

CITY OF RIVER FALLS

River Falls, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2016

CITY OF RIVER FALLS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of River Falls, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of River Falls' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

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

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

To the City Council
City of River Falls

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of River Falls, Wisconsin, as of December 31, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, 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.

Supplementary Information

Our audit for the year ended December 31, 2016 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of River Falls' basic financial statements. The supplementary information for the year ended December 31, 2016 as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2016, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2016.

To the City Council
City of River Falls

Other Matters (cont.)

Supplementary Information (cont.)

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of River Falls as of and for the year ended December 31, 2015 (not presented herein), and have issued our report thereon dated July 11, 2016, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information. The utility operating revenues and expenses statements for the year ended December 31, 2015 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2015 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the utility operating revenues and expenses statements is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2015.

Baker Tilly Virchow Krause, LLP

Altoona, Wisconsin
June 28, 2017

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

The discussion and analysis of the City of River Falls' financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2016. This narrative is intended to offer readers an objective, easy to read reporting of the accompanying financial statements. Readers are encouraged to consider the following information in conjunction with the accompanying financial statements and notes.

FINANCIAL HIGHLIGHTS

The City of River Falls concluded the fiscal year with an overall decrease in net position of \$2.6 million. Total expenses for the primary government were \$36.3 million as compared with \$29.6 million the previous year. Revenues for the period were \$33.7 million for a total net position of \$109.5 million at the end of 2016.

The City's governmental type funds reported combined ending fund balances of \$6.7 million at year end. Total assets increased \$2.9 million in part from the sale of property to Winfield Solutions for \$1.9 million and an increase in receivables of \$250,000.

Year end results for the City's enterprise funds include operating income of \$2.7 million, and a positive change in net position of \$3.2 million. Net position increased by \$709 thousand, \$1.2 million and \$920 thousand in the Water, Sewer and Stormwater funds, respectively, due mainly to capital contributions into these funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

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

- The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the total of the assets and deferred outflows of resources less the total of the liabilities and deferred inflows of resources reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

- The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements include not only the City of River Falls itself (known as the *primary government*), but also legally distinct entities for which the City has financial responsibility and accountability, known as component units. The component unit of the City is the River Falls Business Improvement District. This entity is described in Note III.I. Financial information for the *component unit* is reported separately from the financial information presented for the primary government itself. Separately issued financial statements are not prepared by the Business Improvement District.

The government-wide financial statements can be found on pages 1 – 4 of this report.

Fund Financial Statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into two categories: governmental funds and proprietary funds.

- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements and is typically the basis that is used in developing the next annual budget.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

The City is reporting three major governmental funds for 2016: General fund, Tax Increment District #10 fund and General Capital Projects fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for these major funds. Data from all other non-major governmental funds is combined into a single aggregated presentation and are referenced under a single column as “Non-major Governmental Funds”. Individual fund data on each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all governmental funds as required by state statute. Budget comparisons have been provided for the general fund to demonstrate compliance with the adopted budget.

The basic governmental funds financial statements can be found on pages 5 – 10 of this report.

- Proprietary funds are used when the City charges customers for the services it provides; whether to outside customers or to other units of the City. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer, storm water, and ambulance service.

The proprietary funds financial statements can be found on pages 11 – 20 of this report.

- Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting for fiduciary funds is similar to that used for proprietary funds. The City of River Falls uses fiduciary funds to account for taxes collected for the benefit of overlapping tax jurisdictions.

The fiduciary financial statement can be found on page 21.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 – 79 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information containing general fund and Tax Increment District #10 budgetary comparison information and supplementary information that includes additional information for non-major governmental funds. Required supplementary information can be found on pages 80 – 84 of this report; supplementary information can be found on pages 85 – 119 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Total net position decreased by \$2.6 million or 2.3% to \$109.5 million at the close of fiscal year ended December 31, 2016. This decrease is a combined result of decreases to cash and investments and capital assets. In addition, GASB 68 activity (net pension liabilities) reduced restricted assets and deferred resources by \$2.3 million.

Net investment in capital assets comprises 80.8% of the primary government's total net position. Included in capital assets are land and easements, structures and improvements, infrastructure and equipment, less any related debt used to acquire those assets that are still outstanding.

Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The City uses these capital assets to provide services to citizens and is not available for future spending.

Unrestricted net position comprises \$14.8 million or 13.5% of the City's net position, which is a decrease of \$2.3 million from the previous year. The total amount is allocated between business activities of \$12.6 million, \$0.8 million from governmental activities, and a government-wide adjustment of \$1.4 million for capital assets owned by the business-type activities, but financed by the debt of governmental activities. Unrestricted assets may be used to meet the City's ongoing obligations to citizens and creditors. Future infrastructure improvements for business-type activities will be funded from a combination of debt and unrestricted assets.

The remaining balance of the City's net position (5.7%), represents resources that are subject to internal or external restrictions on how they may be used. The tables below and the narrative that follows consider the operations of governmental and business-type activities separately.

**City of River Falls
Summary of Net Position**

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 18,231,588	\$ 20,308,023	\$ 16,452,384	\$ 16,549,882	\$ 34,683,972	\$ 36,857,905
Capital Assets	<u>55,951,916</u>	<u>60,244,062</u>	<u>58,589,335</u>	<u>51,205,004</u>	<u>114,541,251</u>	<u>111,449,066</u>
Total Assets	<u>74,183,504</u>	<u>80,552,085</u>	<u>75,041,719</u>	<u>67,754,886</u>	<u>149,225,223</u>	<u>148,306,971</u>
Deferred Outflows of Resources	<u>3,599,383</u>	<u>901,933</u>	<u>1,362,439</u>	<u>739,344</u>	<u>4,961,822</u>	<u>1,641,277</u>
Current Liabilities	3,467,661	2,991,065	1,874,271	1,421,964	5,341,932	4,413,029
Noncurrent Liabilities	<u>18,702,555</u>	<u>18,797,801</u>	<u>12,004,832</u>	<u>8,120,192</u>	<u>30,707,387</u>	<u>26,917,993</u>
Total Liabilities	<u>22,170,216</u>	<u>21,788,866</u>	<u>13,879,103</u>	<u>9,542,156</u>	<u>36,049,319</u>	<u>31,331,022</u>
Deferred Inflows of Resources	<u>8,143,988</u>	<u>6,520,925</u>	<u>451,898</u>	<u>-</u>	<u>8,595,886</u>	<u>6,520,925</u>
Net Investment in Capital Assets ¹	<u>41,899,789</u>	<u>45,498,303</u>	<u>48,095,627</u>	<u>44,124,132</u>	<u>88,557,128</u>	<u>87,829,930</u>
Restricted	<u>4,765,598</u>	<u>5,252,437</u>	<u>1,416,902</u>	<u>1,901,102</u>	<u>6,182,500</u>	<u>7,153,539</u>
Unrestricted ¹	<u>803,296</u>	<u>2,393,487</u>	<u>12,560,628</u>	<u>12,926,840</u>	<u>14,802,212</u>	<u>17,112,832</u>
Total Net Position	<u>\$ 47,468,683</u>	<u>\$ 53,144,227</u>	<u>\$ 62,073,157</u>	<u>\$ 58,952,074</u>	<u>\$ 109,541,840</u>	<u>\$ 112,096,301</u>
Total Net Position as a % of Total Liabilities/Deferred Inflows	157%	188%	433%	618%	245%	296%
Unrestricted Net Position as a % of Total Liabilities/Deferred Inflows	3%	8%	88%	135%	33%	45%

¹ See Note LD.10 (pg 35) for detailed information of 2016 adjustments

Statement of Activities

The *Statement of Activities* provides a picture of how the various activities of the City are funded and indicates the changes in net position. The following table summarizes the City's governmental and business-type activities.

City of River Falls						
Summary Statement of Activities						
	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program revenues:						
Charges for services	\$1,545,896	\$962,189	\$20,025,858	\$20,529,316	\$21,571,754	\$21,491,505
Operating grants and contributions	1,691,736	1,803,552	7,928	7,149	1,699,664	1,810,701
Capital grants and contributions	337,038	585,805	359,995	506,647	697,033	1,092,452
General revenues:						
Property taxes	6,516,489	6,108,137			6,516,489	6,108,137
Other taxes	206,857	196,109			206,857	196,109
Intergovernmental	2,060,046	2,028,971			2,060,046	2,028,971
Investment earnings	292,193	77,301	86,926	29,880	379,119	107,181
Amortization of Gain			(277,008)	227,224	(277,008)	227,224
Miscellaneous	<u>574,599</u>	<u>529,123</u>	<u>290,678</u>	<u>43,428</u>	<u>865,277</u>	<u>572,551</u>
Total revenues	13,224,854	12,291,187	20,494,377	21,343,644	33,719,231	33,634,831
Expenses						
General government	2,292,977	2,055,542			2,292,977	2,055,542
Public safety	3,845,661	3,460,018			3,845,661	3,460,018
Public works	3,601,293	2,703,408			3,601,293	2,703,408
Health services	20,608	14,289			20,608	14,289
Leisure	2,283,152	1,807,310			2,283,152	1,807,310
Conservation and development	5,399,933	937,852			5,399,933	937,852
Interest and fiscal charges	769,927	551,832			769,927	551,832
Electric utility			12,428,023	12,393,923	12,428,023	12,393,923
Water utility			1,308,311	1,318,123	1,308,311	1,318,123
Sewer utility			2,539,447	2,598,382	2,539,447	2,598,382
Storm water utility			484,394	519,219	484,394	519,219
Ambulance service			<u>1,299,966</u>	<u>1,196,273</u>	<u>1,299,966</u>	<u>1,196,273</u>
Total expenses	<u>18,213,551</u>	<u>11,530,251</u>	<u>18,060,141</u>	<u>18,025,920</u>	<u>36,273,692</u>	<u>29,556,171</u>
Change in net position before transfers	(4,988,697)	760,936	2,434,236	3,317,724	(2,554,461)	4,078,660
Transfers	<u>(686,847)</u>	<u>1,327,493</u>	<u>686,847</u>	<u>(1,327,493)</u>	<u>-</u>	<u>-</u>
Increase in net position	(5,675,544)	2,088,429	3,121,083	1,990,231	(2,554,461)	4,078,660
Net position January 1	<u>53,144,227</u>	<u>51,055,798</u>	<u>58,952,074</u>	<u>56,961,843</u>	<u>112,096,301</u>	<u>108,017,641</u>
Net position December 31	<u>\$ 47,468,683</u>	<u>\$ 53,144,227</u>	<u>\$ 62,073,157</u>	<u>\$ 58,952,074</u>	<u>\$ 109,541,840</u>	<u>\$ 112,096,301</u>

Governmental Activities:

At the end of 2016, the City of River Falls' Governmental Activities had total assets and deferred outflows of resources of \$77.8 million and liabilities and deferred inflows of resources of \$30.3 million; resulting in a net position of \$47.5 million. This results in a decrease of \$5.7 million from the beginning of year. The net position is allocated with \$41.9 million representing capital assets net of related debt, \$4.8 million held for restricted purposes, and \$0.8 million available to meet the government's ongoing obligations to citizens and creditors. (Pages 1 – 2)

The primary reason for the decrease to net position is the purchase and contribution of land as part of tax incremental district developer incentives.

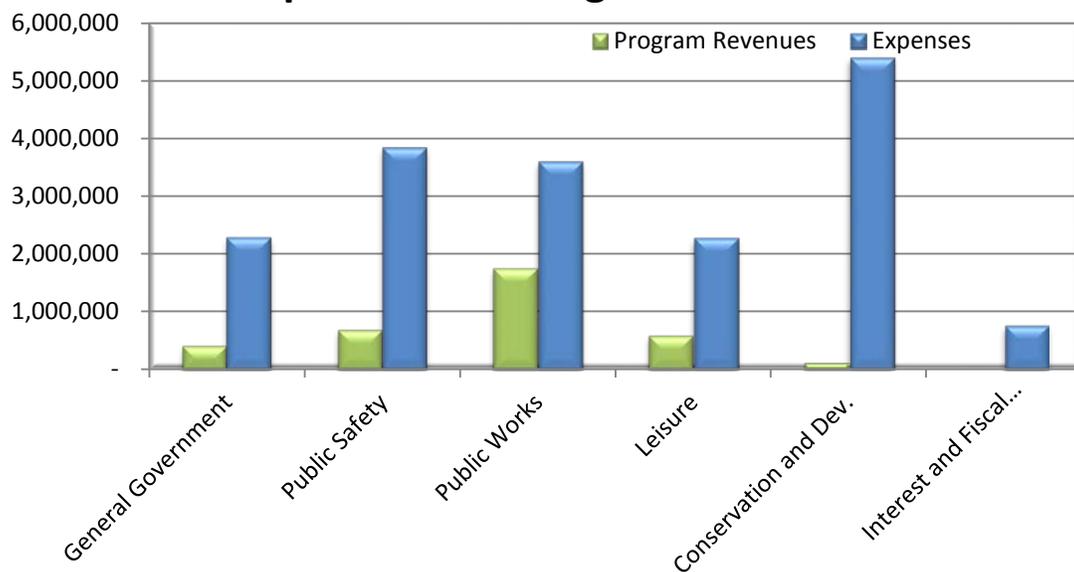
Revenues for the City's governmental activities, excluding transfers from other funds, totaled \$13.2 million, with property taxes encompassing 49.3% of the total. Intergovernmental revenues include \$2.1 million in state shared revenue and grants which account for 15.6% of annual revenues. Operating grants and capital grants contributions comprise 15.3% and charges for services account are 11.7% of total revenues; which include solid waste, environmental fees, permits, licenses and miscellaneous fees.

Governmental activities expenses totaled \$18.2 million with Public Safety, Public Works, Leisure Services, and Conservation and Development representing 83.1% of total expenditures. These activities increased by \$6.2 million from 2015.

When all revenue and funding sources are combined, including property taxes, investment earnings, inter-fund transfers, grants and contributions not restricted to specific programs, total expenditures exceeded revenues by \$5.7 million, resulting in a 10.7% decrease in net position.

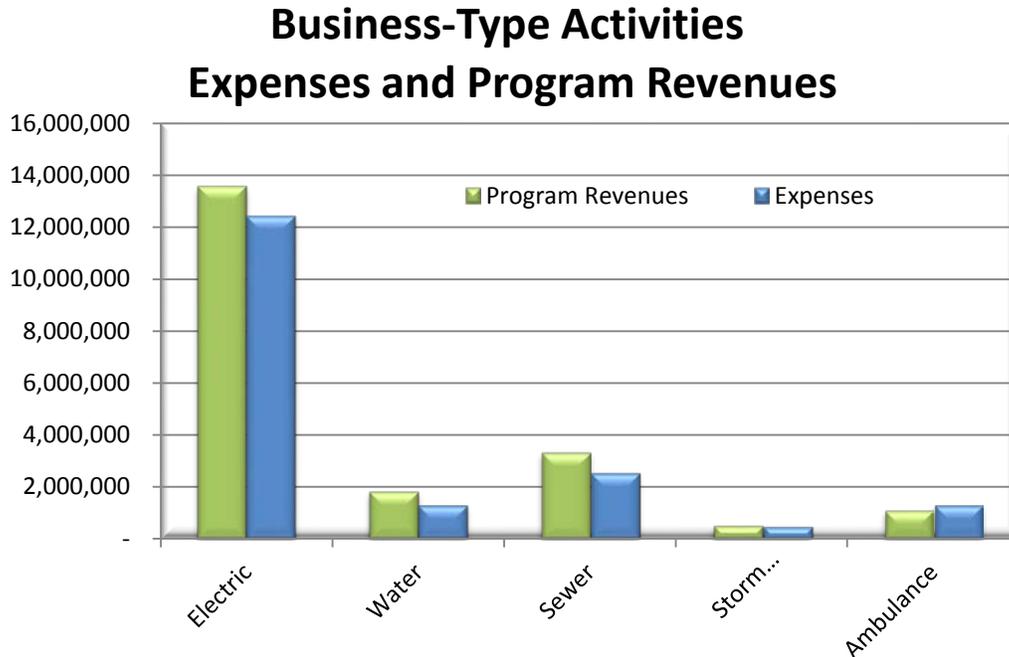
The accompanying graph exhibits the governmental activities expenses in comparison to program revenues exclusive of all grants and contributions.

Governmental Activities Expenses and Program Revenues



Business-Type Activities:

Business-type activities increased the City's net position by \$3.1 million. Due to the enterprise nature of these activities, 97.7% of annual revenues are generated by charges for services. The Electric fund accounted for 66.5% of the program revenues, followed by Sewer with 16.4%. In 2016, business-type activities recognized \$359,995 in capital grants and contributions.



Key elements of the business-type activities in 2016 are as follows:

Electric

- The Electric fund's net position increased \$377,000 from the prior year to \$20.4 million. Overall, total assets and deferred outflows decreased by \$991,000, while total liabilities and deferred inflows increased \$614,000.
 - Cash and Receivables declined by \$173,000.
 - Construction in Progress increased by \$816,000.
 - Capital property and equipment increased \$1.1million.
 - Net pension asset and related amounts became net pension liabilities and related amounts of \$202,000, a total difference of \$31,000 from 2015.
- The Electric Utility's 2016 operating revenues were \$13.5 million, which is similar to 2015 results.
- Operating expenditures were \$12.3 million, which is similar to 2015 results.
- Total electric generation was comprised of 2.1 million kWh hydraulic and 122.4 million kWh purchased, for a total of 124.5 million kWh for 2016 compared to 121.3 million kWh in 2015. The utilities distribution energy losses were 2.6% in 2016 which increased from the 2015 rate of 1.7%.

Water

- The Water fund's net position increased \$709,000 from the prior year to \$14.4 million. Total liabilities and deferred inflows increased \$362,000 as a result of amounts due to other funds and pension related liabilities.
- Operating revenues were \$1.7 million; an increase of \$135,000 from 2015, reflecting the adjustment in water rates. Operating expenditures decreased \$9,000.
- The net impact of increased revenues and reduced expenses resulted in an increase of operating income by \$145,000 as compared to 2015.
- Total gallons sold were 369.8 million, an increase of 5.5 million gallons from the prior year. Industrial, multi-family residential and irrigation classes increased water consumption 31%, 12% and 5% year over year respectively.

Sewer

- The Sewer fund's net position increased \$1.2 million from the prior year to \$18.6 million. Total liabilities and deferred inflows increased \$4.0 million primarily as a result of debt issued to build a new wastewater treatment facility.
- Operating revenues are \$3.2 million, which is similar to the prior year.
- Operating expenses decreased \$158,000 as compared to the prior year. The operations and maintenance expenses decreased 10% while depreciation expenses increased by 5% from 2015.

Storm Water

- The Storm Water fund's year end net position is \$6.9 million, an increase of \$920,000, primarily due to capital contribution into the fund of \$913,000.
- Significant projects taking place in 2016 were:
 - Sterling Ponds Phase 1 & 2
 - Chapman Drive reconstruction

Ambulance

- The Ambulance fund's net position increased by \$39,000 in 2016 to an ending balance of \$2.2 million.
- Total Ambulance operating revenues decreased \$307,000 as compared to 2015.
- Capital assets increased with the acquisition of an additional ambulance vehicle.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

As the City concluded the year, its governmental funds reported a combined fund balance of \$6.7 million, a decrease of \$1.55 million from the prior year. The General fund ended the year with \$4.3 million in unassigned fund balance which is available to meet the City's current and future needs. An additional \$5.3 million is considered non-spendable in the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2016 budget was adopted at the function level of expenditures. General fund revenues and other financing sources exceeded expenditures and other financing uses by \$2,555,090. The primary reasons for this outcome was the sale of property to Winfield Solutions for \$1.9 million and higher than expected building permit revenue of \$113,000. Additionally, General Government, Public Safety, Public Works and Conservation and Development expenditures ended the year \$444,000 under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities at December 31, 2016, amounted to \$114.5 million (net of accumulated depreciation), an increase of 2.8% over 2015. The investment in capital assets includes land and easements, infrastructure, structures and improvements, equipment, and construction in progress.

- Major additions (greater than \$100,000) to capital assets during 2016 include:
 - Street Infrastructure:
 - Sterling Ponds Phase 1 & 2
 - Paulson Road Upgrade
 - Chapman Drive construction
 - Kinnickinnic River trail
 - Radio Road Interchange
 - Machinery and Equipment:
 - 2016 Larue model D50
 - Freightliner Snow and Ice

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

Further details of the City's capital assets can be found on pages 45 - 52 in the notes to the financial statements.

Long-Term Debt

At December 31, 2016, the City had \$19.0 million of general obligation bonds and promissory notes outstanding; with \$2.1 million payable within one year. Of the total general obligation debt, \$3.1 million, or 16.3%, will be paid from business-type activity revenues.

Under current Wisconsin Statutes, the City's general obligation indebtedness may not exceed five percent (5%) of the equalized value of taxable property in the City. As of December 31, 2016, the City's total amount applicable to debt margin (outstanding notes less debt service fund balance) was \$19.0 million or 42% of the legal limit of \$45,559,020. The net debt per capita equaled \$1,252 at year-end based with a year-end population of 15,180.

Further details of the City's long-term debt activity can be found in the notes to the financial statements within Note III section F starting on page 55.

ECONOMIC FACTORS AND THE 2016 BUDGET AND RATES

The 2015 – 2016 budget was approved by the City Council in November 2014. The proposed property tax levy of \$10.6 million combined for both years is less than the fiscal plan approved in 2013. The biennial budget for the General Fund does not incorporate the use of fund balance for operating expenditures. It is anticipated that increased revenues and additional cost savings in operations will result in a secure year-end financial condition.

The City completed a reassessment of all taxable properties in 2015 to realign the individual and property class values to current market rates. The reassessment reduced the City's total assessed value by \$67.4 million, or 7.1% from the prior year. For 2016, assessed values equaled 97.1% of equalized (market) values. On average, residential property values increased 4.6% and commercial properties increased 1.2%. The City's total equalized value increased by \$32 million or 3.6% in 2016, to a total of \$911,180,400.

REQUEST FOR INFORMATION

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

CITY OF RIVER FALLS

STATEMENT OF NET POSITION As of December 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	Business Improvement District
ASSETS				
Cash and investments	\$ 8,853,063	\$ 12,378,835	\$ 21,231,898	\$ 34,315
Receivables (net)				
Taxes	6,859,785	2,375	6,862,160	-
Accounts	356,434	1,972,870	2,329,304	-
Special assessments	87,176	-	87,176	42,000
Accrued interest	11,573	-	11,573	-
Loans	796,770	28,993	825,763	-
Inventories and prepaid items	123,335	552,374	675,709	-
Due from other governmental units	65,768	-	65,768	-
Other receivables	-	46,961	46,961	-
Internal balances	830,219	(830,219)	-	-
Other assets	-	170,804	170,804	-
Restricted assets				
Cash and investments	247,465	2,129,273	2,376,738	-
Interest receivable	-	118	118	-
Capital Assets				
Land	12,968,147	349,167	13,317,314	-
Construction in progress	268,276	5,252,512	5,520,788	-
Other capital assets, net of depreciation	42,715,493	52,987,656	95,703,149	-
Total Assets	<u>74,183,504</u>	<u>75,041,719</u>	<u>149,225,223</u>	<u>76,315</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	368,788	150,357	519,145	-
Pension related amounts	3,230,595	1,212,082	4,442,677	-
Total Deferred Outflows of Resources	<u>3,599,383</u>	<u>1,362,439</u>	<u>4,961,822</u>	<u>-</u>
LIABILITIES				
Accounts payable	552,850	1,596,438	2,149,288	-
Accrued liabilities	297,429	124,673	422,102	-
Accrued interest	145,903	49,538	195,441	-
Deposits	7,752	103,622	111,374	-
Unearned revenues	2,463,727	-	2,463,727	-
Noncurrent Liabilities				
Due within one year	1,797,470	1,199,126	2,996,596	-
Due in more than one year	16,905,085	10,805,706	27,710,791	-
Total Liabilities	<u>22,170,216</u>	<u>13,879,103</u>	<u>36,049,319</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenues	6,938,021	-	6,938,021	-
Pension related amounts	1,205,967	451,898	1,657,865	-
Total Deferred Inflows of Resources	<u>8,143,988</u>	<u>451,898</u>	<u>8,595,886</u>	<u>-</u>

See accompanying notes to financial statements.

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	Business Improvement District
NET POSITION				
Net investment in capital assets (see Note I.D.10)	\$ 41,899,789	\$ 48,095,627	\$ 88,557,128	\$ -
Restricted for				
Debt service	-	596,622	596,622	-
Capital asset repair and replacement	-	408,011	408,011	-
Impact fee projects	300,903	412,269	713,172	-
Library trust	164,969	-	164,969	-
Housing	630,009	-	630,009	-
Parking improvements	120,561	-	120,561	-
Refuse/solid waste	225,591	-	225,591	-
Environmental fee	2,913,957	-	2,913,957	-
Library	36,475	-	36,475	-
Taxi	58,807	-	58,807	-
Tax increment districts	142,552	-	142,552	-
Business incubator	171,774	-	171,774	-
Unrestricted	<u>803,296</u>	<u>12,560,628</u>	<u>14,802,212</u>	<u>76,315</u>
TOTAL NET POSITION	<u>\$ 47,468,683</u>	<u>\$ 62,073,157</u>	<u>\$ 109,541,840</u>	<u>\$ 76,315</u>

See accompanying notes to financial statements.

CITY OF RIVER FALLS

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,292,977	\$ 419,707	\$ -	\$ -
Public safety	3,845,661	117,258	577,635	-
Public works	3,601,293	626,480	781,782	337,038
Health services	20,608	-	-	-
Leisure	2,283,152	260,249	332,319	-
Conservation and development	5,399,933	122,202	-	-
Interest and fiscal charges	769,927	-	-	-
Total Governmental Activities	18,213,551	1,545,896	1,691,736	337,038
Business-type Activities				
Electric utility	12,428,023	13,523,199	-	45,617
Water utility	1,308,311	1,662,243	-	181,682
Sewer utility	2,539,447	3,218,487	-	132,696
Stormwater	484,394	516,938	-	-
Ambulance	1,299,966	1,104,991	7,928	-
Total Business-type Activities	18,060,141	20,025,858	7,928	359,995
Total Primary Government	\$ 36,273,692	\$ 21,571,754	\$ 1,699,664	\$ 697,033
Component Unit				
Business Improvement District	\$ 27,957	\$ 42,000	\$ -	\$ -
General Revenues				
Taxes				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Property taxes, levied for TIF districts				
Other taxes				
Intergovernmental revenues not restricted to specific programs				
Investment income				
Amortization of gain on early retirement				
Miscellaneous				
Total General Revenues				
Transfers - internal				
Change in net position				
NET POSITION - Beginning of Year				
NET POSITION - END OF YEAR				

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	Business Improvement District
\$ (1,873,270)	\$ -	\$ (1,873,270)	\$ -
(3,150,768)	-	(3,150,768)	-
(1,855,993)	-	(1,855,993)	-
(20,608)	-	(20,608)	-
(1,690,584)	-	(1,690,584)	-
(5,277,731)	-	(5,277,731)	-
(769,927)	-	(769,927)	-
<u>(14,638,881)</u>	<u>-</u>	<u>(14,638,881)</u>	<u>-</u>
-	1,140,793	1,140,793	-
-	535,614	535,614	-
-	811,736	811,736	-
-	32,544	32,544	-
-	(187,047)	(187,047)	-
-	<u>2,333,640</u>	<u>2,333,640</u>	<u>-</u>
<u>(14,638,881)</u>	<u>2,333,640</u>	<u>(12,305,241)</u>	<u>-</u>
-	-	-	14,043
5,063,930	-	5,063,930	-
369,384	-	369,384	-
1,083,175	-	1,083,175	-
206,857	-	206,857	-
2,060,046	-	2,060,046	-
292,193	86,926	379,119	-
-	(277,008)	(277,008)	-
<u>574,599</u>	<u>290,678</u>	<u>865,277</u>	<u>-</u>
<u>9,650,184</u>	<u>100,596</u>	<u>9,750,780</u>	<u>-</u>
<u>(686,847)</u>	<u>686,847</u>	<u>-</u>	<u>-</u>
(5,675,544)	3,121,083	(2,554,461)	14,043
<u>53,144,227</u>	<u>58,952,074</u>	<u>112,096,301</u>	<u>62,272</u>
<u>\$ 47,468,683</u>	<u>\$ 62,073,157</u>	<u>\$ 109,541,840</u>	<u>\$ 76,315</u>

See accompanying notes to financial statements.

CITY OF RIVER FALLS

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2016

	<u>General Fund</u>	<u>Tax Increment District #10</u>	<u>General Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
ASSETS					
Cash and investments	\$ 3,206,256	\$ -	\$ 2,651,442	\$ 2,978,826	\$ 8,836,524
Receivables					
Taxes	3,802,709	-	144,751	2,912,325	6,859,785
Accounts	188,657	-	-	167,777	356,434
Special assessments	54,808	-	32,368	-	87,176
Interest	8,373	-	-	3,200	11,573
Notes	-	-	269,800	526,970	796,770
Prepaid items and inventories	105,294	-	-	7,555	112,849
Due from other funds	2,170,163	-	-	700,000	2,870,163
Due from other governmental units	29,318	-	-	36,450	65,768
Advances to other funds	5,243,695	-	-	1,000,000	6,243,695
Restricted cash and investments	-	-	247,465	-	247,465
TOTAL ASSETS	<u>\$ 14,809,273</u>	<u>\$ -</u>	<u>\$ 3,345,826</u>	<u>\$ 8,333,103</u>	<u>\$ 26,488,202</u>

See accompanying notes to financial statements.

	General Fund	Tax Increment District #10	General Capital Projects	Nonmajor Governmental Funds	Totals
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 283,355	\$ 14,417	\$ 195,890	\$ 50,655	\$ 544,317
Accrued liabilities	275,137	-	-	16,565	291,702
Deposits	3,062	-	-	4,690	7,752
Unearned revenues	-	-	2,463,727	-	2,463,727
Due to other funds	700,000	1,350,813	-	310,490	2,361,303
Advances from other funds	-	2,549,982	-	3,693,713	6,243,695
Total Liabilities	<u>1,261,554</u>	<u>3,915,212</u>	<u>2,659,617</u>	<u>4,076,113</u>	<u>11,912,496</u>
Deferred Inflows of Resources					
Unearned revenues	3,802,188	-	223,508	2,912,325	6,938,021
Unavailable revenues	87,001	-	294,081	542,783	923,865
Total Deferred Inflows of Resources	<u>3,889,189</u>	<u>-</u>	<u>517,589</u>	<u>3,455,108</u>	<u>7,861,886</u>
Fund Balances					
Nonspendable	5,348,989	-	-	7,555	5,356,544
Restricted	-	-	171,774	4,217,126	4,388,900
Committed	-	-	-	793	793
Unassigned (deficit)	4,309,541	(3,915,212)	(3,154)	(3,423,592)	(3,032,417)
Total Fund Balances	<u>9,658,530</u>	<u>(3,915,212)</u>	<u>168,620</u>	<u>801,882</u>	<u>6,713,820</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 14,809,273</u>	<u>\$ -</u>	<u>\$ 3,345,826</u>	<u>\$ 8,333,103</u>	<u>\$ 26,488,202</u>

See accompanying notes to financial statements.

CITY OF RIVER FALLS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2016

Total Fund Balances - Governmental Funds	\$ 6,713,820
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.

Land	12,968,147
Construction in progress	268,276
Other capital assets	60,060,817
Less: Accumulated depreciation	(17,345,324)
Less: Internal service fund included below	(351,826)

Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	923,865
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The net pension liability does not relate to current financial resources and is not reported in the governmental funds.	(573,047)
Add: Internal service fund included below	18,874

Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	3,230,595
Less: Internal service fund included below	(97,075)

Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(1,205,967)
Add: Internal service fund included below	39,719

Governmental funds report the effect of losses on refunding, discounts, and similar items when debt is first issued, whereas these items are deferred and amortized in the statement of activities.	(185,858)
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Internal service funds are reported in the statement of net position as governmental activities.	689,562
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Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and notes payable	(15,915,657)
Compensated absences	(945,323)
Accrued interest	(145,903)
Landfill post-closure care cost	(144,930)
Other post-employment benefits	(534,082)
	(17,735,895)

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 47,468,683</u>
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See accompanying notes to financial statements.

CITY OF RIVER FALLS

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

For the Year Ended December 31, 2016

	General Fund	Tax Increment District #10	General Capital Projects	Nonmajor Governmental Funds	Totals
REVENUES					
Taxes	\$ 3,506,465	\$ 5,282	\$ 108,064	\$ 3,103,535	\$ 6,723,346
Special assessments	703	-	4,279	2,500	7,482
Intergovernmental	3,227,273	-	934,192	545,259	4,706,724
Licenses and permits	408,250	-	-	-	408,250
Fines, forfeitures and penalties	194,402	-	-	-	194,402
Public charges for services	254,571	-	-	830,942	1,085,513
Intergovernmental charges for services	20,170	-	-	-	20,170
Investment income	266,517	-	5,048	19,728	291,293
Miscellaneous	244,173	1,956	2,466	215,360	463,955
Total Revenues	8,122,524	7,238	1,054,049	4,717,324	13,901,135
EXPENDITURES					
Current					
General government	1,762,821	-	-	-	1,762,821
Public safety	3,469,993	-	-	4,083	3,474,076
Public works	2,012,340	-	-	811,138	2,823,478
Health services	3,710	-	-	-	3,710
Leisure activities	676,708	-	-	1,111,983	1,788,691
Conservation and development	637,497	137,507	-	337,070	1,112,074
Capital Outlay	-	2,718,318	1,397,776	1,107,265	5,223,359
Debt Service					
Principal retirement	224,895	-	-	930,859	1,155,754
Interest and fiscal charges	22,032	105,111	-	576,554	703,697
Total Expenditures	8,809,996	2,960,936	1,397,776	4,878,952	18,047,660
Excess (deficiency) of revenues over expenditures	(687,472)	(2,953,698)	(343,727)	(161,628)	(4,146,525)

See accompanying notes to financial statements.

	<u>General Fund</u>	<u>Tax Increment District #10</u>	<u>General Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	\$ -	\$ -	\$ -	\$ 4,060,000	\$ 4,060,000
Premium on debt issued	-	-	-	235,744	235,744
Transfers from other funds	1,763,871	-	402,706	343,745	2,510,322
Transfers to other funds	(414,206)	(408,227)	(39,504)	(939,260)	(1,801,197)
Property sales	1,892,897	-	5,081	32,682	1,930,660
Payments to refunding escrow	-	-	-	(4,340,016)	(4,340,016)
Total Other Financing Sources (Uses)	<u>3,242,562</u>	<u>(408,227)</u>	<u>368,283</u>	<u>(607,105)</u>	<u>2,595,513</u>
Net Change in Fund Balances	2,555,090	(3,361,925)	24,556	(768,733)	(1,551,012)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>7,103,440</u>	<u>(553,287)</u>	<u>144,064</u>	<u>1,570,615</u>	<u>8,264,832</u>
FUND BALANCES - END OF YEAR	<u>\$ 9,658,530</u>	<u>\$(3,915,212)</u>	<u>\$ 168,620</u>	<u>\$ 801,882</u>	<u>\$ 6,713,820</u>

See accompanying notes to financial statements.

CITY OF RIVER FALLS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

Net change in fund balances - total governmental funds	\$ (1,551,012)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	5,223,359
Some items reported as capital outlay were not capitalized	(4,201,753)
Some business-type activities' capital assets were paid for by the governmental activities	(2,035,911)
Depreciation is reported in the government-wide financial statements	(1,332,466)
Net book value of assets retired	(1,923,886)
Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	(742,728)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Debt issued	(4,060,000)
Principal repaid	5,073,905
Interest on long-term debt in the statement of activities differs from the amount reported in the fund financial statements because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues regardless of when it is due.	9,942
Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are reported as other assets or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.	109,949
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	(88,853)
Other postemployment benefits	(19,488)
Landfill post-closure care costs	9,270
Net pension liability	(1,418,075)
Deferred outflows of resources related to pensions	2,248,542
Deferred inflows of resources related to pensions	(1,166,248)
Internal service funds are used by management to charge certain costs to other funds. The change in net position of the internal service fund that is reported with governmental activities.	189,909
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (5,675,544)</u>

See accompanying notes to financial statements.

CITY OF RIVER FALLS

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2016

	Business-type Activities - Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
ASSETS			
Current Assets			
Cash and investments	\$ 7,045,643	\$ 1,448,247	\$ 2,560,579
Receivables (net)			
Taxes	-	-	2,375
Accounts	1,208,521	142,504	300,266
Other accounts receivable	34,820	1,836	10,305
Current portion of loans receivable	10,063	-	-
Inventories	485,507	13,517	-
Prepaid items	15,729	8,527	12,932
Restricted Assets			
Redemption account	-	77,059	557,345
Interest receivable	118	-	-
Total Current Assets	8,800,401	1,691,690	3,443,802
Noncurrent Assets			
Restricted Assets			
Reserve account	-	164,920	509,669
Impact fee account	-	-	412,269
Replacement account	-	-	408,011
Capital Assets			
Land	107,127	23,120	117,622
Construction in progress	898,595	-	4,272,348
Property and equipment	25,269,649	20,226,170	28,700,061
Less: Accumulated depreciation	(13,282,994)	(5,648,321)	(9,594,863)
Other Assets			
Loan receivable	18,930	-	-
Preliminary survey and investigation	-	153,604	-
Nonutility property	-	-	17,200
Total Noncurrent Assets	13,011,307	14,919,493	24,842,317
Total Assets	21,811,708	16,611,183	28,286,119
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	-	150,357
Pension related amounts	435,932	184,778	261,086
Total Deferred Outflows of Resources	435,932	184,778	411,443

See accompanying notes to financial statements.

Business-type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
Nonmajor Enterprise Funds	Totals	
\$ 1,324,366	\$ 12,378,835	\$ 16,539
-	2,375	-
321,579	1,972,870	-
-	46,961	-
-	10,063	-
-	499,024	-
16,162	53,350	10,486
-	634,404	-
-	118	-
<u>1,662,107</u>	<u>15,598,000</u>	<u>27,025</u>
-	674,589	-
-	412,269	-
-	408,011	-
101,298	349,167	-
81,569	5,252,512	-
10,354,598	84,550,478	552,720
(3,036,644)	(31,562,822)	(200,894)
-	18,930	-
-	153,604	-
-	17,200	-
<u>7,500,821</u>	<u>60,273,938</u>	<u>351,826</u>
<u>9,162,928</u>	<u>75,871,938</u>	<u>378,851</u>
-	150,357	-
<u>330,286</u>	<u>1,212,082</u>	<u>97,075</u>
<u>330,286</u>	<u>1,362,439</u>	<u>97,075</u>

See accompanying notes to financial statements.

CITY OF RIVER FALLS

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2016

	Business-type Activities - Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 1,272,757	\$ 21,336	\$ 282,883
Customer deposits	63,419	203	-
Accrued liabilities	66,881	10,964	12,145
Accrued interest	-	-	11,517
Due to other funds	-	342,596	-
Current portion of general obligation debt	-	-	635,000
Current portion of shared services notes payable	10,063	-	-
Current portion of compensated absences	62,352	27,344	31,369
Current portion of lease payable	-	-	-
Liabilities Payable from Restricted Assets			
Current portion of revenue bonds	-	95,000	247,742
Accrued interest	-	10,758	27,024
Total Current Liabilities	1,475,472	508,201	1,247,680
Noncurrent Liabilities			
Long-Term Debt			
General obligation debt	-	-	2,380,000
Revenue bonds	-	1,680,000	5,999,107
Unamortized debt premium	-	2,556	204,287
Shared services notes payable	17,175	-	-
Compensated absences	68,613	27,718	16,942
Other post-employment benefits	77,816	48,216	31,309
Lease payable	-	-	-
Net pension liability	75,457	31,849	47,411
Total Noncurrent Liabilities	239,061	1,790,339	8,679,056
Total Liabilities	1,714,533	2,298,540	9,926,736
DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	158,797	67,026	99,777
Total Deferred Inflows of Resources	158,797	67,026	99,777
NET POSITION			
Net investment in capital assets	12,992,377	12,988,333	14,689,058
Restricted for			
Debt service	-	66,301	530,321
Replacement	-	-	408,011
Impact fee projects	-	-	412,269
Unrestricted	7,381,933	1,375,761	2,631,390
TOTAL NET POSITION	\$ 20,374,310	\$ 14,430,395	\$ 18,671,049

Adjustments to reflect the consolidation of internal service funds activities related to enterprise funds.

NET POSITION BUSINESS-TYPE ACTIVITIES

See accompanying notes to financial statements.

Business-type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
Nonmajor Enterprise Funds	Totals	
\$ 19,462	\$ 1,596,438	\$ 8,533
40,000	103,622	-
34,683	124,673	5,727
239	11,756	-
-	342,596	166,264
74,962	709,962	-
-	10,063	-
15,294	136,359	-
-	-	12,021
-	342,742	-
-	37,782	-
<u>184,640</u>	<u>3,415,993</u>	<u>192,545</u>
-	2,380,000	-
-	7,679,107	-
-	206,843	-
-	17,175	-
21,235	134,508	-
16,001	173,342	-
-	-	22,849
<u>60,014</u>	<u>214,731</u>	<u>18,874</u>
<u>97,250</u>	<u>10,805,706</u>	<u>41,723</u>
<u>281,890</u>	<u>14,221,699</u>	<u>234,268</u>
<u>126,298</u>	<u>451,898</u>	<u>39,719</u>
<u>126,298</u>	<u>451,898</u>	<u>39,719</u>
7,425,859	48,095,627	316,956
-	596,622	-
-	408,011	-
-	412,269	-
<u>1,659,167</u>	<u>13,048,251</u>	<u>(115,017)</u>
<u>\$ 9,085,026</u>	<u>62,560,780</u>	<u>\$ 201,939</u>
	<u>(487,623)</u>	
	<u>\$ 62,073,157</u>	

See accompanying notes to financial statements.

CITY OF RIVER FALLS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
OPERATING REVENUES			
Public charges for services	\$ 13,523,199	\$ 1,662,243	\$ 3,218,487
Total Operating Revenues	13,523,199	1,662,243	3,218,487
OPERATING EXPENSES			
Operation and maintenance	11,533,733	816,537	1,675,423
Depreciation	812,396	410,838	592,720
Total Operating Expenses	12,346,129	1,227,375	2,268,143
Operating Income (Loss)	1,177,070	434,868	950,344
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	-	-
Investment income	44,158	7,007	32,906
Interest and fiscal charges	-	(65,147)	(123,332)
Amortization of gain on early retirement	(277,008)	-	-
Debt issuance costs	-	-	(122,147)
Amortization of debt premium and amortization of loss on refunding	-	178	(2,102)
Miscellaneous	58,418	-	-
Total Nonoperating Revenues (Expenses)	(174,432)	(57,962)	(214,675)
Income (Loss) Before Contributions and Transfers	1,002,638	376,906	735,669
CONTRIBUTIONS AND TRANSFERS			
Capital contributions	45,617	752,011	684,855
Transfers from other funds	-	-	-
Transfers to other funds	(670,950)	(419,602)	(181,947)
Total Contributions and Transfers	(625,333)	332,409	502,908
Change in Net Position	377,305	709,315	1,238,577
NET POSITION - Beginning of Year	19,997,005	13,721,080	17,432,472
NET POSITION - END OF YEAR	\$ 20,374,310	\$ 14,430,395	\$ 18,671,049

Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds

NET POSITION OF BUSINESS-TYPE ACTIVITIES

See accompanying notes to financial statements.

<u>Business-type Activities - Enterprise Funds</u>		Governmental Activities - Internal Service Funds
<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	
\$ 1,839,021	\$ 20,242,950	\$ 79,118
<u>1,839,021</u>	<u>20,242,950</u>	<u>79,118</u>
1,453,452	15,479,145	626,050
285,528	2,101,482	66,739
<u>1,738,980</u>	<u>17,580,627</u>	<u>692,789</u>
<u>100,041</u>	<u>2,662,323</u>	<u>(613,671)</u>
7,928	7,928	-
2,855	86,926	238
(3,561)	(192,040)	-
-	(277,008)	-
-	(122,147)	-
-	(1,924)	-
15,168	73,586	-
<u>22,390</u>	<u>(424,679)</u>	<u>238</u>
<u>122,431</u>	<u>2,237,644</u>	<u>(613,433)</u>
913,423	2,395,906	-
80,200	80,200	670,744
(156,765)	(1,429,264)	(30,805)
<u>836,858</u>	<u>1,046,842</u>	<u>639,939</u>
959,289	3,284,486	26,506
<u>8,125,737</u>	<u>59,276,294</u>	<u>175,433</u>
<u>\$ 9,085,026</u>	62,560,780	<u>\$ 201,939</u>
	<u>(487,623)</u>	
	<u>\$ 62,073,157</u>	

See accompanying notes to financial statements.

CITY OF RIVER FALLS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2016

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 13,417,487	\$ 1,692,504	\$ 3,197,504
Received from municipality for services	221,038	-	-
Paid to suppliers for goods and services	(10,645,759)	(109,315)	(1,378,367)
Paid to employees for services	(731,834)	(337,628)	(450,720)
Net Cash Flows From Operating Activities	<u>2,260,932</u>	<u>1,245,561</u>	<u>1,368,417</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	-	77,443
Investment income	44,040	7,007	32,906
Net Cash Flows From Investing Activities	<u>44,040</u>	<u>7,007</u>	<u>110,349</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Paid to municipality for tax equivalent	(388,864)	(296,728)	-
Debt retired	(9,848)	-	-
Transfers to/from other funds	(282,086)	(122,874)	(181,947)
Net Cash Flows From Noncapital Financing Activities	<u>(680,798)</u>	<u>(419,602)</u>	<u>(181,947)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt issued	-	-	4,510,000
Debt retired	-	(90,000)	(783,125)
Interest paid	-	(65,447)	(107,077)
Debt issuance costs	-	-	(5,623)
Acquisition and construction of capital assets	(1,791,327)	(760,782)	(4,163,675)
Capital contributions received	45,617	-	-
Impact fees received	-	181,682	132,696
Net Cash Flows From Capital and Related Financing Activities	<u>(1,745,710)</u>	<u>(734,547)</u>	<u>(416,804)</u>
Net Change in Cash and Cash Equivalents	(121,536)	98,419	880,015
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>6,784,528</u>	<u>1,591,807</u>	<u>3,567,858</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,662,992</u>	<u>\$ 1,690,226</u>	<u>\$ 4,447,873</u>

See accompanying notes to financial statements.

Business-type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
Nonmajor Enterprise Funds	Totals	
\$ 2,005,188	\$ 20,312,683	\$ 79,118
-	221,038	-
(613,296)	(12,746,737)	(527,412)
<u>(809,741)</u>	<u>(2,329,923)</u>	<u>(185,547)</u>
<u>582,151</u>	<u>5,457,061</u>	<u>(633,841)</u>
-	77,443	-
<u>2,855</u>	<u>86,808</u>	<u>238</u>
<u>2,855</u>	<u>164,251</u>	<u>238</u>
-	(685,592)	-
-	(9,848)	-
<u>(76,565)</u>	<u>(663,472)</u>	<u>639,939</u>
<u>(76,565)</u>	<u>(1,358,912)</u>	<u>639,939</u>
-	4,510,000	-
(108,076)	(981,201)	(12,298)
(3,561)	(176,085)	-
-	(5,623)	-
(177,809)	(6,893,593)	(45,250)
-	45,617	-
-	<u>314,378</u>	-
<u>(289,446)</u>	<u>(3,186,507)</u>	<u>(57,548)</u>
218,995	1,075,893	(51,212)
<u>1,105,371</u>	<u>13,049,564</u>	<u>67,751</u>
<u>\$ 1,324,366</u>	<u>\$ 14,125,457</u>	<u>\$ 16,539</u>

See accompanying notes to financial statements.

CITY OF RIVER FALLS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2016

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,177,070	\$ 434,868	\$ 950,344
Nonoperating revenue	58,418	-	-
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Depreciation	812,396	410,838	592,720
Depreciation charged to other funds	-	43,038	(43,038)
Unfunded postemployment benefits obligation	2,839	1,759	1,142
Changes in assets and liabilities			
Accounts receivable	43,741	(10,942)	23,039
Other accounts receivable	17,643	(1,836)	(984)
Inventories	32,990	(421)	-
Prepaid items	14,392	7,174	14,207
Accounts payable	76,436	2,644	(184,821)
Due to other funds	-	342,596	-
Accrued liabilities	(32,355)	558	(2,250)
Customer deposits	(4,477)	1	-
Compensated absences	30,622	6,253	7,709
Pension related deferrals and liability	31,217	9,031	10,349
	<u>\$ 2,260,932</u>	<u>\$ 1,245,561</u>	<u>\$ 1,368,417</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES			
	<u>\$ 2,260,932</u>	<u>\$ 1,245,561</u>	<u>\$ 1,368,417</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS			
Cash and investments	\$ 7,045,643	\$ 1,448,247	\$ 2,560,579
Restricted cash and investments	-	241,979	1,887,294
Total Cash and Investments	7,045,643	1,690,226	4,447,873
Less: Noncash equivalents	(382,651)	-	-
	<u>\$ 6,662,992</u>	<u>\$ 1,690,226</u>	<u>\$ 4,447,873</u>
CASH AND CASH EQUIVALENTS			
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets contributed by TIF	<u>\$ -</u>	<u>\$ 570,329</u>	<u>\$ 552,159</u>

See accompanying notes to financial statements.

Business-type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
Nonmajor Enterprise Funds	Totals	
\$ 100,041	\$ 2,662,323	\$ (613,671)
23,096	81,514	-
285,528	2,101,482	66,739
-	-	-
-	5,740	-
133,071	188,909	-
-	14,823	-
-	32,569	-
7,222	42,995	10,473
10,960	(94,781)	(10,122)
-	342,596	(77,827)
3,931	(30,116)	793
10,000	5,524	-
5,766	50,350	-
<u>2,536</u>	<u>53,133</u>	<u>(10,226)</u>
<u>\$ 582,151</u>	<u>\$ 5,457,061</u>	<u>\$ (633,841)</u>
\$ 1,324,366	\$ 12,378,835	\$ 16,539
-	<u>2,129,273</u>	-
<u>1,324,366</u>	14,508,108	16,539
-	<u>(382,651)</u>	-
<u>\$ 1,324,366</u>	<u>\$ 14,125,457</u>	<u>\$ 16,539</u>
<u>\$ 913,423</u>		<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF RIVER FALLS

STATEMENT OF ASSETS AND LIABILITIES AGENCY FUND As of December 31, 2016

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 1,718,624
Receivables	
Taxes	<u>11,637,499</u>
TOTAL ASSETS	<u>\$ 13,356,123</u>
LIABILITIES	
Due to other taxing units	<u>\$ 13,356,123</u>
TOTAL LIABILITIES	<u>\$ 13,356,123</u>

See accompanying notes to financial statements.

CITY OF RIVER FALLS

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CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of River Falls, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the city. The reporting entity for the city consists of the primary government and its component unit. Component units are legally separate organizations for which the primary government is financially accountable or 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. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

Business Improvement District

The government-wide financial statements include the Business Improvement District ("BID") as a component unit. The BID is a legally separate organization. The board of the BID is appointed by the mayor of the City of River Falls. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the BID, and also create a potential financial benefit to or burden on the city. See Note III.I. As a component unit, the BID's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2016. The BID does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In February 2015, the GASB issued statement No. 72 - *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. This statement addresses accounting and financial reporting issues related to tax abatements. This standard was implemented January 1, 2016.

Government-Wide Financial Statements

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

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

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

Fund Financial Statements

Financial statements of the city 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, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

Funds are organized as major funds or nonmajor 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/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the city believes is particularly important to financial statement users may be reported as a major fund.

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.

The city reports the following major governmental funds:

- General Fund - accounts for the city's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- TIF #10 Special Revenue Fund - used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for the TIF #10.
- General Capital Projects Fund - accounts for and reports proceeds from long-term borrowing and other resources to be used for capital improvement projects.

The city reports the following major enterprise funds:

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

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

Fund Financial Statements (cont.)

The city reports the following nonmajor governmental and enterprise funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Parking Improvements	Tax Increment District #9
Refuse/Solid Waste	Tax Increment District #11
Shared Ride Taxi	Tax Increment District #12
Media Services	Library
Environmental Fee	Commercial Revolving Loan Fund
Park Acquisition Fund	Park Impact Fees
Tax Increment District #4	Library Impact Fees
Tax Increment District #5	Fire Impact Fees
Tax Increment District #6	Housing Reserve
Tax Increment District #7	Library Trust Fund
Tax Increment District #8	Tourism and Economic Development

Debt Service Funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs.

Notes
Bonds

Capital Projects Funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Capital Equipment

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

Stormwater
Ambulance

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

Fund Financial Statements (cont.)

In addition, the city reports the following fund types:

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

City Hall
Motor Pool
Technology

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

Tax Collection Fund

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

Government-Wide Financial Statements

The government-wide statement of net position 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 inflows. 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 electric, water and sewer utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

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 inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the city is entitled the resources and the amounts are available. Amounts owed to the city which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

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 unavailable 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.

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

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Electric Utility, Water Utility, Sewer Utility, Stormwater Utility, and Ambulance fund are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

All Financial Statements

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

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

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

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

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

The city has adopted an investment policy. That policy contains the following guidelines for allowable investments.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Custodial Credit Risk

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

Credit Risk

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

Concentration of Credit Risk

The city will diversify investments according to the following limits:

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

Interest Rate Risk

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

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note III. A. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

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, 2016, the fair value of the city's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III. A. for further information.

2. Receivables

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

Property tax calendar - 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	July 31, 2017
Personal property taxes in full	January 31, 2017
Tax sale - 2016 delinquent real estate taxes	October 2019

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the electric, water or sewer utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$100,000 for infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. \$82,023 of 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.

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

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

Fund Financial Statements

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

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

6. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

7. Compensated Absences

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

All vested 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, and are payable with expendable 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, 2016, are determined on the basis of current salary rates and include salary related payments.

8. Long-Term Obligations/Conduit Debt

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

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

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

8. Long-Term Obligations/Conduit Debt (cont.)

The city has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the city. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$450,000, made up of one issue.

9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

10. Equity Classifications

Government-Wide Statements

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position 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 position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

The net position section includes an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column. The amount is a reduction of "net investment in capital assets", and an increase in "unrestricted" net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Adjustment</u>	<u>Total</u>
Net investment in capital assets	\$ 41,899,789	\$ 48,095,627	\$ (1,438,288)	\$ 88,557,128
Unrestricted	803,296	12,560,628	1,438,288	14,802,212

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Government-Wide Statements (cont.)

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City Council that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Council may take official action to assign amounts. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The city considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit from doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the city would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements (cont.)

See Note III. H. for further information.

11. Pension

For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Basis for Existing Rates

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

Current water rates were approved by the PSCW effective June 27, 2016.

Current sewer rates were approved by the City Council on March 12, 2012.

Stormwater rates were effective April 1, 2007.

Current ambulance rates were effective January 1, 2015.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

Fund	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
TIF #10	\$ 104,563	\$ 3,369,163	\$ 3,264,600
Refuse/Solid Waste	64,835	665,493	600,658
Shared Ride Taxi	158,694	187,073	28,379
Media Services	-	167,763	167,763
TIF #4	242,207	313,333	71,126
TIF #7	13,288	46,337	33,049
TIF #8	64,991	67,665	2,674
TIF #11	-	10,720	10,720
TIF #12	-	614,576	614,576
Library Impact Fees	14,184	235,960	221,776
Tourism and Economic Development	108,500	137,554	29,054
Debt Service Notes	823,521	5,065,549	4,242,028
Debt Service Bonds	169,058	173,032	3,974

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

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

B. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end.

As of December 31, 2016, the following individual funds held a deficit balance:

Fund	Amount	Reason
TIF #10	\$ 3,915,212	Insufficient tax increment generated
TIF #6	910,272	Insufficient tax increment generated
TIF #7	462,581	Insufficient tax increment generated
TIF #8	109,300	Insufficient tax increment generated
TIF #9	307,843	Insufficient tax increment generated
TIF #11	25,394	Insufficient tax increment generated
TIF #12	614,576	Insufficient tax increment generated
Commercial Revolving Loan Fund	9,627	Costs exceeded revenues due to the long-term nature of loan repayments
Library Impact Fees	214,479	Costs exceeded revenues due to capital expenditures
Tourism and Economic Development	691,927	Costs exceeded revenues due to purchase of property
Capital Equipment	77,383	Costs exceeded revenues due to capital expenditures

TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases. Remaining fund deficits are anticipated to be funded with future contributions, general tax revenues, or repayment of advanced funds.

C. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law limits the city's future tax levies. Generally the city is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the city's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The city is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Bank and Investment Balances	Associated Risks
Deposits	\$ 6,343,960	\$ 6,734,556	Custodial credit
US agencies	160,126	160,126	Custodial credit, credit, interest rate, concentration of credit
LGIP	15,197,128	15,197,128	Credit
US treasuries	2,091,828	2,091,828	Custodial credit, interest rate
Corporate bonds	1,199,367	1,199,367	Custodial credit, credit, interest rate, concentration of credit
Asset-backed securities	163,362	163,362	Custodial credit, credit, interest rate, concentration of credit
Municipally-held securities	50,083	50,083	Custodial credit, credit, interest rate, concentration of credit
Mortgage-backed securities	120,856	120,856	Custodial credit, credit, interest rate, concentration of credit
Petty cash	550	-	N/A
Total Deposits and Investments	\$ 25,327,260	\$ 25,717,306	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 21,231,898		
Restricted cash and investments	2,376,738		
Per statement of assets and liabilities -			
agency fund			
Agency Fund	1,718,624		
Total Deposits and Investments	\$ 25,327,260		

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

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

A. DEPOSITS AND INVESTMENTS (cont.)

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

Deposits in accounts at Security Financial Bank are secured by a \$9,000,000 Federal Home Loan Bank letter of credit. The city also maintains collateral agreements with its other banks. At December 31, 2016, those banks had pledged various government securities in the amount of \$865,040 to secure the city's deposits.

The city categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- > Quoted market prices
- > Matrix modeled pricing

Investment Type	December 31, 2016			
	Level 1	Level 2	Level 3	Total
US agencies	\$ -	\$ 160,126	\$ -	\$ 160,126
US treasuries	-	2,091,828	-	2,091,828
Corporate bonds	-	1,199,367	-	1,199,367
Asset-backed securities	-	163,362	-	163,362
Municipally-held securities	-	50,083	-	50,083
Mortgage-backed securities	-	120,856	-	120,856
Total	\$ -	\$ 3,785,622	\$ -	\$ 3,785,622

Custodial Credit Risk

Deposits

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

The city does not have any deposits exposed to custodial credit risk.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Investments

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

The city does not have any investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2016, the city's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>
U.S. agencies	AA+ AAA/AA+/AA/AA-
Corporate bonds	/A+/A
Asset-backed securities	AAA
Municipally-held securities	AA-
Mortgage-backed securities	AA+/AA

The city also held investments in the following external pools which are not rated:

Local Government Investment Pool

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

None of the city's investments with concentration of credit risk as an associated risk comprised more than 5% of its total investment portfolio at year-end.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2016, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In Months)	
		Less than One Year	One - Five
US treasuries	\$ 2,091,828	\$ 235,349	\$ 1,856,479
US agencies	160,126	125,168	34,958
Asset-backed securities	163,362	33,681	129,681
Municipally-held securities	50,083	50,083	-
Corporate bonds	1,199,367	130,064	1,069,303
Mortgage-backed securities	<u>120,856</u>	<u>23,072</u>	<u>97,784</u>
Totals	<u>\$ 3,785,622</u>	<u>\$ 597,417</u>	<u>\$ 3,188,205</u>

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

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year except for special assessments of \$84,126 in the general fund, loans of \$246,869 in the general capital projects fund, loans of \$18,930 in the electric fund, special assessments of \$28,663 in non-major governmental funds, and loans of \$458,601 in non-major governmental funds.

Revenues of the ambulance fund are reported net of contractual cost reductions related to Medicare and Medicaid and amount to \$1,138,403 for the current period.

Allowances for uncollectible receivables as of year-end are as follows:

General Fund	
Allowance for uncollectible court and parking ticket receivables	<u>\$ 21,989</u>
Nonmajor Enterprise Funds	
Allowance for uncollectible ambulance receivables	<u>\$ 265,521</u>

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

B. RECEIVABLES (cont.)

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

	Unearned	Unavailable
Property taxes receivable	\$ 6,852,485	\$ 521
Special assessments receivable	12,366	79,089
Grants receivable	70,670	15,638
Loans receivable	-	796,770
Miscellaneous	2,500	31,847
 Total Unearned/Unavailable Revenue for Governmental Funds	 6,938,021	 <u>\$ 923,865</u>
 Unearned revenue included in liabilities	 2,463,727	
 Total Unearned Revenue for Governmental Funds	 <u>\$ 9,401,748</u>	

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

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

Equipment Replacement Account

The sewer utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

C. RESTRICTED ASSETS (cont.)

Impact Fee Account

The city has received impact fees which must be spent in accordance with the local ordinance and state statutes. Any unspent funds must be refunded to the current property owner.

Restricted assets in the governmental activities consist of \$247,465 held for the business incubator project.

Following is a list of restricted assets of business-type activities at December 31, 2016:

Restricted Assets	
Bond redemption account	\$ 634,404
Bond reserve account	674,589
Impact fee account	412,269
Replacement account	408,011
Interest receivable	<u>118</u>
Total Restricted Assets	<u>\$ 2,129,391</u>

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated/amortized				
Land	\$ 16,028,095	\$ 96,052	\$ 3,156,000	\$ 12,968,147
Construction in progress	<u>8,200,705</u>	<u>266,476</u>	<u>8,198,905</u>	<u>268,276</u>
Total Capital Assets Not Being Depreciated/Amortized	<u>24,228,800</u>	<u>362,528</u>	<u>11,354,905</u>	<u>13,236,423</u>
Capital assets being depreciated/amortized				
Land improvements	\$ 521,469	\$ -	\$ -	\$ 521,469
Buildings	15,273,537	149,865	-	15,423,402
Machinery and equipment	6,806,129	318,973	235,394	6,889,708
Infrastructure	29,228,155	7,616,245	-	36,844,400
Intangibles	<u>336,589</u>	<u>96,930</u>	<u>51,681</u>	<u>381,838</u>
Total Capital Assets Being Depreciated/Amortized	<u>52,165,879</u>	<u>8,182,013</u>	<u>287,075</u>	<u>60,060,817</u>
Total Capital Assets	<u>76,394,679</u>	<u>8,544,541</u>	<u>11,641,980</u>	<u>73,297,240</u>

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities (cont.)				
Less: Accumulated depreciation/amortization for				
Land improvements	\$ (240,068)	\$ (23,693)	\$ -	\$ (263,761)
Buildings	(5,312,124)	(381,703)	-	(5,693,827)
Machinery and equipment	(2,898,606)	(451,049)	204,499	(3,145,156)
Infrastructure	(7,636,589)	(506,561)	-	(8,143,150)
Intangibles	<u>(63,230)</u>	<u>(36,200)</u>	<u>-</u>	<u>(99,430)</u>
Total Accumulated Depreciation/Amortization	<u>(16,150,617)</u>	<u>(1,399,206)</u>	<u>204,499</u>	<u>(17,345,324)</u>
Net Capital Assets Being Depreciated/Amortized	<u>36,015,262</u>	<u>6,782,807</u>	<u>82,576</u>	<u>42,715,493</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation/ Amortization	<u>\$ 60,244,062</u>	<u>\$ 7,145,335</u>	<u>\$11,437,481</u>	<u>\$ 55,951,916</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 200,048
Public safety	192,800
Public works	696,897
Leisure	294,503
Conservation and development	<u>14,958</u>
Total Governmental Activities Depreciation/Amortization Expense	<u>\$ 1,399,206</u>

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Electric</u>				
Capital assets not being depreciated				
Land and land rights	\$ 107,127	\$ -	\$ -	\$ 107,127
Construction in progress	82,484	1,962,675	1,146,564	898,595
Total Capital Assets Not Being Depreciated	189,611	1,962,675	1,146,564	1,005,722
Capital assets being depreciated				
Hydraulic production	932,179	-	-	932,179
Other production	1,260,829	-	-	1,260,829
Transmission	1,536,162	-	-	1,536,162
Distribution	18,323,573	1,257,900	183,409	19,398,064
General	2,139,230	18,109	14,924	2,142,415
Total Capital Assets Being Depreciated	24,191,973	1,276,009	198,333	25,269,649
Total Capital Assets	24,381,584	3,238,684	1,344,897	26,275,371
Less: Accumulated depreciation for				
Hydraulic production	(616,147)	(21,468)	-	(637,615)
Other production	(705,055)	(32,061)	-	(737,116)
Transmission	(1,185,307)	(36,133)	-	(1,221,440)
Distribution	(8,770,649)	(639,580)	209,919	(9,200,310)
General	(1,407,090)	(83,154)	3,731	(1,486,513)
Total Accumulated Depreciation	(12,684,248)	(812,396)	213,650	(13,282,994)
Net Capital Assets Being Depreciated	11,507,725	463,613	(15,317)	11,986,655
Net Electric Capital Assets	\$ 11,697,336	\$ 2,426,288	\$ 1,131,247	\$ 12,992,377

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 23,120	\$ -	\$ -	\$ 23,120
Construction in progress	94,354	680,003	774,357	-
Total Capital Assets Not Being Depreciated	117,474	680,003	774,357	23,120
Capital assets being depreciated				
Source of supply	234,839	669,112	-	903,951
Pumping	2,080,866	-	-	2,080,866
Water treatment	83,786	-	-	83,786
Transmission and distribution	15,845,524	749,369	63,145	16,531,748
General	622,634	18,109	14,924	625,819
Total Capital Assets Being Depreciated	18,867,649	1,436,590	78,069	20,226,170
Total Capital Assets	18,985,123	2,116,593	852,426	20,249,290
Less: Accumulated depreciation/amortization for				
Source of supply	(98,385)	(4,266)	-	(102,651)
Pumping	(474,765)	(62,004)	-	(536,769)
Water treatment	(45,620)	(2,694)	-	(48,314)
Transmission and distribution	(4,220,276)	(362,959)	63,145	(4,520,090)
General	(422,343)	(21,953)	3,799	(440,497)
Total Accumulated Depreciation/Amortization	(5,261,389)	(453,876)	66,944	(5,648,321)
Net Capital Assets Being Depreciated	13,606,260	982,714	11,125	14,577,849
Net Water Capital Assets	\$ 13,723,734	\$ 1,662,717	\$ 785,482	\$ 14,600,969

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer</u>				
Capital assets not being depreciated				
Land and land rights	\$ 117,622	\$ -	\$ -	\$ 117,622
Construction in progress	346,545	3,950,313	24,510	4,272,348
Total Capital Assets Not Being Depreciated	464,167	3,950,313	24,510	4,389,970
Capital assets being depreciated				
Collection system	16,759,384	653,260	10,744	17,401,900
Collection system pumping	1,105,140	-	-	1,105,140
Treatment and disposal	8,118,093	6,568	-	8,124,661
General	1,710,010	245,117	14,930	1,940,197
Intangibles	-	128,163	-	128,163
Total Capital Assets Being Depreciated	27,692,627	1,033,108	25,674	28,700,061
Total Capital Assets	28,156,794	4,983,421	50,184	33,090,031
Less: Accumulated depreciation for				
Collection system	(2,981,454)	(182,632)	10,744	(3,153,342)
Collection system pumping	(859,997)	(39,866)	-	(899,863)
Treatment and disposal	(4,307,135)	(240,893)	-	(4,548,028)
General	(918,544)	(86,291)	11,205	(993,630)
Total Accumulated Depreciation	(9,067,130)	(549,682)	21,949	(9,594,863)
Net Capital Assets Being Depreciated	18,625,497	483,426	3,725	19,105,198
Net Sewer Capital Assets	\$ 19,089,664	\$ 4,433,739	\$ 28,235	\$ 23,495,168

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Stormwater</u>				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 38,607	\$ -	\$ 38,607
Total Capital Assets Not Being Depreciated	<u>-</u>	<u>38,607</u>	<u>-</u>	<u>38,607</u>
Capital assets being depreciated				
Machinery and equipment	135,688	5,418	-	141,106
Collection system	<u>7,522,794</u>	<u>913,423</u>	<u>-</u>	<u>8,436,217</u>
Total Capital Assets Being Depreciated	<u>7,658,482</u>	<u>918,841</u>	<u>-</u>	<u>8,577,323</u>
Total Capital Assets	<u>7,658,482</u>	<u>957,448</u>	<u>-</u>	<u>8,615,930</u>
Less: Accumulated depreciation for				
Machinery and equipment	(50,146)	(14,610)	-	(64,756)
Collection system	<u>(1,732,532)</u>	<u>(154,028)</u>	<u>-</u>	<u>(1,886,560)</u>
Total Accumulated depreciation	<u>(1,782,678)</u>	<u>(168,638)</u>	<u>-</u>	<u>(1,951,316)</u>
Net Capital Assets Being Depreciated	<u>5,875,804</u>	<u>750,203</u>	<u>-</u>	<u>6,626,007</u>
Net Stormwater Capital Assets	<u>\$ 5,875,804</u>	<u>\$ 788,810</u>	<u>\$ -</u>	<u>\$ 6,664,614</u>

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Ambulance</u>				
Capital assets not being depreciated				
Land	\$ 101,298	\$ -	\$ -	\$ 101,298
Construction in progress	-	42,962	-	42,962
Total Capital Assets Not Being Depreciated	<u>101,298</u>	<u>42,962</u>	<u>-</u>	<u>144,260</u>
Capital assets being depreciated				
Building improvements	21,393	-	-	21,393
Buildings	601,408	-	-	601,408
Machinery and equipment	1,072,328	14,446	40,000	1,046,774
Intangibles	-	107,700	-	107,700
Total Capital Assets Being Depreciated	<u>1,695,129</u>	<u>122,146</u>	<u>40,000</u>	<u>1,777,275</u>
Total Capital Assets	<u>1,796,427</u>	<u>165,108</u>	<u>40,000</u>	<u>1,921,535</u>
Less: Accumulated depreciation for				
Building improvements	(21,393)	-	-	(21,393)
Buildings	(373,860)	(21,833)	-	(395,693)
Machinery and equipment	(582,708)	(91,248)	5,714	(668,242)
Total Accumulated Depreciation	<u>(977,961)</u>	<u>(113,081)</u>	<u>5,714</u>	<u>(1,085,328)</u>
Net Capital Assets Being Depreciated	<u>717,168</u>	<u>9,065</u>	<u>34,286</u>	<u>691,947</u>
Net Other Enterprise Capital Assets	<u>\$ 818,466</u>	<u>\$ 52,027</u>	<u>\$ 34,286</u>	<u>\$ 836,207</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 51,205,004</u>	<u>\$ 9,363,581</u>	<u>\$ 1,979,250</u>	<u>\$ 58,589,335</u>

Depreciation expense was charged to functions as follows:

Business-type Activities

Electric	\$ 812,396
Water	410,838
Sewer	592,720
Storm	168,638
Ambulance	<u>116,890</u>
 Total Business-type Activities Depreciation Expense	 <u>\$ 2,101,482</u>

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

Depreciation expense is different from additions because of joint metering, salvage, and cost of removal.

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund Receivables/Payables

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

Receivable Fund	Payable Fund	Amount
General Fund	TIF #10	\$ 1,350,813
	Commercial Revolving Loan	
General Fund	Fund	18,456
General Fund	Library Impact Fees	214,399
General Fund	Debt Service Bonds	252
General Fund	Capital Equipment	77,383
General Fund	City Hall	36,042
General Fund	Technology	130,222
General Fund	Water Utility	342,596
Environmental Fee	General Fund	700,000
Total - Fund Financial Statements		2,870,163
Less: Fund eliminations		(2,361,303)
Add: Interfund receivables created with internal service fund eliminations		321,359
Total Internal Balances - Government-Wide Statement of Net Position		\$ 830,219

All amounts are due within one year.

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

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

Advances

The general fund is advancing funds to TIF Districts No. 5, No. 6, No. 7, No. 8, No. 9, No. 10, No. 11 and No. 12. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since each District's inception. No repayment schedule has been established for TIF Districts No. 6, No. 7, No. 8, No. 9, No. 10, No. 11, and No. 12. The advance to TIF District No. 5 is scheduled to be paid off in 2020.

In 2011, the Environmental Fee fund advanced \$1,000,000 to the Tourism and Economic Development fund. No repayment schedule has been established.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General Fund	TIF District #5	\$ 182,133	\$ 132,133
General Fund	TIF District #6	910,272	910,272
General Fund	TIF District #7	544,111	544,111
General Fund	TIF District #8	109,300	109,300
General Fund	TIF District #9	307,843	307,843
General Fund	TIF District #10	2,549,982	2,549,982
General Fund	TIF District #11	25,394	25,394
General Fund	TIF District #12	614,660	614,660
Environmental Fee	Tourism and Economic Development	1,000,000	1,000,000
Total - Fund Financial Statements		6,243,695	
Less: Fund eliminations		(6,243,695)	
Total - Interfund Advances - Government-Wide Statement of Net Position		\$ -	

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General	TIF #10	\$ 5,521	Budgeted allocations
General	General Capital Projects	39,504	Budgeted allocations
General	Nonmajor governmental funds	464,581	Budgeted allocations
General	Electric utility	569,556	Property tax equivalent & budgeted allocations
General	Water utility	401,948	Property tax equivalent & budgeted allocations
General	Sewer utility	152,851	Budgeted allocations
General	Nonmajor enterprise funds	111,314	Budgeted allocations
General	Internal service funds	18,596	Budgeted allocations
General Capital Projects	TIF #10	402,706	Sterling Ponds capital costs
Nonmajor governmental funds	General	26,162	Budgeted allocations
Nonmajor governmental funds	Nonmajor governmental funds	317,583	Budgeted allocations
Nonmajor enterprise funds	General	75,200	Budgeted allocations
Nonmajor enterprise funds	Nonmajor governmental funds	5,000	Budgeted allocations
Internal service funds	General	312,844	Budgeted allocations
Internal service funds	Nonmajor governmental funds	152,096	Budgeted allocations
Internal service funds	Electric utility	101,394	Budgeted allocations
Internal service funds	Water utility	17,654	Budgeted allocations
Internal service funds	Sewer utility	29,096	Budgeted allocations
Internal service funds	Nonmajor enterprise funds	45,451	Budgeted allocations
Internal service funds	Internal service funds	<u>12,209</u>	Budgeted allocations
Total - Fund Financial Statements		3,261,266	
Less: Fund and government-wide eliminations		(1,912,202)	
Less: Transfer of capital assets from governmental activities to business-type activities		<u>(2,035,911)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ (686,847)</u>	

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

Transfers (cont.)

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
Governmental Activities	Business-type Activities	\$ 1,429,264
Business-type Activities	Governmental Activities	<u>(2,116,111)</u>
Total Government-wide Financial Statements		<u>\$ (686,847)</u>

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 16,929,562	\$ 4,060,000	\$ 5,073,905	\$ 15,915,657	\$ 1,419,062
(Discounts)/Premiums	295,807	235,744	(23,095)	554,646	-
Sub-totals	<u>17,225,369</u>	<u>4,295,744</u>	<u>5,050,810</u>	<u>16,470,303</u>	<u>1,419,062</u>
Other Liabilities					
Vested compensated absences	856,470	162,458	73,605	945,323	353,877
Capital leases	47,168	-	12,298	34,870	12,021
Other postemployment benefits	514,594	19,488	-	534,082	-
Net pension liability (asset)	(875,203)	2,996,789	1,548,539	573,047	-
Landfill post-closure care cost	154,200	3,240	12,510	144,930	12,510
Total Other Liabilities	<u>697,229</u>	<u>3,181,975</u>	<u>1,646,952</u>	<u>2,232,252</u>	<u>378,408</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 17,922,598</u>	<u>\$ 7,477,719</u>	<u>\$ 6,697,762</u>	<u>\$ 18,702,555</u>	<u>\$ 1,797,470</u>

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 3,813,038	\$ -	\$ 723,076	\$ 3,089,962	\$ 709,962
Revenue bonds	3,769,974	4,510,000	258,125	8,021,849	342,742
Other long-term debt	37,086	-	9,848	27,238	10,063
(Discounts)/Premiums	<u>112,559</u>	<u>116,523</u>	<u>22,239</u>	<u>206,843</u>	<u>-</u>
Sub-totals	<u>7,732,657</u>	<u>4,626,523</u>	<u>1,013,288</u>	<u>11,345,892</u>	<u>1,062,767</u>
Other Liabilities					
Vested compensated absences	220,517	56,461	6,111	270,867	136,359
Other postemployment benefits	167,018	6,324	-	173,342	-
Net pension liability (asset)	<u>(310,771)</u>	<u>1,103,336</u>	<u>577,834</u>	<u>214,731</u>	<u>-</u>
Total Other Liabilities	<u>76,764</u>	<u>1,166,121</u>	<u>583,945</u>	<u>658,940</u>	<u>136,359</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 7,809,421</u>	<u>\$ 5,792,644</u>	<u>\$ 1,597,233</u>	<u>\$ 12,004,832</u>	<u>\$ 1,199,126</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2016, was \$45,559,020. Total general obligation debt outstanding at year end was \$19,005,619.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

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

Governmental Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2016</u>
State Trust Fund Loan	09/2008	03/2018	4.25%	\$ 300,000	\$ 78,314
Refunding Bonds	03/2009	03/2029	3.0-4.6%	5,070,000	580,000
Refunding Bonds	03/2012	03/2028	2.4%	4,560,000	3,070,000
Promissory Note	12/2012	12/2017	1.917%	118,000	23,874
Promissory Note	11/2013	11/2018	1.79%	250,000	102,709
Corporate Purpose Bonds	08/2014	06/2034	3.00-4.00%	5,425,000	5,425,000
State Trust Fund Loan	07/2015	03/2034	3.75%	1,600,000	1,524,407
State Trust Fund Loan	10/2015	03/2025	3.25%	269,800	269,800
Promissory Note	10/2015	10/2025	2.94%	575,000	517,500
Refunding Promissory Note	10/2015	10/2017	1.19%	525,000	264,053
Refunding Bonds	04/2016	03/2029	2.0-3.0%	4,060,000	<u>4,060,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 15,915,657</u>

Business-type Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2016</u>
Refunding Bonds	07/2011	11/2019	2.0-2.5%	\$ 1,740,000	\$ 875,000
Refunding Bonds	08/2012	05/2023	1.0-2.5%	3,165,000	2,140,000
Promissory Note	12/2012	12/2017	1.917%	360,000	<u>74,962</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 3,089,962</u>

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2017	\$ 1,419,062	\$ 485,189	\$ 709,962	\$ 63,283
2018	1,384,298	446,414	655,000	46,413
2019	1,266,402	401,181	440,000	32,725
2020	1,289,627	362,220	305,000	23,413
2021	1,318,277	321,391	315,000	16,450
2022-2026	4,630,327	1,103,685	665,000	13,450
2027-2031	3,338,664	486,800	-	-
2032-2034	1,269,000	90,450	-	-
Totals	<u>\$ 15,915,657</u>	<u>\$ 3,697,330</u>	<u>\$ 3,089,962</u>	<u>\$ 195,734</u>

Revenue Debt

Business-type activities revenue bonds are payable only from revenues derived from the operation of the water, and sewer utilities.

The water utility has pledged future revenues, net of specified operating expenses, to repay revenue bonds issued in 2011. The bonds are payable solely from water utility revenues and are payable through 2031. Annual principal and interest payments on the bonds are expected to require 18.39% of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,352,254. Principal and interest paid for the current year and total customer net revenues were \$155,447 and \$852,713, respectively.

The sewer utility has pledged future revenues, net of specified operating expenses, to repay revenue bonds issued in 2005 and 2016. The bonds are payable solely from sewer utility revenues and are payable through 2036. Annual principal and interest payments on the bonds are expected to require 24.97% of net revenues. The total principal and interest remaining to be paid on the bonds is \$7,870,601. Principal and interest paid for the current year and total customer net revenues were \$281,075 and \$1,575,970, respectively.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Revenue debt payable at December 31, 2016, consists of the following:

Business-type Activities Revenue Debt

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2016</u>
<u>Water Utility</u>					
Revenue Bonds	07/2011	11/2031	2.0-4.4%	\$ 2,125,000	\$ <u>1,775,000</u>
				Total Water Utility	<u>1,775,000</u>
<u>Sewer Utility</u>					
Revenue Bonds	11/2005	05/2025	2.746%	3,317,130	1,736,849
Revenue Bonds	04/2016	05/2036	2.0-3.0%	4,510,000	<u>4,510,000</u>
				Total Sewer Utility	<u>6,246,849</u>
				Total Business-type Activities - Revenue Debt	<u>\$ 8,021,849</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 342,742	\$ 222,501
2018	352,486	213,838
2019	482,359	203,563
2020	487,367	191,686
2021	502,512	179,346
2022-2026	2,494,383	694,872
2027-2031	1,935,000	385,925
2032-2036	<u>1,425,000</u>	<u>109,275</u>
Totals	<u>\$ 8,021,849</u>	<u>\$ 2,201,006</u>

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information

Estimated payments of compensated absences, other post employment benefits, net pension liability, and landfill postclosure care costs are not included in the debt service requirement schedules. The liabilities are attributable to governmental activities will be liquidated primarily by the general fund.

A statutory mortgage lien upon the utilities' system and any additions, improvements and extensions thereto is created by Section 66.0621 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The utilities' system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

Advance Refunding

On April 13, 2016, the city issued \$4,060,000 in general obligation bonds with an average coupon rate of 2.65% to advance refund \$3,920,000 of outstanding bonds with an average coupon rate of 4.23%. The net proceeds along with existing funds of the city were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The cash flow requirements on the refunded debt prior to the advance refunding was \$6,290,094 from 2016 through 2029. The cash flow requirements on the 2016 refunding bonds are \$5,782,666 from 2016 through 2029. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$495,554.

G. CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the city to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for until notified by the Wisconsin Department of Natural Resources that such maintenance and monitoring is no longer required years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the city reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$144,930 reported as landfill closure and postclosure care liability at December 31, 2016, represents the estimated amount of future postclosure costs. These amounts are based on what it would cost to perform all postclosure care in 2016. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2016, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 12,968,147
Construction in progress	268,276
Other capital assets, net of accumulated depreciation	42,715,493
Less: Long-term debt outstanding	(15,915,657)
Plus: Noncapital debt proceeds	2,049,388
Less: Unamortized debt premium	(554,646)
Plus: Unamortized deferred charge on refunding	<u>368,788</u>
Total Net Investment in Capital Assets	<u>\$ 41,899,789</u>

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2016, include the following:

	<u>General Fund</u>	<u>Tax Increment District #10</u>	<u>General Capital Projects Fund</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Fund Balances					
Nonspendable:					
Inventories and prepayments	\$ 105,294	\$ -	\$ -	\$ 7,555	\$ 112,849
Advances to other funds	5,243,695	-	-	-	5,243,695
Restricted for:					
Debt service	-	-	-	78,978	78,978
Parking improvements	-	-	-	120,561	120,561
Refuse/solid waste	-	-	-	225,401	225,401
Shared ride taxi	-	-	-	43,169	43,169
Environmental fee	-	-	-	2,913,957	2,913,957
Future TIF expenditures	-	-	-	51,836	51,836
Library	-	-	-	29,145	29,145
Park impact fee projects	-	-	-	156,221	156,221
Fire impact fee projects	-	-	-	144,682	144,682
Business incubator project	-	-	171,774	-	171,774
Housing reserve	-	-	-	288,207	288,207
Library trust	-	-	-	164,969	164,969
Committed to:					
Park acquisition	-	-	-	793	793
Unassigned (deficit):	<u>4,309,541</u>	<u>(3,915,212)</u>	<u>(3,154)</u>	<u>(3,423,592)</u>	<u>(3,032,417)</u>
Total Fund Balances (Deficit)	<u>\$ 9,658,530</u>	<u>\$ (3,915,212)</u>	<u>\$ 168,620</u>	<u>\$ 801,882</u>	<u>\$ 6,713,820</u>

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	
Land	\$ 349,167
Construction in progress	5,252,512
Other capital assets, net of accumulated depreciation	52,987,656
Less: Long-term debt outstanding	(11,111,811)
Plus: Unspent capital related debt proceeds	674,589
Plus: Unamortized loss on refunding	150,357
Less: Unamortized debt premium	<u>(206,843)</u>
Total Net Investment in Capital Assets	<u>\$ 48,095,627</u>

Of the total December 31, 2016 unrestricted net position of \$7,381,933 in the electric utility, \$125,840 has been committed by the city for hydroelectric operations.

I. COMPONENT UNIT

BUSINESS IMPROVEMENT DISTRICT

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

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

a. Basis of Accounting/Measurement Focus

The BID follows the modified accrual basis of accounting and the flow of financial resources measurement focus.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNIT (cont.)

BUSINESS IMPROVEMENT DISTRICT (cont.)

b. Deposits and Investments

	Carrying Value	Statement Balances	Associated Risks
Deposits	<u>\$ 34,315</u>	<u>\$ 35,815</u>	Custodial credit risk

Custodial Credit Risk

Deposits

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

The BID does not have any deposits exposed to custodial credit risk.

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$477,121 in contributions from the city.

Contribution rates as of December 31, 2016 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the city reported a liability (asset) of \$787,778 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city's proportion of the net pension liability (asset) was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the city's proportion was 0.04847920%, which was an increase of 0.00019575% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the city recognized pension expense of \$938,027.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

At December 31, 2016, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 133,269	\$ 1,657,865
Changes in assumptions	551,164	-
Net differences between projected and actual earnings on pension plan investments	3,225,387	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,474	-
Employer contributions subsequent to the measurement date	515,383	-
Totals	\$ 4,442,677	\$ 1,657,865

\$515,383 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 1,020,297	\$ 401,206
2018	1,020,297	401,206
2019	1,020,297	401,206
2020	848,768	401,206
2021	17,635	53,041

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5
 <u>Variable Fund Asset Class</u>				
U.S Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the city's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the city's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the city's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$5,525,487	\$787,778	\$(2,912,458)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

At December 31, 2016, the city reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

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

The city has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The city has active construction projects as of December 31, 2016. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

The city has open contracts of approximately \$965,000 at December 31, 2016 relating to various projects.

Long-Term Contracts - WPPI Energy

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

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

In 2015, a majority of WPPI Energy members ratified an eighteen year extension to their existing contracts. All but two of the remaining members ratified the same extension in 2016. The new contract expires at midnight on December 31, 2055.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract was \$411 million as of December 31, 2016.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

D. JOINT VENTURES

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

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

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

Debt is being repaid with resources of the sewer utility and is secured by revenues of the utility. The transactions of the facility are not reflected in these financial statements. Facility financial information as of December 31, 2016 is available from the facility office.

E. OTHER POSTEMPLOYMENT BENEFITS

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

Contribution requirements are established through personnel policy guidelines and may be amended by the action of the governing body. Retired plan members are required to pay 100% of the premium. For fiscal year 2016, total retired member contributions were \$62,233. Administrative cost of the plan are financed by the city.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

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

Annual required contribution	\$	58,235
Interest on net OPEB obligation		20,448
Adjustment to annual required contribution		<u>(22,589)</u>
Annual OPEB cost		56,094
Contributions made		<u>(30,281)</u>
Increase in net OPEB obligation		25,813
Net OPEB Obligation - Beginning of Year		<u>681,612</u>
Net OPEB Obligation - End of Year	\$	<u><u>707,425</u></u>

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2014	\$ 56,038	47.00	\$ 651,740
December 31, 2015	58,762	49.00	681,612
December 31, 2016	56,094	54.00	707,425

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The funded status of the plan as of January 1, 2014, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$	637,997
Actuarial value of plan assets		<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$	<u>637,997</u>
Funded ratio (actuarial value of plan assets/AAL)		-%
Covered payroll (active plan members)	\$	6,032,728
UAAL as a percentage of covered payroll		10.58%

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

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

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The following simplifying assumptions were made:

1. Retirement age for active employees – Wisconsin Retirement System actuarial valuations were used to determine the retirement age for active employees.
2. Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.
3. Mortality – Life expectancies were based on the SOA RPH-2014 Total Dataset Mortality using Scale MP-2014 for healthy retirees and SOA RPH-2014 Disabled Retiree Mortality using Scale MP-2014 for disabled retirees.
4. Turnover – Wisconsin Retirement System actuarial valuations were used in calculating turnover.
5. Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 9% initially, reduced to an ultimate rate of 5% after nine years, was used.
6. Health insurance premiums – 2017 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.
7. Inflation rate – The expected long-term inflation assumption of 3% was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).
8. Payroll growth rate – The expected long-term payroll growth rate was assumed to be 3.25%.

Based on the historical and expected returns of the city's short-term investment portfolio, a discount rate of 3% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2016, was 30 years.

F. SUBSEQUENT EVENTS

The legal life of Tax Increment District #4 is set to be terminated on June 1, 2017. Fund balance remaining after collection of the 2016 tax increment and payment of final expenditures in 2017 will be distributed to overlying tax districts.

The city council has authorized the issuance of a \$1,100,000 State Trust Fund Loan. The proceeds will be used to finance TIF #10 corporate park costs. Loan proceeds were received by the city on January 9, 2017.

The city council has authorized the issuance of a \$112,500 State Trust Fund loan. The proceeds will be used to purchase a snow blower. Loan proceeds were received by the city on January 9, 2017.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

G. RELATED ORGANIZATIONS

Housing Authority

The city's officials are responsible for appointing the board members of the River Falls Housing Authority, but the city's accountability for this organization does not extend beyond making the appointments.

H. TAX ABATEMENT

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The city is disclosing all abatement agreements individually.

The city through its Tax Incremental Financing Districts (TID) No. 8 and 9 has entered into tax abatement agreements with a developers in the form of tax incremental financing incentive payments to stimulate economic development. The abatements are authorized through the TID project plans. The developers pay property taxes as they become due, and after meeting the criteria established in the development agreements, are entitled to future incentive payments that directly correlate to the taxes paid.

<u>Agreement Description</u>	<u>Calculation Method</u>	<u>Developer Commitment</u>	<u>2016 Payments</u>
Gerrard-University Falls (TIF #8)	in dollars	Rebate of increment taxes to a maximum of \$486,000	\$ 61,960
Erickson Diversified (TIF #9)	in dollars	Rebate of increment taxes paid to a maximum of \$686,000	70,000

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

I. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- > Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- > Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*
- > Statement No. 81, *Irrevocable Split-Interest Agreements*
- > Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*
- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 85, *Omnibus 2017*
- > Statement No. 86, *Certain Debt Extinguishment Issues*

When they become effective, application of these standards may restate portions of these financial statements.

J. NONEXCHANGE FINANCIAL GUARANTEE

In 2012, the City entered into a loan guarantee agreement with the River Falls Baseball Council, a legally separate organization. The loan was used for improvements at the baseball park. In the event that the River Falls Baseball Council would be unable to make the loan payments, all rights, title and interest River Falls Baseball Council has in the related real property and improvements would be revoked. The City's exposure at December 31, 2016 is limited to a maximum of \$257,700 in principal plus interest.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

K. DEVELOPER AGREEMENTS

The city entered into a development agreement with Gerrard Corporation in 2010, to construct three multifamily residential buildings within tax increment district #8. The developer agreed to a minimum assessed value of \$1,500,000 for phase I and \$1,500,000 for phase II, in return for a maximum of \$486,000 in increment payments over a 20 year period or the life of tax increment district #8, whichever is longer. The developer was reimbursed \$61,960, \$60,182, \$59,280, \$35,935, and \$29,000 in 2016, 2015, 2014, 2013, and 2012, respectively, for the first five year's payments.

The city entered into a development agreement with Erickson's Diversified Corporation in 2011 for redevelopment of property in the downtown area. The agreement included the sale of land for the city's trail system, and a guaranteed increase of \$70,000 in property taxes beginning with taxes payable in 2014, and continuing for 17 years, or the life of tax increment district #9, whichever is shorter. In return, the city will make a monetary obligation of \$686,000 to repay the developer for eligible project costs. The developer was reimbursed \$70,000 in 2016, \$70,000 in 2015, and \$70,000 in 2014 for the first three year's payments.

The City entered into a development agreement with TW Equities, LLC in 2016 to construct a 100,000 square foot office and warehouse building with a 75,000 square foot footprint within Tax Increment District No. 10. The developer agreed that land and improvements shall carry a tax assessment value of not less than \$6,500,000, waived the right to protest such assessment for a period of 10 years and agreed to payment of minimum real estate taxes of not less than \$136,500 per year. The City has committed to provide tax increment financing to the developer in a maximum amount of \$1,327,030 to write down the cost of land, site improvements and 90 shares in the community solar program. The developer was reimbursed \$51,030 in 2016.

The City entered into a development agreement with Winfield Solutions, LLC in 2016 to construct a 52,000 square foot building and improvements for commercial, office, meeting space, research and development laboratories and related activities and an attached greenhouse/headhouse and related activities within Tax Increment District No. 10. The developer agreed that land and improvements shall carry a tax assessment value of \$6,000,000 or less, waived the right to protest such assessment for a period of 12 years following issuance of the Certificate of Completion and Occupancy and agreed to payment of minimum real estate taxes of not less than \$126,000 per year. The City has committed to provide tax increment financing to the developer in the minimum amount of \$2,081,030 to write down the cost of land, incentives and 90 shares in the community solar program. Should the assessed value of the development property exceed \$6,000,000, the City will pay to the developer an additional incentive of 50 percent of collected increment revenues for increment exceeding that amount. The developer was reimbursed \$2,030,540 in 2016.

The City entered into a development agreement with Winfield Solutions, LLC in 2016 to construct 15,000 square feet of buildings and improvements for a field research facility and office and related activities within Tax Increment District No. 12. The developer agreed that land and improvements shall carry a tax assessment value of \$1,700,000 or less, waived the right to protest such assessment for a period of 12 years following issuance of the Certificate of Completion and Occupancy and agreed to payment of minimum real estate taxes of not less than \$35,700 per year. The City has committed to provide tax increment financing to the developer in the minimum amount of \$641,030 to write down the cost of land, incentives and 90 shares in the community solar program. The developer was reimbursed \$590,430 in 2016.

CITY OF RIVER FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

L. TAX INCREMENTAL FINANCING DISTRICTS

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

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

	<u>Creation Date</u>	<u>Expenditure Deadline</u>	<u>Termination Date</u>
TID No. 4	1988	2010	2017
TID No. 5	1994	2016	2027
TID No. 6	2005	2027	2032
TID No. 7	2009	2024	2029
TID No. 8	2010	2032	2037
TID No. 9	2011	2034	2039
TID No. 10	2014	2029	2034
TID No. 11	2015	2030	2035
TID No. 12	2016	2029	2037

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RIVER FALLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND COMBINED For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,486,500	\$ 3,486,500	\$ 3,506,465	\$ 19,965
Special assessments	-	-	703	703
Intergovernmental	3,102,408	3,212,970	3,227,273	14,303
Licenses and permits	146,000	271,000	408,250	137,250
Fines, forfeitures and penalties	185,000	185,000	194,402	9,402
Public charges for services	231,000	231,000	254,571	23,571
Intergovernmental charges for services	15,000	15,000	20,170	5,170
Investment income	300,000	300,000	266,517	(33,483)
Miscellaneous	229,121	170,399	244,173	73,774
Total Revenues	<u>7,695,029</u>	<u>7,871,869</u>	<u>8,122,524</u>	<u>250,655</u>
EXPENDITURES				
Current				
General government	1,825,448	1,913,998	1,762,821	151,177
Public safety	3,558,601	3,558,601	3,469,993	88,608
Public works	2,018,483	2,124,056	2,012,340	111,716
Health services	10,040	10,040	3,710	6,330
Leisure	691,212	691,212	676,708	14,504
Conservation and development	630,400	730,375	637,497	92,878
Debt Service				
Principal retirement	214,886	214,886	224,895	(10,009)
Interest and fiscal charges	31,361	31,361	22,032	9,329
Total Expenditures	<u>8,980,431</u>	<u>9,274,529</u>	<u>8,809,996</u>	<u>464,533</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,285,402)</u>	<u>(1,402,660)</u>	<u>(687,472)</u>	<u>715,188</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	1,686,608	1,788,866	1,763,871	(24,995)
Transfers to other funds	(416,206)	(414,206)	(414,206)	-
Property sales	15,000	15,000	1,892,897	1,877,897
Total Other Financing Sources (Uses)	<u>1,285,402</u>	<u>1,389,660</u>	<u>3,242,562</u>	<u>1,852,902</u>
Net Change in Fund Balance	-	(13,000)	2,555,090	2,568,090
FUND BALANCE - Beginning of Year	<u>7,103,440</u>	<u>7,103,440</u>	<u>7,103,440</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 7,103,440</u>	<u>\$ 7,090,440</u>	<u>\$ 9,658,530</u>	<u>\$ 2,568,090</u>

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF RIVER FALLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - TAX INCREMENT DISTRICT #10
 For the Year Ended December 31, 2016

	Budgeted Amounts <u>Original and Final</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
REVENUES			
Taxes	\$ -	\$ 5,282	5,282
Miscellaneous	-	1,956	1,956
Total Revenues	<u>-</u>	<u>7,238</u>	<u>7,238</u>
EXPENDITURES			
Current			
Conservation and development	4,000	137,507	(133,507)
Capital Outlay	-	2,718,318	(2,718,318)
Debt Service			
Interest and fiscal charges	<u>95,042</u>	<u>105,111</u>	<u>(10,069)</u>
Total Expenditures	<u>99,042</u>	<u>2,960,936</u>	<u>(2,861,894)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(99,042)</u>	<u>(2,953,698)</u>	<u>(2,854,656)</u>
OTHER FINANCING USES			
Transfers to other funds	<u>(5,521)</u>	<u>(408,227)</u>	<u>(402,706)</u>
Total Other Financing Uses	<u>(5,521)</u>	<u>(408,227)</u>	<u>(402,706)</u>
Net change in fund balance	(104,563)	(3,361,925)	(3,257,362)
FUND BALANCE (DEFICIT) - Beginning of Year	<u>(553,287)</u>	<u>(553,287)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (657,850)</u>	<u>\$ (3,915,212)</u>	<u>\$ (3,257,362)</u>

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF RIVER FALLS

SCHEDULE OF FUNDING PROGRESS - POST-EMPLOYMENT BENEFITS For the Year Ended December 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/16	\$ -	\$ 637,997	\$ 637,997	0%	\$ 6,032,728	11%
01/01/15	-	660,993	660,993	0%	5,842,836	11%
01/01/14	-	631,885	631,885	0%	5,658,921	11%

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF RIVER FALLS

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY)
WISCONSIN RETIREMENT SYSTEM (WRS)
For the Year Ended December 31, 2016

WRS Fiscal Year End Date (Measurement Date)	City's Proportion of the Net Pension Asset/Liability	City's Proportionate Share of the Net Pension Asset/(Liability)	City's Covered Payroll	City's Proportionate Share of the Net Pension Asset/Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/15	0.04847920%	\$ (787,778)	\$ 6,407,948	12.29%	98.20%
12/31/14	0.04828345%	1,185,974	6,109,604	19.41%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM (WRS)
For the Year Ended December 31, 2016

City Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/16	\$ 515,383	\$ 515,383	\$ -	6,946,950	7.42%
12/31/15	462,018	462,018	-	6,407,948	7.21%

See accompanying notes to required supplementary information and independent auditors' report.

CITY OF RIVER FALLS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2016

BUDGETARY INFORMATION

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

The budgeted amounts presented include any amendments made. The city administrator may authorize transfers of budgeted amounts within a fund and function. Transfers between funds or functions, and changes to the overall budget must be approved by a two-thirds action of the City Council.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the fund and function level of expenditure.

WISCONSIN RETIREMENT SYSTEM

The amounts determined for each fiscal year were determined as of the calendar year-end and occurred within the fiscal year.

The city is required to present the last ten years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in assumptions. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

CITY OF RIVER FALLS

DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
TAXES				
General property taxes	\$ 3,400,000	\$ 3,400,000	\$ 3,410,430	\$ 10,430
Mobile home taxes	22,000	22,000	22,106	106
Payments in lieu of taxes - housing authority	7,500	7,500	13,599	6,099
Payment in lieu of taxes - other	57,000	57,000	59,959	2,959
Interest and on taxes	-	-	371	371
Total Taxes	<u>3,486,500</u>	<u>3,486,500</u>	<u>3,506,465</u>	<u>19,965</u>
SPECIAL ASSESSMENTS				
Interest on special assessments	-	-	703	703
Total Special Assessments	<u>-</u>	<u>-</u>	<u>703</u>	<u>703</u>
INTERGOVERNMENTAL				
Shared revenues from state	1,968,408	1,987,855	1,988,185	330
Fire insurance from state	35,000	35,000	36,642	1,642
State aid - computers	10,000	10,000	9,129	(871)
State aid - police training	4,000	4,000	4,694	694
State aid - streets	525,000	616,115	615,682	(433)
State aid - municipal services	210,000	210,000	218,349	8,349
State aid - other public safety	-	-	7,728	7,728
School district grant	50,000	50,000	54,483	4,483
Municipal grants	300,000	300,000	292,381	(7,619)
Total Intergovernmental	<u>3,102,408</u>	<u>3,212,970</u>	<u>3,227,273</u>	<u>14,303</u>
LICENSES AND PERMITS				
Liquor and malt beverage licenses	17,000	17,000	18,042	1,042
Operators' license	5,000	5,000	5,380	380
Cigarette licenses	1,000	1,000	900	(100)
Cable television franchise fees	-	125,000	136,478	11,478
Business and occupational licenses	1,500	1,500	1,850	350
Bicycle licenses	-	-	28	28
Dog licenses	5,000	5,000	2,765	(2,235)
Housing inspection licenses	18,500	18,500	26,290	7,790
Plumbing permits	2,000	2,000	2,100	100
Building permits	90,000	90,000	203,162	113,162
Sign permits	2,500	2,500	2,342	(158)
Zoning permits	3,000	3,000	7,180	4,180
Inspectors red seal	500	500	1,733	1,233
Total Licenses and Permits	<u>146,000</u>	<u>271,000</u>	<u>408,250</u>	<u>137,250</u>

CITY OF RIVER FALLS

DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
FINES, FORFEITURES AND PENALTIES				
Court penalties and costs	\$ 70,000	\$ 70,000	\$ 66,073	\$ (3,927)
Parking violations	90,000	90,000	92,620	2,620
Restitution and forfeitures	-	-	95	95
Court costs	25,000	25,000	35,614	10,614
Total Fines, Forfeitures and Penalties	185,000	185,000	194,402	9,402
PUBLIC CHARGES FOR SERVICES				
Clerk's fees	6,500	6,500	9,175	2,675
Zoning administration fees	10,000	10,000	32,655	22,655
Publication fees	1,000	1,000	1,260	260
Plat review fees	10,000	10,000	22,500	12,500
Police department fees	16,500	16,500	9,486	(7,014)
Police reserve	2,000	2,000	-	(2,000)
Police towing	12,000	12,000	4,000	(8,000)
Fire department fees	15,000	15,000	12,716	(2,284)
Fire inspection fees	4,000	4,000	2,000	(2,000)
Highway maintenance and construction	10,000	10,000	27,427	17,427
Weights and measures charges	4,000	4,000	4,500	500
Swimming pool	20,000	20,000	17,423	(2,577)
Parks	20,000	20,000	24,620	4,620
Other recreation programs	100,000	100,000	86,809	(13,191)
Total Public Charges for Services	231,000	231,000	254,571	23,571
INTERGOVERNMENTAL CHARGES FOR SERVICES				
Interdepartmental sales	15,000	15,000	20,170	5,170
INVESTMENT INCOME				
Interest - interfund advances	200,000	200,000	200,000	-
Interest on temporary investments	100,000	100,000	66,517	(33,483)
Total Investment Income	300,000	300,000	266,517	(33,483)
MISCELLANEOUS				
Sale of supplies	1,000	1,000	228	(772)
Rent of municipal buildings	192,445	133,723	176,387	42,664
Donations	-	-	1,025	1,025
Miscellaneous	35,676	35,676	66,533	30,857
Total Miscellaneous	229,121	170,399	244,173	73,774
OTHER FINANCING SOURCES				
Transfers from other funds	1,686,608	1,788,866	1,763,871	(24,995)
Property sales	15,000	15,000	1,892,897	1,877,897
Total Other Financing Sources	1,701,608	1,803,866	3,656,768	1,852,902
TOTAL REVENUES AND OTHER FINANCING SOURCES				
	\$ 9,396,637	\$ 9,675,735	\$ 11,779,292	\$ 2,103,557

CITY OF RIVER FALLS

DETAILED SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT				
Council	\$ 316,250	\$ 316,250	\$ 213,521	\$ 102,729
Municipal court	132,186	132,186	173,780	(41,594)
City administrator	354,540	443,090	401,984	41,106
Personnel	271,924	271,924	242,625	29,299
Clerk	135,578	227,148	224,609	2,539
Finance	562,450	470,880	453,192	17,688
Legal counseling	<u>52,520</u>	<u>52,520</u>	<u>53,110</u>	<u>(590)</u>
Total General Government	<u>1,825,448</u>	<u>1,913,998</u>	<u>1,762,821</u>	<u>151,177</u>
PUBLIC SAFETY				
Police	2,961,261	2,961,261	2,935,419	25,842
Fire department	<u>597,340</u>	<u>597,340</u>	<u>534,574</u>	<u>62,766</u>
Total Public Safety	<u>3,558,601</u>	<u>3,558,601</u>	<u>3,469,993</u>	<u>88,608</u>
PUBLIC WORKS				
Garage	288,896	288,896	301,818	(12,922)
Street maintenance	1,495,636	1,601,209	1,516,957	84,252
Engineer	<u>233,951</u>	<u>233,951</u>	<u>193,565</u>	<u>40,386</u>
Total Public Works	<u>2,018,483</u>	<u>2,124,056</u>	<u>2,012,340</u>	<u>111,716</u>
HEALTH SERVICES				
Health officer	2,000	2,000	2,000	-
Animal control	<u>8,040</u>	<u>8,040</u>	<u>1,710</u>	<u>6,330</u>
Total Health Services	<u>10,040</u>	<u>10,040</u>	<u>3,710</u>	<u>6,330</u>
LEISURE ACTIVITIES				
Recreation	144,395	144,395	131,137	13,258
Swimming	83,862	83,862	76,031	7,831
Parks	<u>462,955</u>	<u>462,955</u>	<u>469,540</u>	<u>(6,585)</u>
Total Leisure Activities	<u>691,212</u>	<u>691,212</u>	<u>676,708</u>	<u>14,504</u>
CONSERVATION AND DEVELOPMENT				
Forestry	63,424	63,424	69,266	(5,842)
Community development	<u>566,976</u>	<u>666,951</u>	<u>568,231</u>	<u>98,720</u>
Total Conservation and Development	<u>630,400</u>	<u>730,375</u>	<u>637,497</u>	<u>92,878</u>
DEBT SERVICE				
Principal on notes payable-fire	118,753	118,753	115,250	3,503
Principal retirement	96,133	96,133	109,645	(13,512)
Interest on notes payable-fire	27,026	27,026	17,675	9,351
Interest and fiscal charges	4,235	4,235	4,357	(122)
Agent fees	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
Total Debt Service	<u>246,247</u>	<u>246,247</u>	<u>246,927</u>	<u>(680)</u>

CITY OF RIVER FALLS

DETAILED SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING USES				
Transfers to other funds	<u>\$ 416,206</u>	<u>\$ 414,206</u>	<u>\$ 414,206</u>	<u>\$ -</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 9,396,637</u>	<u>\$ 9,688,735</u>	<u>\$ 9,224,202</u>	<u>\$ 464,533</u>

CITY OF RIVER FALLS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2016

	Special Revenue Funds			
	Parking Improvements	Refuse/Solid Waste	Shared Ride Taxi	Media Services
ASSETS				
Cash and investments	\$ 121,645	\$ 167,024	\$ 44,614	\$ -
Receivables				
Taxes	-	-	-	-
Accounts	-	60,477	3,638	-
Interest	-	-	-	-
Notes	-	-	-	-
Prepaid items and inventories	-	15	-	-
Due from other funds	-	-	-	-
Due from other governmental units	-	175	36,275	-
Advances to other funds	-	-	-	-
	<u>121,645</u>	<u>167,024</u>	<u>44,614</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 121,645</u>	<u>\$ 227,691</u>	<u>\$ 84,527</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,084	\$ 2,100	\$ 25,720	\$ -
Accrued liabilities	-	-	-	-
Deposits	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total Liabilities	<u>1,084</u>	<u>2,100</u>	<u>25,720</u>	<u>-</u>
Deferred Inflows of Resources				
Unearned revenues	-	-	-	-
Unavailable revenues	-	175	15,638	-
Total Deferred Inflows of Resources	<u>-</u>	<u>175</u>	<u>15,638</u>	<u>-</u>
Fund Balances				
Nonspendable	-	15	-	-
Restricted	120,561	225,401	43,169	-
Committed	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total Fund Balances	<u>120,561</u>	<u>225,416</u>	<u>43,169</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 121,645</u>	<u>\$ 227,691</u>	<u>\$ 84,527</u>	<u>\$ -</u>

Special Revenue Funds

Environmental Fee	Park Acquisition Fund	Tax Increment District #4	Tax Increment District #5	Tax Increment District #6	Tax Increment District #7	Tax Increment District #8
\$ 1,202,355	\$ 793	\$ 7,073	\$ 229,396	\$ -	\$ -	\$ -
-	-	301,174	520,679	174,455	-	59,804
8,485	-	-	-	-	95,012	-
3,200	-	-	-	-	-	-
-	-	-	90,716	-	-	-
-	-	-	-	-	126	-
700,000	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,914,040</u>	<u>\$ 793</u>	<u>\$ 308,247</u>	<u>\$ 840,791</u>	<u>\$ 174,455</u>	<u>\$ 95,138</u>	<u>\$ 59,804</u>
\$ 83	\$ -	\$ -	\$ 2,500	\$ -	\$ 8,918	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	4,690	-
-	-	-	-	-	-	-
-	-	-	182,133	910,272	544,111	109,300
<u>83</u>	<u>-</u>	<u>-</u>	<u>184,633</u>	<u>910,272</u>	<u>557,719</u>	<u>109,300</u>
-	-	301,174	520,679	174,455	-	59,804
-	-	-	90,716	-	-	-
-	-	301,174	611,395	174,455	-	59,804
-	-	-	-	-	126	-
2,913,957	-	7,073	44,763	-	-	-
-	793	-	-	-	-	-
-	-	-	-	(910,272)	(462,707)	(109,300)
<u>2,913,957</u>	<u>793</u>	<u>7,073</u>	<u>44,763</u>	<u>(910,272)</u>	<u>(462,581)</u>	<u>(109,300)</u>
<u>\$ 2,914,040</u>	<u>\$ 793</u>	<u>\$ 308,247</u>	<u>\$ 840,791</u>	<u>\$ 174,455</u>	<u>\$ 95,138</u>	<u>\$ 59,804</u>

CITY OF RIVER FALLS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2016

	Special Revenue Funds			
	Tax Increment District #9	Tax Increment District #11	Tax Increment District #12	Library
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ 54,379
Receivables				
Taxes	60,603	-	-	860,000
Accounts	-	-	-	165
Interest	-	-	-	-
Notes	-	-	-	-
Prepaid items and inventories	-	-	84	7,330
Due from other funds	-	-	-	-
Due from other governmental units	-	-	-	-
Advances to other funds	-	-	-	-
	<u>60,603</u>	<u>-</u>	<u>84</u>	<u>921,874</u>
TOTAL ASSETS	<u>\$ 60,603</u>	<u>\$ -</u>	<u>\$ 84</u>	<u>\$ 921,874</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 8,834
Accrued liabilities	-	-	-	16,565
Deposits	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	307,843	25,394	614,660	-
Total Liabilities	<u>307,843</u>	<u>25,394</u>	<u>614,660</u>	<u>25,399</u>
Deferred Inflows of Resources				
Unearned revenues	60,603	-	-	860,000
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	<u>60,603</u>	<u>-</u>	<u>-</u>	<u>860,000</u>
Fund Balances				
Nonspendable	-	-	84	7,330
Restricted	-	-	-	29,145
Committed	-	-	-	-
Unassigned (deficit)	(307,843)	(25,394)	(614,660)	-
Total Fund Balances	<u>(307,843)</u>	<u>(25,394)</u>	<u>(614,576)</u>	<u>36,475</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 60,603</u>	<u>\$ -</u>	<u>\$ 84</u>	<u>\$ 921,874</u>

Special Revenue Funds

Commercial Revolving Loan Fund	Park Impact Fees	Library Impact Fees	Fire Impact Fees	Housing Reserve	Library Trust Fund	Tourism and Economic Development
\$ 8,829	\$ 156,221	\$ -	\$ 144,682	\$ 288,207	\$ 164,969	\$ 309,409
-	-	-	-	-	-	2,500
-	-	-	-	-	-	-
94,452	-	-	-	341,802	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>103,281</u>	<u>156,221</u>	<u>-</u>	<u>144,682</u>	<u>630,009</u>	<u>164,969</u>	<u>311,909</u>
\$ -	\$ -	\$ 80	\$ -	\$ -	\$ -	\$ 1,336
-	-	-	-	-	-	-
-	-	-	-	-	-	-
18,456	-	214,399	-	-	-	-
-	-	-	-	-	-	1,000,000
<u>18,456</u>	<u>-</u>	<u>214,479</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,001,336</u>
-	-	-	-	-	-	2,500
<u>94,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>341,802</u>	<u>-</u>	<u>-</u>
<u>94,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>341,802</u>	<u>-</u>	<u>2,500</u>
-	-	-	-	-	-	-
-	156,221	-	144,682	288,207	164,969	-
-	-	-	-	-	-	-
(9,627)	-	(214,479)	-	-	-	(691,927)
<u>(9,627)</u>	<u>156,221</u>	<u>(214,479)</u>	<u>144,682</u>	<u>288,207</u>	<u>164,969</u>	<u>(691,927)</u>
<u>103,281</u>	<u>156,221</u>	<u>-</u>	<u>144,682</u>	<u>630,009</u>	<u>164,969</u>	<u>311,909</u>

CITY OF RIVER FALLS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2016

	<u>Debt Service Funds</u>		<u>Capital Projects Fund</u>	
	<u>Debt Service Notes</u>	<u>Debt Service Bonds</u>	<u>Capital Equipment</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and investments	\$ 63,965	\$ 15,265	\$ -	\$ 2,978,826
Receivables				
Taxes	647,101	175,124	110,885	2,912,325
Accounts	-	-	-	167,777
Interest	-	-	-	3,200
Notes	-	-	-	526,970
Prepaid items and inventories	-	-	-	7,555
Due from other funds	-	-	-	700,000
Due from other governmental units	-	-	-	36,450
Advances to other funds	-	-	-	1,000,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 711,066</u>	<u>\$ 190,389</u>	<u>\$ 110,885</u>	<u>\$ 8,333,103</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 50,655
Accrued liabilities	-	-	-	16,565
Deposits	-	-	-	4,690
Due to other funds	-	252	77,383	310,490
Advances from other funds	-	-	-	3,693,713
Total Liabilities	<u>-</u>	<u>252</u>	<u>77,383</u>	<u>4,076,113</u>
Deferred Inflows of Resources				
Unearned revenues	647,101	175,124	110,885	2,912,325
Unavailable revenues	-	-	-	542,783
Total Deferred Inflows of Resources	<u>647,101</u>	<u>175,124</u>	<u>110,885</u>	<u>3,455,108</u>
Fund Balances				
Nonspendable	-	-	-	7,555
Restricted	63,965	15,013	-	4,217,126
Committed	-	-	-	793
Unassigned (deficit)	-	-	(77,383)	(3,423,592)
Total Fund Balances	<u>63,965</u>	<u>15,013</u>	<u>(77,383)</u>	<u>801,882</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 711,066</u>	<u>\$ 190,389</u>	<u>\$ 110,885</u>	<u>\$ 8,333,103</u>

CITY OF RIVER FALLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2016

	Special Revenue Funds		
	Parking Improvements	Refuse/Solid Waste	Shared Ride Taxi
REVENUES			
Taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Intergovernmental	-	-	207,831
Public charges for services	-	587,653	-
Investment income	9	554	33
Miscellaneous	-	-	-
Total Revenues	9	588,207	207,864
EXPENDITURES			
Current			
Public safety	4,083	-	-
Public works	-	629,065	182,073
Leisure	-	-	-
Conservation and development	-	-	-
Capital Outlay	-	-	-
Debt Service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	4,083	629,065	182,073
Excess (deficiency) of revenues over expenditures	(4,074)	(40,858)	25,791
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	-	-	-
Premium on debt issued	-	-	-
Transfers from other funds	-	-	13,162
Transfers to other funds	(2,056)	(36,428)	(5,000)
Property sales	-	-	-
Payments to refunding escrow	-	-	-
Total Other Financing Sources (Uses)	(2,056)	(36,428)	8,162
Net Change in Fund Balances	(6,130)	(77,286)	33,953
FUND BALANCES (DEFICIT) -			
Beginning of Year	126,691	302,702	9,216
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 120,561	\$ 225,416	\$ 43,169

Special Revenue Funds

Media Services	Environ- mental Fee	Park Acquisition Fund	Tax Increment District #4	Tax Increment District #5	Tax Increment District #6	Tax Increment District #7
\$ -	\$ -	\$ -	\$ 308,978	\$ 462,458	\$ 168,396	\$ -
-	-	-	-	-	-	-
-	-	-	2,256	22,163	162	-
-	89,547	-	-	-	-	-
-	9,233	1	12	4,484	7	3
-	-	-	-	60,570	-	-
-	98,780	1	311,246	549,675	168,565	3
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	29,183	-	2,154	19,808	993	34,799
-	-	-	-	11,783	-	-
-	-	-	-	171,766	120,000	-
-	-	-	-	246,252	45,670	-
-	29,183	-	2,154	449,609	166,663	34,799
-	69,597	1	309,092	100,066	1,902	(34,796)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(167,763)	(5,338)	-	(311,179)	265,000 (89,781)	(28,245)	(11,538)
-	-	-	-	-	-	-
(167,763)	(5,338)	-	(311,179)	175,219	(28,245)	(11,538)
(167,763)	64,259	1	(2,087)	275,285	(26,343)	(46,334)
167,763	2,849,698	792	9,160	(230,522)	(883,929)	(416,247)
\$ -	\$ 2,913,957	\$ 793	\$ 7,073	\$ 44,763	\$ (910,272)	\$ (462,581)

CITY OF RIVER FALLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	Special Revenue Funds		
	Tax Increment District #8	Tax Increment District #9	Tax Increment District #11
REVENUES			
Taxes	\$ 67,226	\$ 70,835	\$ -
Special assessments	-	-	-
Intergovernmental	-	1,509	-
Public charges for services	-	-	-
Investment income	14	31	-
Miscellaneous	-	9,162	-
Total Revenues	67,240	81,537	-
EXPENDITURES			
Current			
Public safety	-	-	-
Public works	-	-	-
Leisure	-	-	-
Conservation and development	62,705	70,783	7,620
Capital Outlay	-	-	3,100
Debt Service			
Principal retirement	-	35,000	-
Interest and fiscal charges	-	4,237	-
Total Expenditures	62,705	110,020	10,720
Excess (deficiency) of revenues over expenditures	4,535	(28,483)	(10,720)
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	-	-	-
Premium on debt issued	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	(4,960)	(11,042)	-
Property sales	-	-	-
Payments to refunding escrow	-	-	-
Total Other Financing Sources (Uses)	(4,960)	(11,042)	-
Net Change in Fund Balances	(425)	(39,525)	(10,720)
FUND BALANCES (DEFICIT) -			
Beginning of Year	(108,875)	(268,318)	(14,674)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (109,300)	\$ (307,843)	\$ (25,394)

Special Revenue Funds

Tax Increment District #12	Library	Commercial Revolving Loan Fund	Park Impact Fees	Library Impact Fees	Fire Impact Fees	Housing Reserve
\$ -	\$ 830,419	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	311,338	-	-	-	-	-
-	38,607	-	75,045	17,745	22,345	-
-	85	3,335	274	17	201	437
-	12,344	12,512	-	-	-	35,316
-	1,192,793	15,847	75,319	17,762	22,546	35,753
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,079,100	-	-	29,178	-	-
24,146	-	-	-	-	-	-
590,430	-	-	-	206,082	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
614,576	1,079,100	-	-	235,260	-	-
(614,576)	113,693	15,847	75,319	(217,498)	22,546	35,753
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(126,486)	(5,141)	(1,833)	(700)	(27,284)	(12,962)
-	-	-	-	-	-	-
-	(126,486)	(5,141)	(1,833)	(700)	(27,284)	(12,962)
(614,576)	(12,793)	10,706	73,486	(218,198)	(4,738)	22,791
-	49,268	(20,333)	82,735	3,719	149,420	265,416
\$ (614,576)	\$ 36,475	\$ (9,627)	\$ 156,221	\$ (214,479)	\$ 144,682	\$ 288,207

CITY OF RIVER FALLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2016

	Special Revenue Funds		Debt Service
	Library Trust Fund	Tourism and Economic Development	Debt Service Notes
REVENUES			
Taxes	\$ -	\$ 110,822	\$ 796,938
Special assessments	-	2,500	-
Intergovernmental	-	-	-
Public charges for services	-	-	-
Investment income	284	517	57
Miscellaneous	17,166	63,906	-
Total Revenues	17,450	177,745	796,995
EXPENDITURES			
Current			
Public safety	-	-	-
Public works	-	-	-
Leisure	3,705	-	-
Conservation and development	-	84,879	-
Capital Outlay	-	-	-
Debt Service			
Principal retirement	-	-	528,500
Interest and fiscal charges	-	-	184,383
Total Expenditures	3,705	84,879	712,883
Excess (deficiency) of revenues over expenditures	13,745	92,866	84,112
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	-	-	4,060,000
Premium on debt issued	-	-	235,744
Transfers from other funds	-	26,000	29,583
Transfers to other funds	(867)	(52,675)	(12,650)
Property sales	-	-	-
Payments to refunding escrow	-	-	(4,340,016)
Total Other Financing Sources (Uses)	(867)	(26,675)	(27,339)
Net Change in Fund Balances	12,878	66,191	56,773
FUND BALANCES (DEFICIT) -			
Beginning of Year	152,091	(758,118)	7,192
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 164,969	\$ (691,927)	\$ 63,965

<u>Debt Service</u>	<u>Capital Projects</u>	
<u>Debt Service Bonds</u>	<u>Capital Equipment</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 169,058	\$ 118,405	\$ 3,103,535
-	-	2,500
-	-	545,259
-	-	830,942
27	113	19,728
<u>4,384</u>	-	<u>215,360</u>
<u>173,469</u>	<u>118,518</u>	<u>4,717,324</u>
-	-	4,083
-	-	811,138
-	-	1,111,983
-	-	337,070
-	295,870	1,107,265
75,593	-	930,859
<u>96,012</u>	-	<u>576,554</u>
<u>171,605</u>	<u>295,870</u>	<u>4,878,952</u>
<u>1,864</u>	<u>(177,352)</u>	<u>(161,628)</u>
-	-	4,060,000
-	-	235,744
10,000	-	343,745
(1,427)	(23,905)	(939,260)
-	32,682	32,682
-	-	(4,340,016)
<u>8,573</u>	<u>8,777</u>	<u>(607,105)</u>
10,437	(168,575)	(768,733)
<u>4,576</u>	<u>91,192</u>	<u>1,570,615</u>
<u>\$ 15,013</u>	<u>\$ (77,383)</u>	<u>\$ 801,882</u>

CITY OF RIVER FALLS

COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS As of December 31, 2016

	<u>Stormwater</u>	<u>Ambulance</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS			
Current Assets			
Cash and investments	\$ 249,344	\$ 1,075,022	\$ 1,324,366
Receivables			
Accounts	46,081	275,498	321,579
Prepaid items	1,995	14,167	16,162
Total Current Assets	<u>297,420</u>	<u>1,364,687</u>	<u>1,662,107</u>
Noncurrent Assets			
Capital Assets			
Land	-	101,298	101,298
Construction in progress	38,607	42,962	81,569
Property and equipment	8,577,323	1,777,275	10,354,598
Less: Accumulated depreciation	<u>(1,951,316)</u>	<u>(1,085,328)</u>	<u>(3,036,644)</u>
Total Noncurrent Assets	<u>6,664,614</u>	<u>836,207</u>	<u>7,500,821</u>
Total Assets	<u>6,962,034</u>	<u>2,200,894</u>	<u>9,162,928</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	<u>64,715</u>	<u>265,571</u>	<u>330,286</u>
Total Deferred Outflows of Resources	<u>64,715</u>	<u>265,571</u>	<u>330,286</u>
LIABILITIES			
Current Liabilities			
Accounts payable	7,802	11,660	19,462
Customer deposits	40,000	-	40,000
Accrued liabilities	3,566	31,117	34,683
Accrued interest	239	-	239
Current portion of general obligation debt	74,962	-	74,962
Current portion of compensated absences	-	15,294	15,294
Total Current Liabilities	<u>126,569</u>	<u>58,071</u>	<u>184,640</u>
Noncurrent Liabilities			
Long-Term Debt			
Compensated absences	-	21,235	21,235
Other post-employment benefits	-	16,001	16,001
Net pension liability	<u>11,076</u>	<u>48,938</u>	<u>60,014</u>
Total Noncurrent Liabilities	<u>11,076</u>	<u>86,174</u>	<u>97,250</u>
Total Liabilities	<u>137,645</u>	<u>144,245</u>	<u>281,890</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	<u>23,310</u>	<u>102,988</u>	<u>126,298</u>
Total Deferred Inflows of Resources	<u>23,310</u>	<u>102,988</u>	<u>126,298</u>
NET POSITION			
Net investment in capital assets	6,589,652	836,207	7,425,859
Unrestricted	<u>276,142</u>	<u>1,383,025</u>	<u>1,659,167</u>
TOTAL NET POSITION	<u>\$ 6,865,794</u>	<u>\$ 2,219,232</u>	<u>\$ 9,085,026</u>

CITY OF RIVER FALLS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR ENTERPRISE FUNDS For the Year Ended December 31, 2016

	Stormwater	Ambulance	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Public charges for services	\$ 516,938	\$ 1,322,083	\$ 1,839,021
Total Operating Revenues	516,938	1,322,083	1,839,021
OPERATING EXPENSES			
Operation and maintenance	308,317	1,145,135	1,453,452
Depreciation	168,638	116,890	285,528
Total Operating Expenses	476,955	1,262,025	1,738,980
Operating Income	39,983	60,058	100,041
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	7,928	7,928
Investment income	167	2,688	2,855
Interest and fiscal charges	(3,561)	-	(3,561)
Miscellaneous	8,624	6,544	15,168
Total Nonoperating Revenues (Expenses)	5,230	17,160	22,390
Income Before Contributions and Transfers	45,213	77,218	122,431
CONTRIBUTIONS AND TRANSFERS			
Capital contributions	913,423	-	913,423
Transfers from other funds	5,000	75,200	80,200
Transfers to other funds	(43,306)	(113,459)	(156,765)
Total Contributions and Transfers	875,117	(38,259)	836,858
Change in Net Position	920,330	38,959	959,289
NET POSITION - Beginning of Year	5,945,464	2,180,273	8,125,737
NET POSITION - END OF YEAR	\$ 6,865,794	\$ 2,219,232	\$ 9,085,026

CITY OF RIVER FALLS

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2016

	<u>Stormwater</u>	<u>Ambulance</u>	<u>Total Nonmajor Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 540,778	\$ 1,464,410	\$ 2,005,188
Paid to suppliers for goods and services	(176,721)	(436,575)	(613,296)
Paid to employees for services	(117,966)	(691,775)	(809,741)
Net Cash Flows From Operating Activities	<u>246,091</u>	<u>336,060</u>	<u>582,151</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>167</u>	<u>2,688</u>	<u>2,855</u>
Net Cash Flows From Investing Activities	<u>167</u>	<u>2,688</u>	<u>2,855</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to/from other funds	<u>(38,306)</u>	<u>(38,259)</u>	<u>(76,565)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(38,306)</u>	<u>(38,259)</u>	<u>(76,565)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	(108,076)	-	(108,076)
Interest paid	(3,561)	-	(3,561)
Acquisition and construction of capital assets	<u>(43,178)</u>	<u>(134,631)</u>	<u>(177,809)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(154,815)</u>	<u>(134,631)</u>	<u>(289,446)</u>
Net Change in Cash and Cash Equivalents	53,137	165,858	218,995
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>196,207</u>	<u>909,164</u>	<u>1,105,371</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 249,344</u>	<u>\$ 1,075,022</u>	<u>\$ 1,324,366</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 39,983	\$ 60,058	\$ 100,041
Nonoperating revenue	8,624	14,472	23,096
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities			
Depreciation	168,638	116,890	285,528
Changes in assets and liabilities			
Accounts receivable	5,216	127,855	133,071
Prepaid items	1,823	5,399	7,222
Accounts payable	6,377	4,583	10,960
Accrued liabilities	414	3,517	3,931
Customer deposits	10,000	-	10,000
Compensated absences	-	5,766	5,766
Pension related deferrals and liability	<u>5,016</u>	<u>(2,480)</u>	<u>2,536</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 246,091</u>	<u>\$ 336,060</u>	<u>\$ 582,151</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets contributed by TIF	<u>\$ 913,423</u>	<u>\$ -</u>	

CITY OF RIVER FALLS

COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS As of December 31, 2016

	City Hall	Motor Pool	Technology	Totals
ASSETS				
Current Assets				
Cash and investments	\$ -	\$ 7,670	\$ 8,869	\$ 16,539
Prepaid items	5,254	1,788	3,444	10,486
Total Current Assets	5,254	9,458	12,313	27,025
Noncurrent Assets				
Capital assets				
Property and equipment	45,250	78,292	429,178	552,720
Less: Accumulated depreciation	-	(42,072)	(158,822)	(200,894)
Total Noncurrent Assets	45,250	36,220	270,356	351,826
Total Assets	50,504	45,678	282,669	378,851
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	41,026	-	56,049	97,075
Total Deferred Outflows of Resources	41,026	-	56,049	97,075
LIABILITIES				
Current Liabilities				
Accounts payable	5,107	-	3,426	8,533
Accrued liabilities	2,391	-	3,336	5,727
Due to other funds	36,042	-	130,222	166,264
Current portion of lease payable	-	12,021	-	12,021
Total Current Liabilities	43,540	12,021	136,984	192,545
Noncurrent Liabilities				
Lease payable	-	22,849	-	22,849
Net pension liability	7,158	-	11,716	18,874
Total Noncurrent Liabilities	7,158	22,849	11,716	41,723
Total Liabilities	50,698	34,870	148,700	234,268
DEFERRED INFLOWS OF RESOURCES				
Pension related amounts	15,064	-	24,655	39,719
NET POSITION				
Net investment in capital assets	45,250	1,350	270,356	316,956
Unrestricted (deficit)	(19,482)	9,458	(104,993)	(115,017)
TOTAL NET POSITION	\$ 25,768	\$ 10,808	\$ 165,363	\$ 201,939

CITY OF RIVER FALLS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION INTERNAL SERVICE FUNDS For the Year Ended December 31, 2016

	City Hall	Motor Pool	Technology	Totals
OPERATING REVENUES				
Public charges for services	\$ 42,218	\$ -	\$ 36,900	\$ 79,118
Total Operating Revenues	<u>42,218</u>	<u>-</u>	<u>36,900</u>	<u>79,118</u>
OPERATING EXPENSES				
Operation and maintenance	245,331	10,732	369,987	626,050
Depreciation expense	-	12,021	54,718	66,739
Total Operating Expenses	<u>245,331</u>	<u>22,753</u>	<u>424,705</u>	<u>692,789</u>
Operating Loss	<u>(203,113)</u>	<u>(22,753)</u>	<u>(387,805)</u>	<u>(613,671)</u>
NONOPERATING REVENUES				
Investment income	28	52	158	238
Total Nonoperating Revenues	<u>28</u>	<u>52</u>	<u>158</u>	<u>238</u>
Income (Loss) Before Transfers	<u>(203,085)</u>	<u>(22,701)</u>	<u>(387,647)</u>	<u>(613,433)</u>
TRANSFERS				
Transfers from other funds	175,410	25,283	470,051	670,744
Transfers to other funds	(18,058)	(699)	(12,048)	(30,805)
Total Transfers	<u>157,352</u>	<u>24,584</u>	<u>458,003</u>	<u>639,939</u>
Change in net position	<u>(45,733)</u>	<u>1,883</u>	<u>70,356</u>	<u>26,506</u>
NET POSITION - Beginning of Year	<u>71,501</u>	<u>8,925</u>	<u>95,007</u>	<u>175,433</u>
NET POSITION - END OF YEAR	<u>\$ 25,768</u>	<u>\$ 10,808</u>	<u>\$ 165,363</u>	<u>\$ 201,939</u>

CITY OF RIVER FALLS

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended December 31, 2016

	City Hall	Motor Pool	Technology	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from customers	\$ 42,218	\$ -	\$ 36,900	\$ 79,118
Paid to suppliers for goods and services	(135,688)	(11,306)	(380,418)	(527,412)
Paid to employees for services	(74,637)	-	(110,910)	(185,547)
Net Cash Flows From Operating Activities	(168,107)	(11,306)	(454,428)	(633,841)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	28	52	158	238
Net Cash Flows From Investing Activities	28	52	158	238
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to/from other funds	157,352	24,584	458,003	639,939
Net Cash Flows From Noncapital Financing Activities	157,352	24,584	458,003	639,939
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt retired	-	(12,298)	-	(12,298)
Acquisition and construction of capital assets	(45,250)	-	-	(45,250)
Net Cash Flows From Capital and Related Financing Activities	(45,250)	(12,298)	-	(57,548)
Net Change in Cash and Cash Equivalents	(55,977)	1,032	3,733	(51,212)
CASH AND CASH EQUIVALENTS - Beginning of Year	55,977	6,638	5,136	67,751
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -	\$ 7,670	\$ 8,869	\$ 16,539
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ (203,113)	\$ (22,753)	\$ (387,805)	\$ (613,671)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities				
Depreciation	-	12,021	54,718	66,739
Changes in assets and liabilities				
Prepaid items	554	(337)	10,256	10,473
Accounts payable	(4,368)	(237)	(5,517)	(10,122)
Due to other funds	36,042	-	(113,869)	(77,827)
Accrued liabilities	197	-	596	793
Pension related deferrals and liability	2,581	-	(12,807)	(10,226)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (168,107)	\$ (11,306)	\$ (454,428)	\$ (633,841)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
None				

CITY OF RIVER FALLS

BALANCE SHEET
GOVERNMENTAL COMPONENT UNIT
As of December 31, 2016

	Business Improvement District
ASSETS	
Cash and investments	\$ 34,315
Special assessments	<u>42,000</u>
TOTAL ASSETS	<u>\$ 76,315</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	\$ 42,000
Total Deferred Inflows of Resources	<u>42,000</u>
FUND BALANCES	
Unassigned	<u>34,315</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 76,315</u>
RECONCILIATION OF FUND BALANCE TO NET POSITION	
Fund balance at year-end	\$ 34,315
Special assessments are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	<u>42,000</u>
NET POSITION AT YEAR END	<u>\$ 76,315</u>

CITY OF RIVER FALLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
GOVERNMENTAL COMPONENT UNIT
For the Year Ended December 31, 2016

	<u>Business Improvement District</u>
REVENUES	
Special assessments	\$ 42,000
Total Revenues	<u>42,000</u>
EXPENDITURES	
Conservation and development	<u>27,957</u>
Total Expenditures	<u>27,957</u>
Change in fund balance	14,043
FUND BALANCE - Beginning of Year	<u>20,272</u>
FUND BALANCE - END OF YEAR	<u>\$ 34,315</u>
 RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION	
Change in fund balance	\$ 14,043
Special assessments not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	<u>-</u>
CHANGE IN NET POSITION	<u>\$ 14,043</u>

CITY OF RIVER FALLS

ELECTRIC UTILITY PLANT

As of and for the Year Ended December 31, 2016

	Balance 1/1/2016	Additions	Retirements	Balance 12/31/2016
HYDRAULIC PRODUCTION				
Land and land rights	\$ 15,310	\$ -	\$ -	\$ 15,310
Structures and improvements	43,697	-	-	43,697
Reservoirs, dams and waterways	850,101	-	-	850,101
Water wheels, turbines, and generators	27,976	-	-	27,976
Accessory electric equipment	7,657	-	-	7,657
Miscellaneous power equipment	2,748	-	-	2,748
Total Hydraulic	<u>947,489</u>	<u>-</u>	<u>-</u>	<u>947,489</u>
OTHER PRODUCTION				
Land and land rights	25,248	-	-	25,248
Structures and improvements	1,224,829	-	-	1,224,829
Generators	36,000	-	-	36,000
Total Production	<u>1,286,077</u>	<u>-</u>	<u>-</u>	<u>1,286,077</u>
TRANSMISSION				
Land and land rights	2,302	-	-	2,302
Station equipment	526,199	-	-	526,199
Poles and fixtures	332,790	-	-	332,790
Overhead conductors and devices	677,173	-	-	677,173
Total Transmission	<u>1,538,464</u>	<u>-</u>	<u>-</u>	<u>1,538,464</u>
DISTRIBUTION				
Land and land rights	62,711	-	-	62,711
Structures and improvements	564,653	-	-	564,653
Station equipment	2,240,675	-	-	2,240,675
Storage battery equipment	7,328	-	-	7,328
Poles, towers, and fixtures	1,764,270	33,791	17,297	1,780,764
Overhead conductors	1,685,834	15,551	19,853	1,681,532
Underground conduit	559,392	175,243	186	734,449
Underground conductors	5,406,577	620,786	13,785	6,013,578
Transformers	2,408,745	115,771	27,279	2,497,237
Services	1,301,931	45,154	2,663	1,344,422
Meters	1,030,702	33,796	13,554	1,050,944
Street lighting and signal systems	1,353,466	217,808	88,792	1,482,482
Total Distribution	<u>18,386,284</u>	<u>1,257,900</u>	<u>183,409</u>	<u>19,460,775</u>

CITY OF RIVER FALLS

ELECTRIC UTILITY PLANT (cont.)

As of and for the Year Ended December 31, 2016

	Balance 1/1/2016	Additions	Retirements	Balance 12/31/2016
GENERAL				
Land and land rights	\$ 1,556	\$ -	\$ -	\$ 1,556
Structures and improvements	697,555	-	-	697,555
Office furniture and equipment	44,387	-	-	44,387
Computer equipment	117,390	-	-	117,390
Transportation equipment	888,023	1,693	-	889,716
Tools, shop, and garage equipment	112,346	-	-	112,346
Laboratory equipment	135,479	-	-	135,479
Power operated equipment	44,500	16,416	14,924	45,992
Communication equipment	22,965	-	-	22,965
SCADA equipment	76,585	-	-	76,585
Total General	<u>2,140,786</u>	<u>18,109</u>	<u>14,924</u>	<u>2,143,971</u>
TOTAL ELECTRIC UTILITY PLANT	<u>\$ 24,299,100</u>	<u>\$ 1,276,009</u>	<u>\$ 198,333</u>	<u>\$ 25,376,776</u>

CITY OF RIVER FALLS

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES

For the Years Ended December 31, 2016 and 2015

OPERATING REVENUES	<u>2016</u>	<u>2015</u>
Sales of Electricity		
Residential and rural	\$ 5,427,101	\$ 5,486,027
Small commercial and industrial	1,390,991	1,418,769
Large commercial and industrial	3,602,876	3,686,669
Public street and lighting	221,038	229,328
Other sales to public authorities	<u>2,498,948</u>	<u>2,466,184</u>
Total Sales of Electricity	<u>13,140,954</u>	<u>13,286,977</u>
Other Operating Revenues		
Forfeited discounts	45,950	48,259
Miscellaneous service revenues	10,290	13,758
Rent from electric property	37,779	47,296
Other miscellaneous revenues	<u>288,226</u>	<u>266,791</u>
Total Operating Revenues	<u>13,523,199</u>	<u>13,663,081</u>
OPERATING EXPENSES		
Power Production		
Hydraulic power generation		
Operation		
Operating and supervision	51,040	33,760
Hydraulic	2,411	31,067
Miscellaneous	17,175	7,901
Maintenance		
Reservoirs, dams, and waterways	-	1,510
Miscellaneous	<u>-</u>	<u>510</u>
Total Hydraulic Power Generation	<u>70,626</u>	<u>74,748</u>
Purchased Power	<u>9,631,080</u>	<u>9,696,357</u>
Total Power Production	<u>9,701,706</u>	<u>9,771,105</u>
Transmission		
Operation		
Station	1,759	1,464
Overhead lines	1,500	1,538
Maintenance		
Overhead lines	<u>5,345</u>	<u>48,534</u>
Total Transmission	<u>8,604</u>	<u>51,536</u>

CITY OF RIVER FALLS

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES (cont.)

For the Years Ended December 31, 2016 and 2015

OPERATING EXPENSES (cont.)	<u>2016</u>	<u>2015</u>
Distribution		
Operation		
Operation supervision and engineering	\$ 62,028	\$ 43,156
Station	74,757	78,089
Overhead line	32,687	32,842
Underground line	105,772	74,833
Street lighting and signal	7,549	14,672
Meter expenses	115,513	126,496
Customer installations	-	267
Miscellaneous	119,776	123,518
Maintenance		
Structures	36,080	31,636
Station equipment	17,375	1,446
Overhead line	69,462	78,061
Underground line	31,617	25,851
Line transformers	10,896	8,199
Street lighting and signal	16,756	13,482
Total Distribution	<u>700,268</u>	<u>652,548</u>
Customer Accounts		
Meter reading	22,792	25,709
Accounting and collecting labor	176,810	217,530
Miscellaneous	166,181	143,581
Total Customer Accounts	<u>365,783</u>	<u>386,820</u>
Sales		
Advertising	<u>1,566</u>	<u>3,646</u>
Administrative and General		
Salaries	117,327	89,137
Office supplies	14,368	5,138
Outside services employed	18,725	16,062
Property insurance	18,156	21,358
Injuries and damages	16,702	17,218
Employee pensions and benefits	233,292	228,858
Miscellaneous	200,164	144,057
Rents	55,626	55,626
Total Administrative and General	<u>674,360</u>	<u>577,454</u>
Taxes	<u>81,446</u>	<u>78,357</u>
Total Operation and Maintenance	11,533,733	11,521,466
Depreciation	<u>812,396</u>	<u>785,398</u>
Total Operating Expenses	<u>12,346,129</u>	<u>12,306,864</u>
OPERATING INCOME	<u>\$ 1,177,070</u>	<u>\$ 1,356,217</u>

CITY OF RIVER FALLS

WATER UTILITY PLANT

As of and for the Year Ended December 31, 2016

	Balance 1/1/2016	Additions	Retirements	Balance 12/31/2016
SOURCE OF SUPPLY				
Land and land rights	\$ 2,708	\$ -	\$ -	\$ 2,708
Wells and springs	234,839	669,112	-	903,951
Total Source of Supply	<u>237,547</u>	<u>669,112</u>	<u>-</u>	<u>906,659</u>
PUMPING				
Structures and improvements	1,437,651	-	-	1,437,651
Other power production equipment	215,385	-	-	215,385
Electric pumping equipment	398,365	-	-	398,365
Diesel pumping equipment	29,465	-	-	29,465
Total Pumping	<u>2,080,866</u>	<u>-</u>	<u>-</u>	<u>2,080,866</u>
WATER TREATMENT				
Water treatment equipment	83,786	-	-	83,786
TRANSMISSION AND DISTRIBUTION				
Land and land rights	20,412	-	-	20,412
Structures and improvements	15,864	-	-	15,864
Distribution reservoirs and standpipe	848,056	-	-	848,056
Transmission and distribution main	9,204,169	488,897	-	9,693,066
Services	2,006,525	95,791	293	2,102,023
Meters	1,558,762	75,396	62,852	1,571,306
Hydrants	1,379,821	89,285	-	1,469,106
Other transmission and distribution Plant	<u>832,327</u>	<u>-</u>	<u>-</u>	<u>832,327</u>
Total Transmission and Distribution Plant	<u>15,865,936</u>	<u>749,369</u>	<u>63,145</u>	<u>16,552,160</u>
GENERAL				
Computers	57,607	-	-	57,607
Structures and improvements	214,062	-	-	214,062
Office furniture	11,642	-	-	11,642
Transportation equipment	70,941	1,693	-	72,634
Tools, shop & garage	31,113	-	-	31,113
Laboratory equipment	11,063	-	-	11,063
Power operated equipment	45,591	16,416	14,924	47,083
Communication equipment	1,871	-	-	1,871
SCADA equipment	178,744	-	-	178,744
Total General	<u>622,634</u>	<u>18,109</u>	<u>14,924</u>	<u>625,819</u>
TOTAL WATER UTILITY PLANT	<u>\$ 18,890,769</u>	<u>\$ 1,436,590</u>	<u>\$ 78,069</u>	<u>\$ 20,249,290</u>

CITY OF RIVER FALLS

WATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2016 and 2015

OPERATING REVENUES	<u>2016</u>	<u>2015</u>
Sales of Water		
Residential	\$ 571,823	\$ 493,156
Commercial	112,962	103,642
Multi-family	56,032	49,092
Industrial	22,759	16,842
Public authorities	88,183	79,595
Irrigation	<u>202,001</u>	<u>163,747</u>
Total Metered Sales	1,053,760	906,074
Private fire protection	58,829	56,448
Public fire protection	<u>395,085</u>	<u>420,594</u>
Total Sales of Water	<u>1,507,674</u>	<u>1,383,116</u>
Other Operating Revenues		
Forfeited discounts	3,518	4,828
Rent from water property	101,802	97,445
Other miscellaneous revenues	<u>49,249</u>	<u>41,580</u>
Total Operating Revenues	<u>1,662,243</u>	<u>1,526,969</u>
 OPERATING EXPENSES		
Pumping		
Operation		
Operation supervision and engineering	74	5,144
Fuel or purchased power for pumping	78,404	85,284
Pumping labor	20,960	21,950
Maintenance		
Structures and improvements	1,399	8,048
Power production equipment	-	2,550
Pumping equipment	<u>8,820</u>	<u>14,335</u>
Total Pumping	<u>109,657</u>	<u>137,311</u>
Water Treatment		
Operation		
Operation supervision and engineering	5,732	1,134
Chemicals	25,578	25,163
Operation labor	20,441	25,232
Maintenance		
Water treatment equipment	<u>23,023</u>	<u>17,608</u>
Total Water Treatment	<u>74,774</u>	<u>69,137</u>

CITY OF RIVER FALLS

WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.)

For the Years Ended December 31, 2016 and 2015

OPERATING EXPENSES (cont.)	2016	2015
Transmission and Distribution		
Operation		
Operation supervision and engineering	\$ 38,120	\$ 33,949
Storage facilities	1,117	1,694
Transmission and distribution lines	55,775	42,348
Meters	38,318	12,296
Customer installations	13,500	34,659
Miscellaneous	58,357	56,982
Maintenance		
Supervision and engineering	10,400	31,865
Structures and improvements	5,789	2,059
Reservoirs and standpipes	13,340	4,198
Mains	21,198	49,557
Services	22,406	33,309
Hydrants	14,571	13,021
Total Transmission and Distribution	292,891	315,937
Customer Accounts		
Meter reading	7,079	6,430
Accounting and collecting labor	54,842	62,234
Total Customer Accounts	61,921	68,664
Sales		
Advertising	1,051	662
Administrative and General		
Salaries	71,776	43,007
Office supplies	7,488	10,813
Outside services employed	15,140	13,165
Property insurance	7,184	5,279
Injuries and damages	14,273	9,722
Employee pensions and benefits	93,188	104,185
Miscellaneous	12,587	10,080
Rents	30,260	30,260
Total Administrative and General	251,896	226,511
Taxes	24,347	21,240
Total operation and maintenance	816,537	839,462
Depreciation	410,838	397,234
Total Operating Expenses	1,227,375	1,236,696
OPERATING INCOME	\$ 434,868	\$ 290,273

CITY OF RIVER FALLS

SEWER UTILITY PLANT

As of and for the Year Ended December 31, 2016

	Balance 1/1/2016	Additions	Retirements	Balance 12/31/2016
COLLECTING SYSTEM				
Collecting mains	\$ 9,389,297	\$ 653,260	\$ 10,744	\$ 10,031,813
Interceptor mains	7,228,480	-	-	7,228,480
Force mains	141,607	-	-	141,607
Other collecting system equipment	-	-	-	-
Total Collecting System	16,759,384	653,260	10,744	17,401,900
COLLECTING SYSTEM PUMPING				
Land and land rights	2,384	-	-	2,384
Structures and improvements	330,289	-	-	330,289
Receiving wells	440,113	-	-	440,113
Electric pumping equipment	334,738	-	-	334,738
Total Collecting System Pumping	1,107,524	-	-	1,107,524
TREATMENT AND DISPOSAL				
Land and land rights	115,238	-	-	115,238
Structures and improvements	4,374,331	-	-	4,374,331
Preliminary treatment equipment	640,652	6,568	-	647,220
Primary treatment equipment	395,354	-	-	395,354
Secondary treatment equipment	504,858	-	-	504,858
Chlorination equipment	109,007	-	-	109,007
Sludge treatment and disposal equipment	944,487	-	-	944,487
Plant site piping	1,000,644	-	-	1,000,644
Flow metering and monitoring equipment	87,513	-	-	87,513
Other treatment and disposal equipment	61,247	-	-	61,247
Total Treatment and Disposal	8,233,331	6,568	-	8,239,899
GENERAL				
Structures and improvements	1,031,787	-	-	1,031,787
Office furniture	17,912	-	-	17,912
Computers	40,197	-	-	40,197
Transportation equipment	163,909	196,693	-	360,602
Other general equipment	280,318	48,424	14,930	313,812
SCADA equipment	175,887	-	-	175,887
Total General	1,710,010	245,117	14,930	1,940,197
INTANGIBLES	-	128,163	-	128,163
TOTAL SEWER UTILITY PLANT	\$ 27,810,249	\$ 1,033,108	\$ 25,674	\$ 28,817,683

CITY OF RIVER FALLS

SEWER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2016 and 2015

OPERATING REVENUES	<u>2016</u>	<u>2015</u>
Sales of Wastewater		
Residential	1,995,375	1,990,488
Commercial	425,539	447,794
Multi-family	260,744	236,670
Industrial	123,274	94,205
Public authorities	360,054	366,697
Total Wastewater Sales	<u>3,164,986</u>	<u>3,135,854</u>
Other Operating Revenues		
Forfeited discounts	9,697	13,058
Other miscellaneous revenues	43,804	38,127
Total Operating Revenues	<u>3,218,487</u>	<u>3,187,039</u>
 OPERATING EXPENSES		
Operation		
Operation supervision and engineering	112,810	115,823
Power and fuel for pumping	19,222	17,453
Power and fuel for aeration equipment	179,055	188,767
Treatment charges	297,236	367,325
Chlorine	3,702	4,752
Phosphorous removal chemicals	3,139	-
Other operating supplies	41,224	33,683
Transportation	6,494	11,609
Total Operations	<u>662,882</u>	<u>739,412</u>
Maintenance		
Collection system	237,485	303,792
Pumping equipment	43,687	65,243
Treatment and disposal plant equipment	118,687	189,651
General plant structures equipment	27,188	23,407
Total Maintenance	<u>427,047</u>	<u>582,093</u>
Customer Accounts		
Accounting and collecting labor	150,714	135,434
Sales		
Advertising	1,059	674
Administrative and General		
Salaries	126,530	123,720
Office supplies	16,639	15,540
Outside services employed	16,908	10,566
Property insurance	17,869	9,652
Injuries and damages	14,428	14,777
Employee pensions and benefits	152,789	137,472

CITY OF RIVER FALLS

SEWER UTILITY OPERATING REVENUES AND EXPENSES (cont.)

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING EXPENSES (cont.)		
Administrative and General (cont.)		
Miscellaneous	\$ -	\$ 5,023
Rents	<u>56,431</u>	<u>56,431</u>
Total Administrative and General	<u>401,594</u>	<u>373,181</u>
Taxes	<u>32,127</u>	<u>31,792</u>
Total Operation and Maintenance	1,675,423	1,862,586
Depreciation	<u>592,720</u>	<u>563,321</u>
Total Operating Expenses	<u>2,268,143</u>	<u>2,425,907</u>
OPERATING INCOME	<u>\$ 950,344</u>	<u>\$ 761,132</u>

CITY OF RIVER FALLS

INSURANCE SUMMARY For the Year Ended December 31, 2016

Description	Insurer	Policy Number	Coverage Limits	Deductible	Policy Period
Property	Liberty Mutual	YU2-Z91-515581-276	\$66,952,413 BPP & \$1,000,000 Flood	\$100,000 Flood	8/1/16-8/1/17
General Liability	Liberty Mutual	TB7-Z91-515581-146	\$2,000,000	NA	8/1/16-8/1/17
Business Automobile	Liberty Mutual	AS7-Z91-515581-116	\$2,000,000	\$1,000 - \$2,500 varying	8/1/16-8/1/17
Workers Compensation	Liberty Mutual	WC2-Z91-515581-246	\$500,000	NA	8/1/16-8/1/17
Commercial Umbrella	Liberty Mutual	THC-Z91-515581-156	\$4,000,000	NA	8/1/16-8/1/17
Law Enforcement Liability	Liberty Mutual	ROC-Z91-515581-236	\$2,000,000	NA	8/1/16-8/1/17
Crime	Liberty Mutual	YC2-Z91-515581-266	\$50,000 - \$500,000	occurrence	8/1/16-8/1/17
Management Liability	Darwin National Assurance Co Billing co: RT Specialty, LLC	0202-2479	\$5,000,000	\$5,000 - \$15,000 (retention)	8/1/16-8/1/17
Inland Marine	Liberty Mutual	IM 8141002	\$1,730,237	\$1,000	8/1/16-8/1/17
Cyber & Privacy Liability	Evanston Insurance Company	DB502629	\$ 1,000,000	\$10,000 (retention)	1/1/16-1/1/17

CITY OF RIVER FALLS

WATER UTILITY REVENUE BOND DISCLOSURE

WATER SALES TO GENERAL CUSTOMERS

For the Year Ended December 31, 2016

	Average Customer Count	Gallons Sold (000's)
Residential	4,182	166,589
Commercial	296	51,397
Industrial	17	16,648
Public Authority	74	44,540
Multi-Family Residential	72	33,002
Irrigation	<u>675</u>	<u>57,651</u>
Total Metered Sales	<u>5,316</u>	<u>369,827</u>