450
Donor Restricted	34,376
Total Restricted	<u>4,384,594</u>
Unrestricted (deficit)	<u>(5,632,505)</u>
Total Governmental Activities Net Assets	<u>\$ 1,189,941</u>

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

NOTE 11

GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES (CONTINUED)

Governmental fund balances reported on the fund financial statements at December 31, 2010 includes the following:

GOVERNMENTAL FUND BALANCES

Reserved:	
Major Funds:	
General Fund:	
Long-Term Receivables	\$ 3,000
Library purposes	15,793
Community Development Block Grant:	
Urban Redevelopment	5,361
Tax Increment District No.6	
TIF Expenditures	1,955,869
Total	<u>1,980,023</u>
Non-Major Funds	
TIF Expenditures	409,738
Urban Redevelopment	55,790
Economic Development	40,392
Flood Relief	49,514
Trust Purposes	64,450
Boat Landing	134,292
Environmental Remediation District No. 1	69,480
Hoffman Hall	34,376
Capital Improvements	369,920
Total Non-Major Funds	<u>1,227,952</u>
Total Reserved	<u>\$ 3,207,975</u>
Unreserved:	
Undesignated (deficit)	
Major Fund:	
General Fund	<u>\$ 873,922</u>
Non-Major Funds:	
Designated for:	
Storm Sewer	25,035
Undesignated (deficit)	
TIF District No. 7	(144,163)
Redevelopment Authority	336,233
Grants and Donations	(1,365)
Total Non-Major Funds	<u>215,740</u>
Total Unreserved	<u>\$ 1,089,662</u>

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

NOTE 12 INVESTMENT IN CAPITAL ASSETS- PROPRIETARY FUNDS

Investment in capital assets of proprietary funds consists of the following:

Invested in capital assets, net of related debt:	\$ 156,707
Land and construction work in progress	14,880,445
Other capital assets, net of accumulated depreciation	(5,400,502)
Less: related long-term debt outstanding	668,160
Add: unspent loan proceeds	<u>10,304,710</u>
Total Invested Capital Assets	<u>\$ 10,304,710</u>

NOTE 13 SUBSEQUENT EVENTS

- A) Subsequent to December 31, 2010, the City approved various public works projects of approximately \$425,000.
- B) On June 21, 2011 the City issued \$575,000 of general obligation notes at an interest rate of 1.0 to 3.2% to finance the purchase of an aerial truck. Debt service requirements are as follows:

Year	Principal	Interest	Total
2012	\$ 50,000	\$ 16,868	\$ 66,868
2013	50,000	11,550	61,550
2014	50,000	10,900	60,900
2015	55,000	10,110	65,110
2016-2020	305,000	31,355	336,355
2021	65,000	1,040	66,040
Totals	\$ 575,000	\$ 81,823	\$ 656,823

NOTE 14 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 15 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, 2010

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, 2010. Payments in lieu of taxes of \$6,743 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.

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.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

NOTE A

SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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, 2010:

	Bank Balance	Carrying Value
Petty Cash	\$ 200	\$ 200
Deposits covered by federal insurance	301,906	295,287
Totals	\$ 301,906	\$ 295,487

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 and Improvements	1,216,306
Furniture and Equipment	166,752
Total	1,399,557
Accumulated Depreciation	(854,057)
Net	\$ 545,500

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

	Depr. Rate	Balance 1/1/2010	Depr. Expense	Retirements	Balance 12/31/2010
Building	2.5%	\$ 697,574	\$ 17,005	\$	\$ 714,579
Building Improvements	6.7%	45,221	29,174		74,395
Furniture & Equipment	10.0%	52,007	16,184	(3,108)	65,083
Totals		\$ 794,802	\$ 62,363	\$ (3,108)	\$ 854,057

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.

City of Prairie du Chien, Wisconsin
Notes to the Basic Financial Statements
December 31, 2010

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, 2010

	Budgeted Amounts		Actual	Variances - Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
Revenues:					
Taxes	\$ 2,410,130	\$ 2,410,983	\$ 2,392,344	\$ (17,786)	\$ (18,639)
Special assessments	9,490	8,108	27,602	18,112	19,494
Licenses and permits	25,720	19,195	33,524	7,804	14,329
Intergovernmental	2,386,843	2,171,388	2,263,691	(123,152)	92,303
Fines and forfeitures	35,500	27,650	35,556	56	7,906
Charges for services	463,587	475,332	522,585	58,998	47,253
Interest income	9,380	9,380	8,045	(1,335)	(1,335)
Miscellaneous	82,000	82,000	121,901	39,901	39,901
Total Revenues	5,422,650	5,204,036	5,405,248	(17,402)	201,212
Expenditures:					
General government	693,016	731,497	546,268	146,748	185,229
Public safety	1,511,329	1,505,129	1,570,080	(58,751)	(64,951)
Transportation facilities	1,009,091	962,012	1,060,704	(51,613)	(98,692)
Sanitation	249,445	236,800	240,909	8,536	(4,109)
Health and social services	3,500	3,500	5,224	(1,724)	(1,724)
Leisure activities	691,970	688,442	714,990	(23,020)	(26,548)
Community and economic development	451,545	229,416	278,606	172,939	(49,190)
Capital outlay			29,278	(29,278)	(29,278)
Debt service:					
Principal retirement	627,572	1,337,565	1,332,827	(705,255)	4,738
Interest and fiscal charges	290,182	290,182	287,902	2,280	2,280
Total Expenditures	5,527,650	5,984,543	6,066,788	(539,138)	(82,245)
Excess (Deficiency) of Revenues Over Expenditures	(105,000)	(780,507)	(661,540)	(556,540)	118,967
Other Financing Sources (Uses):					
Long-term debt proceeds		754,960	754,960	754,960	
Debt issue costs		(35,007)	(35,007)	(35,007)	
Transfer from water utility-tax equivalent	105,000	105,000	137,621	32,621	32,621
Transfer from other funds			36,514	36,514	36,514
Net Change in Fund Balances		44,446	232,548	232,548	188,102
Fund Balance - Beginning of Year	660,167	660,167	660,167		
Fund Balance - End of Year	\$ 660,167	\$ 704,613	\$ 892,715	\$ 232,548	\$ 188,102

Supplementary Information

Exhibit C-1
City of Prairie du Chien, Wisconsin
Statement of Net Assets
Non-major Funds
December 31, 2010

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	Tax Increment District 5	Tax Increment District 7	
<u>Assets:</u>										
Cash and investments	\$ 55,790	\$ 40,392	\$ 133,352	\$ 64,450	\$ 29,741	\$ 192,822	\$ 16,597	\$ 90,708		
Receivables:										
Taxes receivable					97,053	110,235	115,563	166,227	4,910	
Accounts receivable		33,000	950							
Due from other governments								180,000		
Loans receivable	252,159	115,067								
Due from other funds							84,000			
Total Assets	\$ 307,949	\$ 188,459	\$ 134,302	\$ 64,450	\$ 126,794	\$ 303,057	\$ 216,160	\$ 436,935	\$ 4,910	
<u>Liabilities:</u>										
Accounts payable			\$ 10				\$ 2,341	\$ 102,032	\$ 613	
Due to other governmental units							79,757			143,550
Due to other funds										4,910
Deferred revenues	252,159	148,067			97,053	110,235	115,563	166,227		
Total Liabilities	252,159	148,067	10		97,053	110,235	197,661	268,259	149,073	
<u>Fund Balances:</u>										
Reserved	55,790	40,392	134,292	64,450	29,741	192,822	18,499	168,676		
Unreserved:										
Designated										
Undesignated (deficit)										(144,163)
Total Fund Balances	55,790	40,392	134,292	64,450	29,741	192,822	18,499	168,676	(144,163)	
Total Liabilities and Fund Equity	\$ 307,949	\$ 188,459	\$ 134,302	\$ 64,450	\$ 126,794	\$ 303,057	\$ 216,160	\$ 436,935	\$ 4,910	

Exhibit C-1 (Continued)
City of Prairie du Chien, Wisconsin
Statement of Net Assets
Non-major Funds
12/31/2010

Flood Disaster Relief	Redevelopment Authority	Environmental Remediation District #1	Community Service	Storm Sewer	Grants & Donations Fund	Debt Service Fund	Capital Projects		Total
							Hoffman Hall	Capital Improvements	
	\$ 333,763	\$ 69,480		\$ 25,035		\$ 22,000	\$ 43,811	\$ 1,119,346	\$ 2,237,287
		13,704	4,000						507,692
	2,470				23,054				37,950
49,514									205,524
									416,740
									84,000
<u>\$ 49,514</u>	<u>\$ 336,233</u>	<u>\$ 83,184</u>	<u>\$ 4,000</u>	<u>\$ 25,035</u>	<u>\$ 23,054</u>	<u>\$ 22,000</u>	<u>\$ 43,811</u>	<u>\$ 1,119,346</u>	<u>\$ 3,489,193</u>
					\$ 23,055	\$ 22,000	\$ 9,435	\$ 7,266	\$ 166,752
			4,000		1,364			742,160	79,757
		13,704							891,074
									907,918
	-	13,704	4,000		24,419	22,000	9,435	749,426	2,045,501
49,514		69,480					34,376	369,920	1,227,952
				25,035					25,035
	336,233				(1,365)				190,705
49,514	336,233	69,480		25,035	(1,365)		34,376	369,920	1,443,692
<u>\$ 49,514</u>	<u>\$ 336,233</u>	<u>\$ 83,184</u>	<u>\$ 4,000</u>	<u>\$ 25,035</u>	<u>\$ 23,054</u>	<u>\$ 22,000</u>	<u>\$ 43,811</u>	<u>\$ 1,119,346</u>	<u>\$ 3,489,193</u>

Exhibit C-2
City of Prairie du Chien, Wisconsin
Statement of Changes in Net Assets
Non-major Funds
For the Year Ended December 31, 2010

	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	Tax Increment District 5	Tax Increment District 7
Revenues:									
Taxes					\$ 69,919	\$ 137,325	\$ 111,204	\$ 159,456	\$ 6,850
Intergovernmental					437	465	468	720	55
Charges for services			25,483						
Interest	75	69	137	410	157	160	72	322	13
Miscellaneous	5,303	3,211				137,445		23	2,868
Total revenues	5,378	3,280	25,620	410	70,513	275,395	111,744	160,521	9,786
Expenses:									
General government	18,555	3				161	154		
Transportation			8,844						
Leisure				4,059					
Community and economic development					11,635		11,876		3,136
Debt service:									
Principal retirement					38,288	60,260	324,668	194,538	9,114
Interest and fiscal charges					6,838	34,303	27,482	19,651	1,127
Capital outlay									
General									
Public safety									
Transportation					88,206	3,896	23,533	9,734	700
Leisure activities									
Community and economic development					106,337			14,719	30,328
Total Expenditures	18,555	3	8,844	4,059	251,304	98,620	387,713	238,642	44,405
Excess of Revenues (Expenditures)	(13,177)	3,277	16,776	(3,649)	(180,791)	176,775	(275,969)	(78,121)	(34,619)
Other Financing Sources:									
Long-term debt proceeds					108,870		363,537	136,950	
Debt issue costs					(1,870)		(1,487)		
Operating transfers in								500,000	108,485
Operating transfers out		(30,000)		(10,000)				(500,000)	
Total Other Financing Sources		(30,000)		(10,000)	107,000		362,050	136,950	108,485
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(13,177)	(26,723)	16,776	(13,649)	(73,791)	176,775	86,081	58,829	73,866
Fund Balances, Beginning	68,967	67,115	117,516	78,099	103,532	16,047	(67,582)	109,847	(218,029)
Fund Balances, Ending	\$ 55,790	\$ 40,392	\$ 134,292	\$ 64,450	\$ 29,741	\$ 192,822	\$ 18,499	\$ 168,676	\$ (144,163)

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, 2010

Special Revenue Funds									
Flood Disaster Relief	Redevelopment Authority	Environmental Remediation District #1	Community Service	Storm Sewer	Grants & Donations Fund	Debt Service Fund	Capital Projects		Total
							Hoffman Hall	Capital Improvements	
		\$ 13,329							\$ 498,083
	180,000	96			125,833			51,186	359,260
				150					25,633
	60	80		35					1,590
	30,000		12,642	6,791	17,590		2,080		217,953
	210,060	13,505	12,642	6,976	143,423		2,080	51,186	1,102,519
									18,873
				13,922					22,766
			12,642						16,701
		155							26,802
		7,790							626,868
									97,191
								45,608	45,608
					10,800			24,503	35,303
					6,750			262,812	395,631
							37,630	221,222	258,852
	416,857				127,238			6,000	701,479
	416,857	7,945	12,642	13,922	144,788		37,630	560,145	2,246,074
	(206,797)	5,560		(6,946)	(1,365)		(35,550)	(508,959)	(1,143,555)
		10,672				6,863		386,000	1,012,892
						(6,863)			(10,220)
	530,575						69,926		1,208,986
(1,803)								(66,440)	(608,243)
(1,803)	541,247						69,926	319,560	1,603,415
(1,803)	334,450	5,560		(6,946)	(1,365)		34,376	(189,399)	459,860
	51,317	1,783	63,920		31,981			559,319	983,832
\$ 49,514	\$ 336,233	\$ 69,480		\$ 25,035	\$ (1,365)		\$ 34,376	\$ 369,920	\$ 1,443,692

Exhibit C-3
 Prairie du Chien Water and Sewer Utilities
 Schedule of Insurance
 December 31, 2010

Type	Coverage	Term
Property	\$24,116,735 \$1,189,690 Contractor's Equipment ACV Motor Vehicle Comprehensive ACV Collision \$ 30,000 Monies and Securities	1/1/10 - 1/1/11
General Liability	\$2,000,000 Aggregate; \$1,000,000 per occurrence \$ 500,000 Fire Damage	1/1/10 - 1/1/11
Auto	\$1,000,000 Liability	1/1/10 - 1/1/11
Worker's Compensation	\$ 500,000/Accident \$ 500,000/Disease/Employee \$ 500,000/Disease/Policy Limit	1/1/10 - 1/1/11
Linebacker	\$1,000,000/Loss/Aggregate	1/1/10 - 1/1/11
Umbrella	\$4,000,000/Loss/Aggregate	1/1/10 - 1/1/11

Exhibit C-4
Prairie du Chien Water and Sewer Utilities
Other Information
December 31, 2010

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	89,566
Commercial	324	89,076
Industrial	18	135,075
Public Authority	46	39,295
Sales for Resale	1	19,568
Totals	<u>2,414</u>	<u>372,580</u>