



City of  
**BELOIT**, Wisconsin

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the year ended December 31, 2009



ABC Supply Company headquarters



Beloit College campus



Kerry Americas Centre of Excellence

**CITY OF БЕЛОIT**

Beloit, Wisconsin

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Year Ended  
December 31, 2009

Prepared By:

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES

Paul E. York, Director

Laureen Presny, Director of Accounting and Purchasing

# CITY OF BELOIT

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June 24, 2010

To the City Council and  
Citizens of the City of Beloit, Wisconsin

It is our pleasure to submit to you the comprehensive annual financial report (CAFR) of the City of Beloit for the fiscal year ended December 31, 2009. Wisconsin State Statutes, The Wisconsin Administrative Code, and the Municipal Code of the City of Beloit requires that at the end of the fiscal year a full and complete examination of all books and accounts of the City be made by a certified public accountant and that the report be filed with the City Clerk as a matter of public record. This CAFR fulfills these requirements.

This report was prepared by the City's finance department and consists of management's representations concerning the finances of the City of Beloit. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. Management has established a comprehensive internal control framework that is designed to provide sufficient reliable information for the preparation of the City of Beloit's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of an internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute, assurance that the financial statements are free of any material misstatements of fact.

In compliance with the above statutory requirements, the City has retained the services of Baker Tilly Virchow Krause, LLP, Certified Public Accountants, to audit all books and accounts of the City and they have issued an unqualified opinion on the City of Beloit's financial statements for the fiscal year ended December 31, 2009. Their report is located at the beginning of the financial section of this report.

The CAFR is presented in four sections: Introductory, Financial, Statistical, and Single Audit. The Introductory Section includes this transmittal letter, GFOA reporting award, the City's organizational chart, and a directory of City Officials. The Financial Section includes the auditors report, managements discussion and analysis, the government-wide and fund financial statements, notes to the financial statements, and supplementary information. The Statistical Section includes selected financial and demographic information generally on a multi-year basis. The Single Audit Section is described in the following paragraph.



To the City Council and  
Citizens of the City of Beloit, Wisconsin  
June 24, 2010

The City is required to undergo an annual single audit in accordance with Generally Accepted Auditing Standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Information related to this single audit, including the schedule of federal and state financial assistance, findings and recommendations and auditors' reports on the internal control structures and compliance with applicable laws and regulations are presented in this section of the CAFR.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

### ***PROFILE of the GOVERNMENT***

Beloit is located just north of the Wisconsin/Illinois border along Interstate Highway 39/90, which travels south to Chicago and north to the state capitol Madison, and is directly connected to Milwaukee via Interstate Highway 43. The City covers approximately 17 square miles. It is home to an estimated 37,000 residents as well as more than 90 industrial firms, 850 retail establishments, several corporate headquarters, a minor league baseball team, several museums and an internationally acclaimed college that bears the community's name.

The City was officially founded in 1836, incorporated as a village February 24, 1846, and incorporated as a city by the State of Wisconsin on March 31, 1856. The citizens adopted the Council-Manager form of government in 1929. The City Council is the policy making and legislative body. The Council consists of seven members that are elected at large for two-year staggered terms. At an organizational meeting following each general City election, the Council selects, by majority vote of its members, its president and vice-president for the ensuing Council year. The President acts as the presiding officer of the Council and in his/her absence the Vice-President presides. The Council, in its legislative role, adopts all ordinances and resolutions and establishes the general policies for the City. The Council also sets the tax rate and adopts the annual budget.

The City Manager is appointed by the Council to act as the executive and administrative head of the City. The Manager serves at the pleasure of the Council, carries out its policies, directs business procedures, and has the power of appointment and removal of all employees. Duties and responsibilities of the Manager include preparation, submission and administration of the annual budget, advising Council on the affairs of the City, enforcement of the ordinances and direction and supervision of all departments. The City provides typical municipal services including general administrative services, police, fire, public works, sanitation, parks and recreation, planning and economic development, transit system and water and sewer utilities.

This report includes all of the funds and component units of the City of Beloit. The criteria used in determining the reporting entity is consistent with criteria established by the

To the City Council and  
Citizens of the City of Beloit, Wisconsin  
June 24, 2010

Governmental Accounting Standards Board (GASB) as outlined in the Codification of Governmental Accounting and Financial Reporting Standards. This report includes the general fund, which accounts for the general administration of the City, and the special revenue funds relating to economic and community development, community enhancement, downtown, the public library, solid waste and recycling. The report also includes the City's enterprise funds that account for the water, storm water, and sanitary sewer utilities, ambulance services, cemeteries, transit, and the municipal golf course. Internal service funds provide information on the operations of the risk management, employee health benefits, and centralized equipment functions.

Financial data for the Beloit Public Library Foundation, Community Development Authority, and the Business Improvement District is included in the reporting entity by discrete presentation because they are component units of the City. The Beloit Public Library Foundation was formed to raise and provide support monies for the Beloit Public Library. The Community Development Authority was formed to engage in the development and operation of low-income housing. The United States Department of Housing and Urban Development (HUD) regulates such projects. The Business Improvement District was created to fund a downtown management and development program.

The annual budget provides the foundation for the City of Beloit's financial planning and control. The Council normally adopts the budget by November 15 for the ensuing fiscal year. The budget is prepared by fund, function and department. Once adopted, transfers among departments or supplemental appropriations require approval of the Council; the Manager is authorized to make adjustments within departments.

### ***ECONOMIC CONDITION / MAJOR INITIATIVES***

The local economy is being severely impacted by the nationwide recession. In late 2008, the General Motors assembly plant in Janesville, Wisconsin, closed leaving a significant void in our local economy that has yet to be filled. This closing has negatively affected the City and its businesses. The City's unemployment rate in April 2010 was 16.8%, the highest in the State of Wisconsin and the Stateline area. The April 2009 unemployment rate for the City was 18.3% which again was the highest in the State of Wisconsin. Although the trend is positive the economy continues to have a negative impact on the City. This compares to an unemployment rate of 8.2% for the State of Wisconsin and 9.5% nationally. Fortunately, the City's large cluster of food processing industries continued to experience strong performance during this period. Several of these industries actually added employees and production lines in response to growing sales, despite the generally weak economy. Additional economic and demographic data can be found in the Statistical Section of this report.

To the City Council and  
Citizens of the City of Beloit, Wisconsin  
June 24, 2010

The City's economy remains largely reliant on manufacturing and industry while offering a diversified employment base in the areas of metal fabrication, food processing, medical services, biotechnology, retail, and education. The City is home to Beloit College; founded in 1846 it is Wisconsin's oldest college in continuing operation and is internationally renowned for its scholastic excellence. The college's 1,250 students come from nearly every state and 40 nations worldwide.

In early 2009, the City realized some very positive improvements to its local economy with the opening of Kerry Ingredients and Flavours North American headquarters in the City's Tax Increment District #10. This new development accounted for 300 new jobs, 200,000 square feet of new industrial/commercial space and a total increase to the tax base of \$44 million. We continue to remain optimistic of the City's economic future and devote considerable time and resources to economic development efforts. The City currently has nine active Tax Increment Districts with over 400 acres of land under City control that is available for development. Located at the intersections of Interstates 90/39 that serves Chicago to the southeast and Madison to the north and Interstate 43 provides a direct link to Milwaukee. The City is marketed as the location of one of the Midwest's major distribution centers because of these transportation links.

### ***LONG-TERM FINANCIAL PLANNING***

For budgetary and planning purposes the City has policy guidelines establishing the appropriate levels and uses of unreserved, undesignated general fund balance (15% of operating revenues or three months average expenditures whichever is greater). The City used \$529,891 of its unreserved, undesignated general fund balance as a funding source for the budget for the year ending December 31, 2010, which was within these guidelines. The City also has a debt service policy, which is consistent with its long range Financial Management Plan that was approved in 1998. This Plan established bond-rating objectives, use of debt policies, and debt load indicators that are reviewed annually. Standard and Poor's has assigned an "A+" rating to City's general obligation debt "A+" and "A" for its utility revenue bonded debt. These ratings were affirmed by Standard and Poor's in March 2010.

### ***AWARDS and ACKNOWLEDGEMENTS***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Beloit for its comprehensive annual financial report for the fiscal year ended December 31, 2008. This was the seventh consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement

To the City Council and  
Citizens of the City of Beloit, Wisconsin  
June 24, 2010

Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Beloit also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning January 1, 2010. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communication device. This award is also valid for only one year.

The preparation of the CAFR would not have been possible without the efficient and dedicated service of the entire staff of the Department of Finance and Administrative Services. We would like to express our appreciation to all the members of the department who assisted and contributed to the preparation of this report with particular recognition to Lauren Presny, Director of Accounting/Purchasing and Eric Miller Finance and Budget Coordinator. Credit is also given to the City Council for their support in maintaining the highest standards of professionalism in the management of the City of Beloit's finances.

Respectfully submitted,



Larry N. Arft  
City Manager



Paul E. York  
Finance and Administrative Services Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Beloit  
Wisconsin

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, appearing to be "JHR".

President

A handwritten signature in black ink, appearing to be "Jeffrey R. Emer".

Executive Director

**City of Beloit, Wisconsin  
List of Elected and Appointed Officials  
December 31, 2009**

**CITY COUNCIL MEMBERS**

James E. Van De Bogart - President  
Kevin D. Leavy - Vice-President  
Heidi Johns  
Martin Densch  
Sheila De Forest  
Charles Haynes  
Eric Newnham

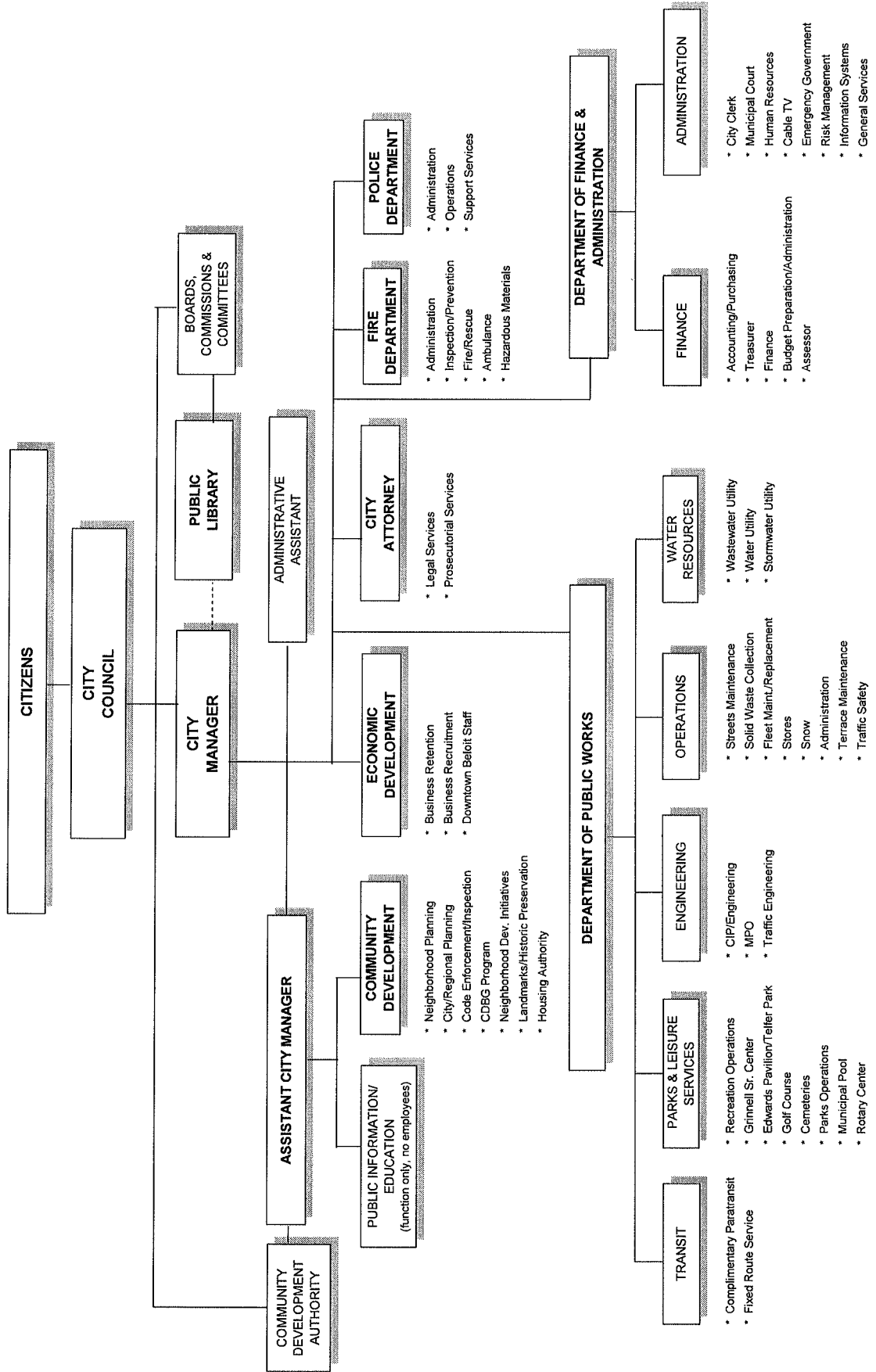
**CITY MANAGER**

Larry N. Arft

**DEPARTMENT DIRECTORS**

Stephen J. Gregg – Assistant City Manager  
David M. Botts – Public Works Director  
Julie Christensen – Community Development Director  
Thomas R. Casper – City Attorney  
Andrew Janke – Economic Development Director  
Bradley J. Liggett – Fire Chief  
Norm Jacobs – Police Chief  
Paul E. York – Finance & Administrative Services Director

# CITY OF БЕЛОIT, WISCONSIN ORGANIZATIONAL CHART 2009





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fax 608 249 8532  
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## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Beloit  
Beloit, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Beloit, Wisconsin, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Beloit's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Beloit Public Library Foundation, Inc. which represent 2%, 6%, and .3%, of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions. The Beloit Public Library Foundation, Inc., a component unit of the City, was not audited in accordance with *Government Auditing Standards*.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Beloit, Wisconsin at December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



To the City Council  
City of Beloit  
Beloit, Wisconsin

In accordance with *Government Auditing Standards*, we have issued our report dated June 24, 2010 on our consideration of the City of Beloit's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information and schedule of funding progress as listed on the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The "Introductory Section" and "Statistical Section" listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Beloit. The information has not been audited by us and, accordingly, we express no opinion on such information.

*Baker Tilly Yuckow Krause LLP*

Madison, Wisconsin  
June 24, 2010

# CITY OF BELOIT, WISCONSIN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For Year Ended December 31, 2009

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As management of the City of Beloit, Wisconsin, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, the basic financial statements, and related notes, all of which are contained in this comprehensive annual financial report (CAFR).

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### FINANCIAL HIGHLIGHTS

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- > The assets of the City of Beloit exceeded its liabilities as of December 31, 2009, by \$121,677,228 (total net assets). Of this amount, \$16,632,268 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors. The remainder of the City's net assets is restricted in how they may be used or are invested in capital assets.
  - > As of December 31, 2009, the City's governmental funds reported combined ending fund balances of \$26,892,697, a decrease of \$4,876,259 from the prior year. This decrease is the result of the City's investment in capital assets. Of this amount, \$4,306,330 or 16% is unreserved and undesignated and is available for spending at the government's discretion.
  - > As of December 31, 2009, the unreserved and undesignated fund balance for the general fund was \$7,990,029 or 27.6% of total general fund expenditures.
  - > The business-type activities net assets at December 31, 2009, totaled \$74,412,825, which represents an increase of \$3,423,782 from the prior year. Of this amount, \$62,058,630 represents the City's investment in capital assets, net of related debt. The increase in business-type activities net assets is related to the City's investment in capital assets.
  - > Total liabilities as of December 31, 2009, were \$142,519,144 million, which is an increase of \$11,351,198 from the prior year, and of this amount, \$113,021,767 is for long-term liabilities. This increase in liabilities is related to the issuance of long term debt by the city.
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### OVERVIEW OF THE FINANCIAL STATEMENTS

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

# CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
(UNAUDITED)  
For Year Ended December 31, 2009

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## OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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### Government-Wide Statements

The **government-wide financial statements** are designed to provide information about the City as a whole using the economic resources measurement focus and the accrual basis of accounting, in a manner similar to those of private-sector businesses.

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Additionally, to assess the overall financial health of the City one must also consider non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

The **statement of activities** presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when 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 compensated absences).

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 general government, economic development, public library, public safety, public works, and community development. The business-type activities of the City of Beloit include the water and sewer utilities, which are considered major funds.

The government wide statements include not only the City of Beloit itself (known as the primary government), but also three discretely presented component units that are separate legal entities for which the City of Beloit is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 1 to 3 of this CAFR.

### 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. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. These are explained in more detail as follows:

**Governmental Funds** – Most of the City's basic services are included in governmental funds. Fund based statements for these funds focus on how resources flow into and out of those funds and the balance left at year end that are available for future spending. These funds are reported on the modified accrual basis of accounting, this measures cash and other liquid assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term or current financial resources view that helps the reader determine the financial resources that can be spent in the near future to finance the City's programs and services.

# CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
(UNAUDITED)  
For Year Ended December 31, 2009

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## **OVERVIEW OF THE FINANCIAL STATEMENTS** (cont.)

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

The City maintains 26 individual governmental funds. 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 the general fund, general debt service fund, TIF district no. 9 – special revenue fund, TIF district No. 10 – special revenue fund, and capital improvements – capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this CAFR.

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

The basic governmental fund financial statements can be found on pages 4 to 6 of this CAFR.

**Proprietary Funds** – The City maintains two different types of proprietary funds. 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 water, storm water, and sewer utilities, transit system, ambulance service, cemeteries, and golf course. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and for its general liability and health insurance programs. Because internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide statements.

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds are reported using the full accrual basis of accounting method. The City's business-type funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows. The City uses enterprise funds to account for its water and sewer utilities, which are considered major funds. Data from the other proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of combining statements elsewhere in this CAFR.

The basic proprietary fund financial statements can be found on pages 8 to 12 of this CAFR.

# CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
(UNAUDITED)  
For Year Ended December 31, 2009

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## OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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***Fiduciary Funds*** – 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 City programs or services. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 13 of this CAFR.

***Notes to the Financial Statements*** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 to 75 of this CAFR.

***Other Information*** – In addition to the basic financial statements and accompanying notes, this CAFR also presents certain required supplementary information. This other information provides a detailed budgetary comparison schedule for the general fund to demonstrate compliance with the budget. These schedules can be found on pages 76 to 85 of this CAFR. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information and can be found on pages 86 to 93 of this CAFR.

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## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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An analysis of the City's financial position begins with a review of the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets. These two statements report the City's net assets and changes therein. It should be noted that the City's financial position can also be affected by non-financial factors, including economic conditions, population growth, and new regulations.

As noted earlier, net assets may serve over time as a useful indicator of City's financial position. In the case of the City of Beloit, assets exceeded liabilities by \$121,677,228 as of December 31, 2009. This is a decrease of \$4,165,124 over the previous year.

The largest portion of the City of Beloit's net assets (approximately 80%) reflects its investment in capital assets (e. g., land, buildings, machinery, improvements, construction in progress, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Beloit's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
(UNAUDITED)  
For Year Ended December 31, 2009

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

**Summary of Net Assets  
as of December 31  
(\$ in millions)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Current and other assets	\$ 67.1	\$ 65.0	\$ 17.6	\$ 18.1	\$ 84.7	\$ 83.1
Capital assets	<u>85.0</u>	<u>90.2</u>	<u>87.3</u>	<u>90.9</u>	<u>172.3</u>	<u>181.1</u>
Total Assets	<u>152.1</u>	<u>155.2</u>	<u>104.9</u>	<u>109.0</u>	<u>257.0</u>	<u>264.2</u>
Long-term liabilities	73.3	80.9	32.7	32.0	106.0	112.9
Other liabilities	<u>24.0</u>	<u>27.0</u>	<u>1.2</u>	<u>2.6</u>	<u>25.2</u>	<u>29.6</u>
Total Liabilities	<u>97.3</u>	<u>107.9</u>	<u>33.9</u>	<u>34.6</u>	<u>131.2</u>	<u>142.5</u>
Net assets:						
Invested in capital assets, Net of related debt	34.4	35.5	56.4	62.1	86.3	93.3
Restricted	10.4	8.9	6.7	2.8	17.1	11.7
Unrestricted	<u>10.0</u>	<u>2.9</u>	<u>7.9</u>	<u>9.5</u>	<u>22.4</u>	<u>16.7</u>
Total Net Assets	<u>\$ 54.8</u>	<u>\$ 47.3</u>	<u>\$ 71.0</u>	<u>\$ 74.4</u>	<u>\$ 125.8</u>	<u>\$ 121.7</u>

An additional portion of the City's net assets (approximately 9.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$16,632,268, is available to meet the City's ongoing obligations to its citizens and creditors.

**Analysis of City Operations** – The following table provides a summary of the City's operations for the year ended December 31, 2009. Governmental activities decreased the City's net assets by \$7,588,906 and business-type activities increased the City's net assets by \$3,423,782.

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# CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
(UNAUDITED)  
For Year Ended December 31, 2009

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

### Summary of Changes in Net Assets for the Fiscal Year Ended December 31 (\$ in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2009	2008	2009	2008	2009
<b>REVENUES</b>						
Program Revenues:						
Charges for services	\$ 6.5	\$ 6.8	\$ 14.4	\$ 14.1	\$ 20.9	\$ 20.9
Operating grants & contributions	1.9	2.7	1.1	1.1	3.0	3.8
Capital grants & contributions	0.3	1.2	0.9	4.9	1.2	6.1
General Revenues:						
Property taxes	16.0	17.0	0.6	0.5	16.6	17.5
Other taxes	0.5	0.5	-	-	0.5	0.5
Intergovernmental	20.1	20.7	-	-	20.1	20.7
Investment income	0.7	0.6	0.5	0.5	1.2	1.1
Gain on the sale of property	0.3	0.1	-	-	0.3	0.1
Miscellaneous	1.0	1.3	-	-	1.0	1.3
Total Revenues	<u>47.3</u>	<u>50.9</u>	<u>17.5</u>	<u>21.1</u>	<u>64.8</u>	<u>72.0</u>
<b>EXPENSES</b>						
General government	0.8	0.8	-	-	0.8	0.8
Finance and Administration	7.3	6.9	-	-	7.3	6.9
Community development	2.2	3.2	-	-	2.2	3.2
Economic development	0.3	0.3	-	-	0.3	0.3
Public safety	21.6	21.8	-	-	21.6	21.8
Public works	13.0	20.1	-	-	13.0	20.1
Library	2.1	2.7	-	-	2.1	2.7
Interest & fiscal charges	2.1	3.1	-	-	2.1	3.1
Water utility	-	-	4.3	4.8	4.3	4.8
Sewer utility	-	-	7.5	7.7	7.5	7.7
Other non-major proprietary funds	-	-	4.6	4.7	4.6	4.7
Total Expenses	<u>49.4</u>	<u>58.9</u>	<u>16.4</u>	<u>17.2</u>	<u>65.8</u>	<u>76.1</u>
<b>Change in net assets before transfers</b>	(2.1)	(8.0)	1.1	3.9	(1.0)	(4.1)
Transfers	<u>(1.0)</u>	<u>0.4</u>	<u>1.0</u>	<u>(0.4)</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	(3.1)	(7.6)	2.1	3.5	(1.0)	(4.1)
Net Assets - January 1	<u>58.0</u>	<u>54.9</u>	<u>68.8</u>	<u>70.9</u>	<u>126.8</u>	<u>125.8</u>
<b>Net Assets - December 31</b>	<u>\$ 54.9</u>	<u>\$ 47.3</u>	<u>\$ 70.9</u>	<u>\$ 74.4</u>	<u>\$ 125.8</u>	<u>\$ 121.7</u>

# CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
(UNAUDITED)  
For Year Ended December 31, 2009

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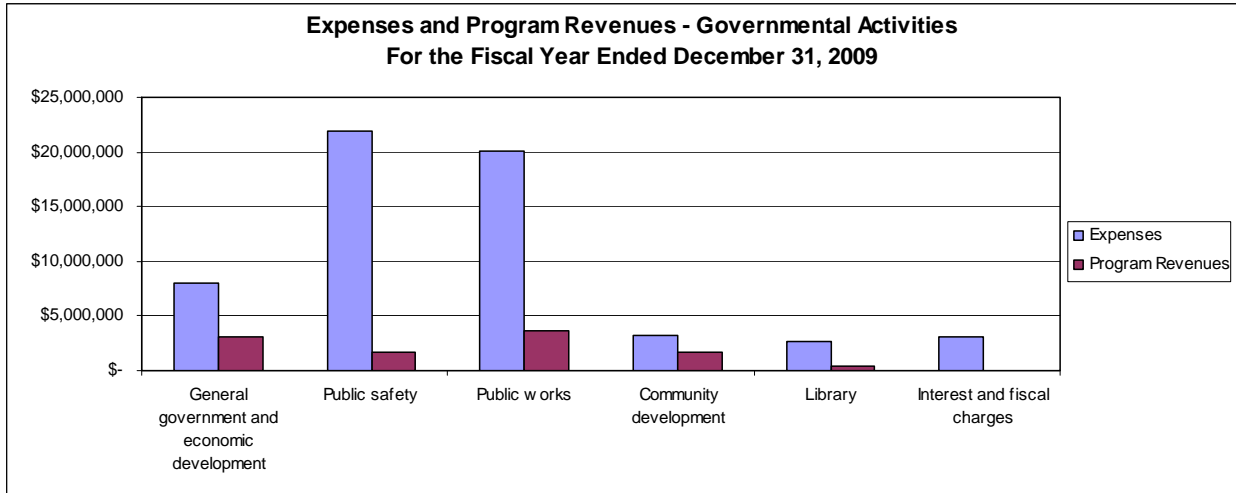
## GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

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Public safety includes both police and fire and public works includes parks and leisure services.

For 2009, revenues increased \$7.2 million over the prior year primarily from increased grant revenues and property taxes. The city's property tax levy increased \$1,253,547 in 2009, largely because of increased debt service costs and tax increment in the City's Tax Increment Districts.

Expenses increased \$10,267,649 over the prior year largely due to an increase of \$7,141,936 in Public Works expenses associated with uncapitalized capital outlay spending.



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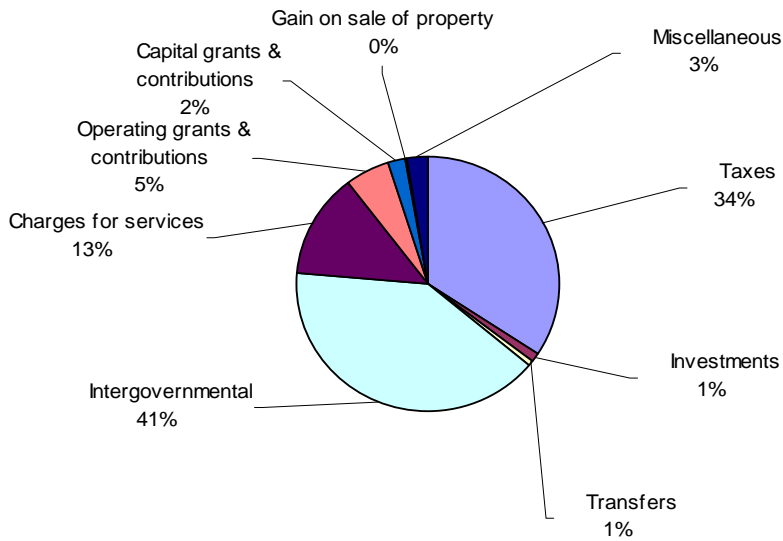


# CITY OF BELOIT, WISCONSIN

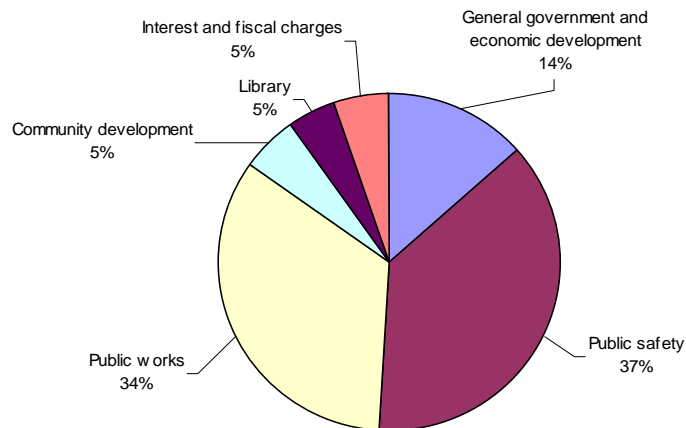
MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
(UNAUDITED)  
For Year Ended December 31, 2009

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

### Revenues by Source - Governmental Activities



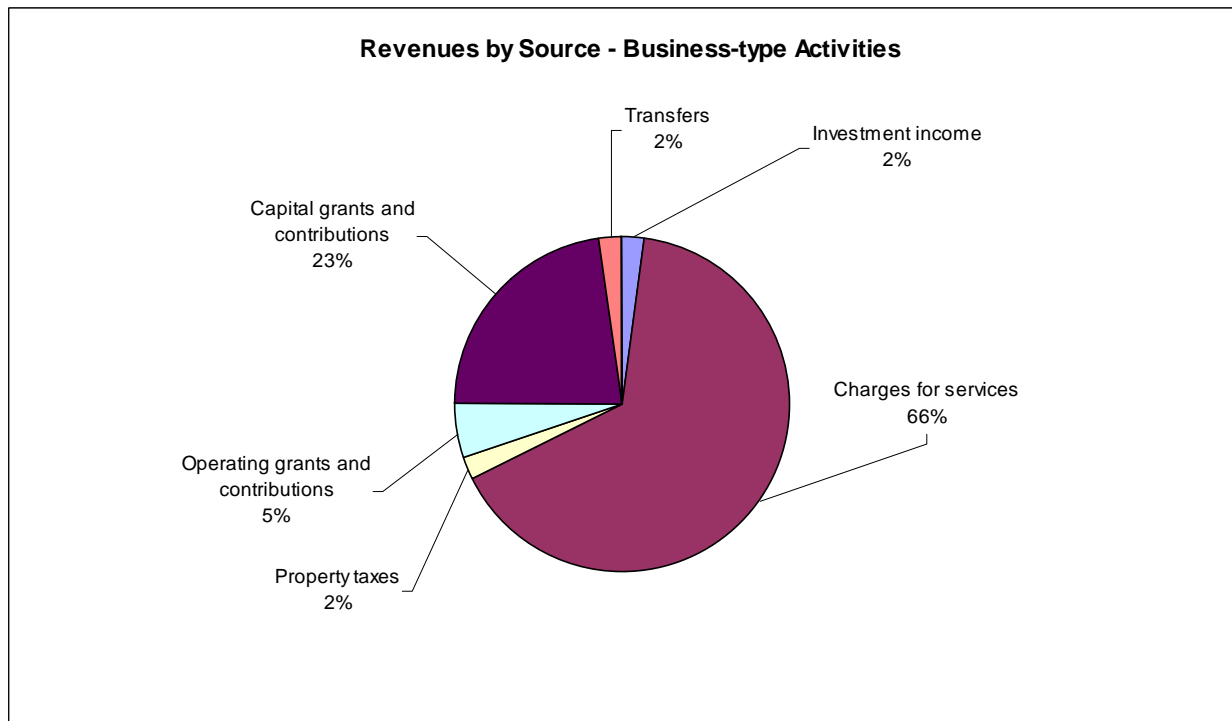
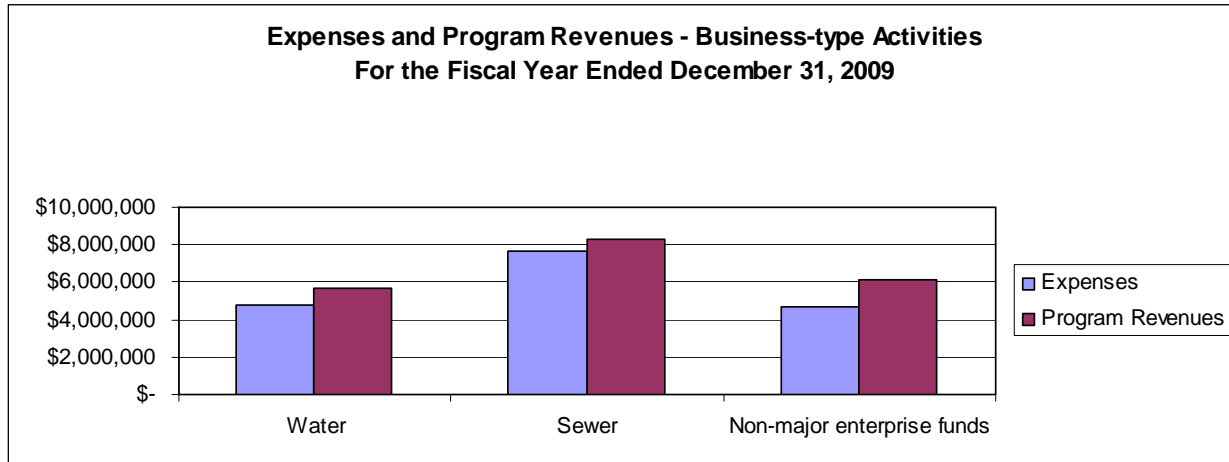
### Expenses by Function - Governmental Activities



# CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
 (UNAUDITED)  
 For Year Ended December 31, 2009

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)



# CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
(UNAUDITED)  
For Year Ended December 31, 2009

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## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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As was noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Fund financial reporting focuses on short-term spendable resources and balances of spendable resources available at year-end.

### Governmental Funds

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

As of December 31, 2009, the City of Beloit's governmental funds reported combined ending fund balances of \$26,892,697. This is a decrease of \$4,876,259 from the previous year. Approximately 16% of this total or \$4,306,330 constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. This decrease is largely because of the spend down of bond proceeds from the prior year in the City's capital projects funds. During the year, the City completed \$5,676,600 in road and highway improvements and opened a new public library that represented an investment in excess of \$8 million.

The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$15,144,524), 2) to pay debt service (\$651,729), 3) for non-current receivables/advances (\$5,899,712), and 4) the balance for a variety of other restricted purposes (\$890,402).

**General Fund:** The general fund is the chief operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund has a detailed fund balance reserve policy that insures financial stability for the City of Beloit. The policy stipulates that the unreserved and undesignated fund balance will be either 15% of operating revenues or 3 months of estimated expenditures whichever ever is greater. As of December 31, 2009, the total fund balance of the general fund was \$10,444,674, of which \$7,990,029 was unreserved and undesignated. This unreserved and undesignated fund balance represents 27.6% of general fund expenditures. The City's unreserved and undesignated fund balance increased \$539,017 over the prior year largely due to the repayment of advances made to Tax Increment Districts and a reduction in the amount of available fund balance allocated to the 2010 budget.

**Tax Incremental District No. 10:** This tax increment district accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing. It is known as the Gateway Business Park, it is a mixed-use joint project with MLG Development comprising over 450 acres of land. Since its inception in 2000, the TID has accounted for approximately 700 new jobs and additional tax base valued in excess of \$136 million. Early last year, a major project was completed in the TID with the construction of the Kerry Ingredients and Flavours North American Headquarters facility. This project consists of a new 200,000 square foot corporate office/ R&D facility representing a tax base investment of \$44 million. The district has a fund balance of \$2,183,979 and is scheduled to close in 2024. Any remaining fund balance after that date will be distributed proportionately to the overlying taxing districts and the general fund. The increase in fund balance of \$426,060 was a result of additional tax increment received from the Kerry project.

# CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
(UNAUDITED)  
For Year Ended December 31, 2009

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## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (cont.)**

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**General Debt Service Fund:** The general debt service fund is used to accumulate resources for the payments of general long-term debt principal, interest, and related costs. It has a fund balance of \$2,243,968 all of which is to be used for the payment of principal and interest on outstanding debt. Increased debt service payments reduced fund balance by \$714,390.

**Tax Incremental District No. 9:** The district accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing. This district was formed in 1998 and is the site of the former Beloit Mall. The site is now undergoing a transition with commercial and public reuses and is the site of the new Beloit Public Library facility which opened in May 2009. The TID has a negative fund balance of \$3,362,823 and is scheduled to close in 2021. Any remaining positive fund balance after that date will be distributed proportionately to the overlying taxing districts and the general fund. There were no substantive changes to fund balance in 2009.

**Capital Improvements – Capital Projects:** This fund accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects. The fund balance as of December 31, 2009 is \$4,597,557 all of which is programmed to be used for capital improvements. The City spent \$14.1 million on capital improvement projects last year including several major road and highway improvements, parks improvements, and the new library opened in May 2009. The result of these investments reduced fund balance by \$3,837,816.

The aggregate other governmental funds column includes various special revenue and debt service funds that are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The cumulative fund balances for these funds is \$10,785,342, a decrease of \$955,081 from last year.

### **Proprietary Funds**

The City of Beloit's major proprietary funds consist of the water and sewer utility funds. These activities are supported solely by fees assessed to the users of these services. Revenues generated by these funds are sufficient to provide for annual operating costs as well as long-term debt service payments as prescribed by the bond agreements.

**Sewer Utility:** The sewer utility realized an operating loss of \$593,868 in 2009 compared to operating income of \$190,256 for 2008. This operating loss is largely the result of increased operating and maintenance costs and reduced operating revenues. There was a marked decrease in sewer user fees for the City's large industrial customers in 2009. Some of this decrease can be attributed to the economy and conservation efforts on the part of these users to reduce their treatment costs. The rates for sewer services have not changed since 2003. Net assets increased \$944,078 last year. The City has 13,579 sewer customers that are served by a wastewater treatment facility with an 11 MGD capacity. The City maintains approximately 170 miles of sanitary sewer mains.

# CITY OF BELOIT, WISCONSIN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) (UNAUDITED) For Year Ended December 31, 2009

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### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (cont.)

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**Water Utility:** The water utility realized operating income of \$1,268,812 in 2009 compared to \$1,690,524 in 2008. The water utility is experiencing the same trend as the sewer utility with reduced operating revenues due to less demand from large industrial customers as a result of the economy and added emphasis on conservation as well as increased operating expenses. The change in net assets in 2009 was \$495,565. Most of this increase is as a result of the installation of new water mains. The City serves 15,314 water customers and maintains seven wells and approximately 197 miles of water mains.

The net assets of the City's Enterprise Funds as of December 31, 2009 were \$74,104,749. The water and sewer utility's net assets accounted for \$60,075,107 or 81% of this total, which is an increase of \$1,439,643 from the previous year. This increase is primarily due to increased investment in capital assets.

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### GENERAL FUND BUDGETARY HIGHLIGHTS

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The final amended budget appropriations, which include expenditures and transfers out, totaled \$29,649,506. At \$28,995,568, the final actual expenditures and transfers out were \$653,938 less than the final budget appropriations.

The actual revenues and transfers in were \$29,106,727, which was \$542,779 less than the final budgeted amount. Most of this variance was because of the economy and its impact on investment earnings and the real estate market. Investment earnings in 2008 were \$942,956 and in 2009 they were \$241,174. The City issued a total of nine building permits for new construction in 2009 with a total construction value of \$8,119,000. Building permit fees were \$52,185 less than the previous year. At \$5,694,688, the property tax levy is the largest local source revenue in the General Fund. Property taxes exceeded the final budget by \$13,734. The most significant revenue items in the General Fund are the Aids to Local Government payments the City receives from the State of Wisconsin. In 2009, these payments totaled \$19,568,747. This represents 67% of total General Fund revenues. Revenues and transfers in exceeded expenditures and transfers out by \$111,159. The 2009 budget contemplated expenditures exceeding revenues by \$733,353 so this is a positive variance.

Some of the highlights of comparing the final budget to actual for the fiscal year include the following:

- > Actual expenditures for the Community Development Department exceeded the final budget amount by \$49,708. This was due to additional maintenance costs related to properties the City maintains that were not meeting code enforcement standards.
- > Tax revenues were less than budget primarily due to reduced collections of motel taxes. This was partly due to the economy as well as a timing issue on payments received from several motels in the prior year.
- > License and permit revenues were down largely due to the affect of the recession on the development industry.

# CITY OF BELOIT, WISCONSIN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) (UNAUDITED) For Year Ended December 31, 2009

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### GENERAL FUND BUDGETARY HIGHLIGHTS (cont.)

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- > Fines, forfeitures and penalties were \$24,372 less than budget largely due to fewer parking fines being collected. This was a result of greater compliance for the City's alternate side parking regulations and fewer handicap parking violations in 2009.
- > Fees and charges departments make for services provided were down \$110,141 largely due to the effects of the economy.
- > Intergovernmental actual revenues exceeded the budget by \$164,465 because of a reimbursement from FEMA for \$191,607 for costs associated with a major snow storm in February 2009.
- > The investment income of \$241,174 is down considerably from the prior year and reflects the impact of the financial markets on the City's portfolio. For the most part, interest rates throughout the year remained at historic lows.

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### CAPITAL ASSETS

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The City of Beloit's investment in capital assets for its governmental and business-type activities as of December 31, 2009, was \$181,012,245 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, and equipment, park facilities, roads, bridges, highways and related fixtures and represents an increase in net book value of \$8,704,475 from last fiscal year. This increase is largely the result of the City's investment in public infrastructure improvements.

Major capital assets completed or started during the year include the following:

- > Several street and highway construction projects totaling over \$5.6 million were either completed or were started last year. Some of the more significant projects include Cranston and Milwaukee Road improvements, Freeman Parkway improvements, Millington Road reconstruction, Harvey Street reconstruction, City Hall parking lot and South Riverside Park improvements and almost \$584,000 in street light associated with these projects.
- > Another notable project that was completed last year was the construction of a new public library. The City's new 50,000 square foot plus facility was opened in May 2009 at a cost of approximately \$8 million.
- > The City installed new water mains, storm, and sanitary sewers totaling over \$2.3 million. These were mostly associated with the various street and highway reconstruction projects.
- > The City added over \$1.1 million of various machinery, equipment and vehicles to its operations.

## CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
(UNAUDITED)  
For Year Ended December 31, 2009

### CAPITAL ASSETS (cont.)

**Capital Assets  
Net of Accumulated Depreciation  
as of December 31  
(\$ in millions)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>
Land	\$ 4.4	\$ 4.9	\$ 3.6	\$ 3.6	\$ 8.0	\$ 8.5
Construction in progress	5.5	0.0	0.6	3.4	6.1	3.4
Land improvements	0.0	0.0	0.1	0.1	0.1	0.1
Buildings	10.5	16.9	5.2	5.0	15.7	21.9
Machinery & equipment	9.3	9.6	3.8	3.5	13.1	13.1
Other improvements	3.5	3.3	-	-	3.5	3.3
Streets	43.0	46.4	-	-	43.0	46.4
Street lights	3.3	3.8	-	-	3.3	3.8
Traffic signals	1.3	1.2	-	-	1.3	1.2
Bridges	4.2	4.1	-	-	4.2	4.1
Storm sewer infrastructure	-	-	7.5	8.6	7.5	8.6
Water plant & equipment	-	-	26.1	26.8	26.1	26.8
Sewer plant & equipment	-	-	40.4	39.9	40.4	39.9
Totals	<u>\$ 85.0</u>	<u>\$ 90.2</u>	<u>\$ 87.3</u>	<u>\$ 90.9</u>	<u>\$ 172.3</u>	<u>\$ 181.1</u>

Additional information on the City's capital assets can be found in note IV.D on pages 38-41 of this CAFR.

### LONG-TERM OBLIGATIONS

In 2009, the City issued \$15,205,000 in bonds and notes and retired debt of \$15,144,473 resulting in \$86,071,026 in outstanding general obligation and revenue bonds and notes payable at the end of 2009. The per capita general obligation debt ratio was \$1,617 at the end of 2009. Of the general obligation and revenue bonded debt, \$53,844,175 is to be repaid with general property taxes over a period of years.

Under Wisconsin State Statutes, the City's aggregate general obligation indebtedness may not exceed 5% of the equalized assessed value of taxable property located within the City. The net amount of debt that is applicable to the statutory limit is \$59,831,026, which is 68.6% of the maximum allowed of \$87,209,305. The City's general obligation notes and bonds are rated "A+" and the utility revenue bonds are rated "A" by Standard and Poor's. Both of these ratings were affirmed in 2009.

## CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
(UNAUDITED)  
For Year Ended December 31, 2009

### LONG-TERM OBLIGATIONS (cont.)

**Outstanding Long-Term Debt  
as of December 31  
(\$ in millions)**

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
General obligation bonds	\$ 53.0	\$ 53.8	\$ 5.9	\$ 6.0	\$ 58.9	\$ 59.8
Revenue bonds	-	-	27.1	26.2	27.1	26.2
<b>Debt Outstanding</b>	<b><u>\$ 53.0</u></b>	<b><u>\$ 53.8</u></b>	<b><u>\$ 33.0</u></b>	<b><u>\$ 32.2</u></b>	<b><u>\$ 86.0</u></b>	<b><u>\$ 86.0</u></b>

Additional information on the City of Beloit's long-term debt can be found in footnote IV.F on pages 45-52 of this CAFR.

### CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

The City's economy remains largely reliant on manufacturing and industry which are sectors of the economy that have been negatively impacted by the worldwide recession. In late 2008, the General Motors assembly plant in Janesville, Wisconsin, closed leaving a significant void in our local economy that has yet to be filled. This closing has had a profound negative affect on the City and its businesses. The City's unemployment rate in April 2010 was 16.8%, the highest in the State of Wisconsin. The April 2009 unemployment rate for the City was 18.3% which again was the highest in the State of Wisconsin. Although this trend is positive, the local economy and in particular, its manufacturing sector continues to suffer.

There is, however, some reason for optimism because of the City's proximity to the Chicago metropolitan area to the southeast, the City of Madison to the north via Interstates 90/39, and Milwaukee to the northeast via Interstate 43. This location provides the City of Beloit with a unique opportunity to serve the Midwestern United States as a center for industry and manufacturing. This fact is becoming more obvious from the economic development growth and activity being realized in the City's Tax Increment District #10 which is located at the intersection of these highways. Since its inception in 2000, TID #10 has realized an additional tax base value of \$136 million with over 700 jobs. In the summer of 2010 the Gateway Boulevard project will be completed and this will provide direct access to the business park from Interstate 43. We are optimistic that this linkage will further enhance the development potential of TID #10.

In 2009, the City's tax base increased \$25,434,900 or 1.5% to \$1,744,186,100. This trend is not expected to continue in 2010 as property values have continued to decline during this recession and there was very little new development last year to offset market adjustments. A total of nine building permits for new construction were issued in 2009 with an improvements value of \$8,119,000. The improvements value of all building permits issued in 2009 was \$14,323,613 which is down from \$83,618,779 in 2008.



## **CITY OF BELOIT, WISCONSIN**

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
(UNAUDITED)  
For Year Ended December 31, 2009

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### **REQUESTS FOR INFORMATION**

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This CAFR is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions concerning any of the information provided in this CAFR or need additional information, please contact the City of Beloit, Attn: Finance Director, 100 State Street, Beloit, Wisconsin, 53511.

General information relating to the City of Beloit, Wisconsin, is available on the City's website, <http://www.ci.beloit.wi.us>.

**CITY OF BELOIT**

**STATEMENT OF NET ASSETS**

December 31, 2009

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Totals	
<b>ASSETS</b>				
Cash and investments	\$ 30,853,586	\$ 5,032,583	\$ 35,886,169	\$ 2,295,033
Receivables (net of allowance for uncollectibles)				
Taxes	19,136,408	519,980	19,656,388	-
Delinquent personal property taxes	71,702	-	71,702	-
Accounts	1,390,827	4,136,966	5,527,793	65,195
Notes	-	-	-	209,963
Special assessments	1,704,836	-	1,704,836	129,500
Loans	3,422,667	-	3,422,667	-
Accrued interest	135,404	-	135,404	586
Other	202,044	487,189	689,233	-
Due from other governmental units	466,327	1,373,174	1,839,501	14,369
Internal balances - interfunds	13,548	(13,548)	-	-
Internal balances - advances	484,000	(484,000)	-	-
Due from component unit	202,786	-	202,786	-
Inventories	753,618	166,238	919,856	-
Prepaid items	67,846	-	67,846	1,919
Lease receivable from primary government	-	-	-	18,984,935
Restricted Assets				
Temporarily Restricted				
Cash and investments	1,235	6,554,166	6,555,401	2,555,065
Deposit with risk pool	1,575,475	-	1,575,475	-
Accrued interest	-	83,118	83,118	-
Other assets	485,595	214,901	700,496	-
Land held for resale	4,093,456	52,000	4,145,456	-
Capital Assets				
Land	4,878,072	3,574,909	8,452,981	414,539
Construction in progress	-	3,400,621	3,400,621	1,375
Capital assets net of depreciation	<u>85,274,231</u>	<u>83,884,412</u>	<u>169,158,643</u>	<u>2,321,097</u>
Total Assets	<u>155,213,663</u>	<u>108,982,709</u>	<u>264,196,372</u>	<u>26,993,576</u>
<b>LIABILITIES</b>				
Accounts payable	5,003,664	1,747,112	6,750,776	95,867
Accrued liabilities	553,335	228,390	781,725	72,309
Claims payable	2,283,060	-	2,283,060	-
Due to primary government	-	-	-	202,786
Other liabilities	-	8,775	8,775	-
Unearned revenues	19,153,061	519,980	19,673,041	402,526
Deposits	-	-	-	79,472
Noncurrent liabilities				
Due within one year	6,992,724	1,339,915	8,332,639	1,225,000
Due in more than one year	<u>73,963,416</u>	<u>30,725,712</u>	<u>104,689,128</u>	<u>20,599,463</u>
Total Liabilities	<u>107,949,260</u>	<u>34,569,884</u>	<u>142,519,144</u>	<u>22,677,423</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	35,513,141	62,058,630	93,328,072	2,737,011
Restricted for debt service	2,297,699	203,684	2,501,383	-
Restricted for replacement	-	2,696,299	2,696,299	-
Restricted for grant programs	4,763,996	-	4,763,996	1,273,396
Restricted for cemetery perpetual care	1,754,118	-	1,754,118	-
Restricted for park activities	1,092	-	1,092	-
Unrestricted	<u>2,934,357</u>	<u>9,454,212</u>	<u>16,632,268</u>	<u>305,746</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 47,264,403</u>	<u>\$ 74,412,825</u>	<u>\$ 121,677,228</u>	<u>\$ 4,316,153</u>

See accompanying notes to financial statements.

**CITY OF BELOIT**

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities				
General Government				
City Council, Manager, Attorney	\$ 780,235	\$ 15,507	\$ -	\$ -
Finance and Administrative Services	6,927,516	2,870,541	215,537	-
Community Development	3,173,955	143,657	1,522,275	-
Economic Development	278,919	-	41,529	-
Public Safety				
Police Services	13,176,014	1,322,122	266,787	-
Fire Services	8,709,729	40,676	64,872	-
Public works	20,115,663	2,214,592	339,417	1,157,709
Library	2,701,175	195,909	243,338	-
Interest and fiscal charges	3,063,257	-	-	-
<b>Total Governmental Activities</b>	<b>58,926,463</b>	<b>6,803,004</b>	<b>2,693,755</b>	<b>1,157,709</b>
<b>Business-type Activities</b>				
Water	4,799,644	4,690,251	-	990,083
Sewer	7,683,971	6,809,634	-	1,453,047
Golf course	518,871	457,180	-	-
Cemeteries	286,749	145,455	-	-
Ambulance	866,535	798,102	-	-
Storm sewer	909,793	945,903	-	1,201,645
Transit	2,117,208	233,861	1,132,853	1,227,221
<b>Total Business-type Activities</b>	<b>17,182,771</b>	<b>14,080,386</b>	<b>1,132,853</b>	<b>4,871,996</b>
<b>Total Primary Government</b>	<b>\$ 76,109,234</b>	<b>\$ 20,883,390</b>	<b>\$ 3,826,608</b>	<b>\$ 6,029,705</b>
<b>Component Units - Business-type Activities</b>				
Community Development Authority	\$ 5,500,620	\$ 211,079	\$ 3,951,632	\$ -
Business Improvement District	196,302	202,970	-	-
Beloit Public Library Foundation, Inc.	24,245	9,635	2,410	-
<b>Total Component Units</b>	<b>\$ 5,721,167</b>	<b>\$ 423,684</b>	<b>\$ 3,954,042</b>	<b>\$ -</b>

General Revenues  
 Taxes  
   Property taxes, levied for general purposes  
   Property taxes, levied for debt service  
   Property taxes, tax increment  
   Property taxes, levied for other  
   Other taxes  
 Intergovernmental revenues not restricted to specific programs  
 Investment income  
 Gain on sale of property  
 Miscellaneous  
 Transfers  
 Total General Revenues and Transfers

**Change in net assets**

NET ASSETS - Beginning

**NET ASSETS - ENDING**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Units
\$ (764,728)	\$ -	\$ (764,728)	\$ -
(3,841,438)	-	(3,841,438)	-
(1,508,023)	-	(1,508,023)	-
(237,390)	-	(237,390)	-
(11,587,105)	-	(11,587,105)	-
(8,604,181)	-	(8,604,181)	-
(16,403,945)	-	(16,403,945)	-
(2,261,928)	-	(2,261,928)	-
<u>(3,063,257)</u>	-	<u>(3,063,257)</u>	-
<u>(48,271,995)</u>	-	<u>(48,271,995)</u>	-
-	880,690	880,690	-
-	578,710	578,710	-
-	(61,691)	(61,691)	-
-	(141,294)	(141,294)	-
-	(68,433)	(68,433)	-
-	1,237,755	1,237,755	-
-	476,727	476,727	-
-	<u>2,902,464</u>	<u>2,902,464</u>	-
(48,271,995)	2,902,464	(45,369,531)	-
-	-	-	(1,337,909)
-	-	-	6,668
-	-	-	<u>(12,200)</u>
			(1,343,441)
5,654,118	-	5,654,118	-
3,816,130	-	3,816,130	-
5,684,192	-	5,684,192	-
1,808,359	530,980	2,339,339	-
510,674	-	510,674	-
20,679,687	-	20,679,687	-
630,129	457,938	1,088,067	1,251,651
86,179	3,000	89,179	-
1,327,240	15,781	1,343,021	20,666
486,381	<u>(486,381)</u>	-	-
<u>40,683,089</u>	<u>521,318</u>	<u>41,204,407</u>	<u>1,272,317</u>
(7,588,906)	3,423,782	(4,165,124)	(71,124)
<u>54,853,309</u>	<u>70,989,043</u>	<u>125,842,352</u>	<u>4,387,277</u>
<u>\$ 47,264,403</u>	<u>\$ 74,412,825</u>	<u>\$ 121,677,228</u>	<u>\$ 4,316,153</u>

See accompanying notes to financial statements.

## CITY OF BELOIT

### BALANCE SHEET - GOVERNMENTAL FUNDS December 31, 2009

	General	TIF District No. 9	TIF District No. 10	General Debt Service	Capital Improvements	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 7,725,856	\$ 27,717	\$ 4,755,005	\$ 256,029	\$ 2,426,041	\$ 13,165,016	\$ 28,355,664
Receivables							
Taxes	6,152,987	48,520	3,470,523	4,298,477	94,985	5,073,680	19,139,172
Delinquent personal property taxes	68,938	-	-	-	26,395	-	95,333
Accounts (net)	392,021	84,080	-	73,648	102,524	769,764	1,422,037
Special assessments	-	-	-	-	1,704,836	-	1,704,836
Loans	-	-	-	-	-	3,422,667	3,422,667
Accrued interest	45,741	-	-	-	-	89,663	135,404
Other	91,569	-	-	-	-	-	91,569
Due from other governmental units	-	-	-	-	-	466,327	466,327
Due from other funds	1,817,746	-	-	-	-	-	1,817,746
Due from component units	-	-	-	-	-	202,786	202,786
Inventories	753,618	-	-	-	-	-	753,618
Prepaid items	67,846	-	-	-	-	-	67,846
Restricted cash	-	-	-	-	-	1,989	1,989
Advances to other funds	1,034,352	-	-	1,914,291	2,951,069	-	5,899,712
<b>TOTAL ASSETS</b>	<b>\$ 18,150,674</b>	<b>\$ 160,317</b>	<b>\$ 8,225,528</b>	<b>\$ 6,542,445</b>	<b>\$ 7,305,850</b>	<b>\$ 23,191,892</b>	<b>\$ 63,576,706</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	\$ 1,250,948	\$ -	\$ 2,571,026	\$ -	\$ 882,291	\$ 856,408	\$ 5,560,673
Due to other funds	-	-	-	-	-	774,632	774,632
Deferred revenue	6,455,052	132,600	3,470,523	4,298,477	1,826,002	8,750,338	24,932,992
Advances from other funds	-	3,390,540	-	-	-	2,025,172	5,415,712
<b>Total Liabilities</b>	<b>7,706,000</b>	<b>3,523,140</b>	<b>6,041,549</b>	<b>4,298,477</b>	<b>2,708,293</b>	<b>12,406,550</b>	<b>36,684,009</b>
<b>Fund Balances</b>							
Reserved for							
Delinquent personal property taxes	68,938	-	-	-	-	-	68,938
Inventories	753,618	-	-	-	-	-	753,618
Prepaid items	67,846	-	-	-	-	-	67,846
Noncurrent receivables/advances	1,034,352	-	-	1,914,291	2,951,069	-	5,899,712
Debt service	-	-	-	329,677	-	322,052	651,729
Encumbrances	-	-	1,197,300	-	172,041	1,136,146	2,505,487
Unreserved and designated, reported in							
General fund - surplus applied to 2010 budget	529,891	-	-	-	-	-	529,891
Special revenue funds - subsequent year's expenditures	-	-	986,679	-	-	3,686,338	4,673,017
Capital projects funds - subsequent year's expenditures	-	-	-	-	-	7,436,129	7,436,129
Unreserved and undesignated (deficit), reported in							
General fund	7,990,029	-	-	-	-	-	7,990,029
Special revenue funds	-	(3,362,823)	-	-	-	(1,795,323)	(5,158,146)
Capital projects funds	-	-	-	-	1,474,447	-	1,474,447
<b>Total Fund Balances</b>	<b>10,444,674</b>	<b>(3,362,823)</b>	<b>2,183,979</b>	<b>2,243,968</b>	<b>4,597,557</b>	<b>10,785,342</b>	<b>26,892,697</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 18,150,674</b>	<b>\$ 160,317</b>	<b>\$ 8,225,528</b>	<b>\$ 6,542,445</b>	<b>\$ 7,305,850</b>	<b>\$ 23,191,892</b>	
Amounts reported for governmental activities in the statement of net assets are different because:							
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note II.A.							90,128,541
Land held for resale is not reported in the funds							4,093,456
Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements. See Note IV.B.							5,779,931
Internal service funds are reported in the statement of net assets as governmental funds							1,263,920
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II.A.							(80,894,142)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>							<b>\$ 47,264,403</b>

See accompanying notes to financial statements.

## CITY OF BELOIT

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS For the Year Ended December 31, 2009

	General	TIF District No. 9	TIF District No. 10	General Debt Service
<b>REVENUES</b>				
Taxes	\$ 5,694,688	\$ 44,228	\$ 2,388,077	\$ 3,816,130
Intergovernmental	19,568,747	255	13,525	-
Licenses and permits	568,472	-	-	-
Fines, forfeitures and penalties	1,158,628	-	-	-
Fees and service charges	594,817	-	-	-
Rent	30,026	-	-	-
Special assessments	-	-	-	-
Investment income	241,174	2,600	46,440	(52,060)
Public charges for services	-	63,026	-	-
Other	-	-	-	199,326
Total Revenues	<u>27,856,552</u>	<u>110,109</u>	<u>2,448,042</u>	<u>3,963,396</u>
<b>EXPENDITURES</b>				
Current				
General government	3,954,222	500	-	-
Community development	1,149,733	-	-	-
Public safety	17,569,058	-	-	-
Public works	6,312,555	-	-	-
Parks, recreation, and education	-	-	-	-
Capital Outlay	-	-	5,097,918	-
Debt Service				
Principal retirement	10,000	-	666,664	3,068,844
Interest and fiscal charges	-	-	849,461	1,990,753
Total Expenditures	<u>28,995,568</u>	<u>500</u>	<u>6,614,043</u>	<u>5,059,597</u>
Excess (deficiency) of revenues over expenditures	<u>(1,139,016)</u>	<u>109,609</u>	<u>(4,166,001)</u>	<u>(1,096,201)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt issued	-	-	4,824,305	-
Refunding bonds issued	-	-	-	4,063,220
Payments to escrow agent	-	-	-	(1,194,912)
Sale of city property	66,961	-	-	-
Payments on current refunding debt - principal	-	-	-	(3,500,389)
Transfers in	1,183,214	-	-	1,013,892
Transfers out	-	(15,800)	(232,244)	-
Total Other Financing Sources (Uses)	<u>1,250,175</u>	<u>(15,800)</u>	<u>4,592,061</u>	<u>381,811</u>
Net Change in Fund Balances	111,159	93,809	426,060	(714,390)
FUND BALANCES - Beginning	<u>10,333,515</u>	<u>(3,456,632)</u>	<u>1,757,919</u>	<u>2,958,358</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 10,444,674</u>	<u>\$ (3,362,823)</u>	<u>\$ 2,183,979</u>	<u>\$ 2,243,968</u>

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Capital Improvements	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 5,062,937	\$ 17,006,060
703,844	2,710,313	22,996,684
-	1,989	570,461
8,025	-	1,166,653
-	50,099	644,916
-	-	30,026
250,769	-	250,769
26,635	406,761	671,550
-	2,191,854	2,254,880
814,948	2,359,590	3,373,864
<u>1,804,221</u>	<u>12,783,543</u>	<u>48,965,863</u>
-	316,049	4,270,771
-	1,951,544	3,101,277
-	655,947	18,225,005
-	2,314,568	8,627,123
-	1,928,426	1,928,426
9,156,717	6,050,312	20,304,947
-	1,200,899	4,946,407
-	340,865	3,181,079
<u>9,156,717</u>	<u>14,758,610</u>	<u>64,585,035</u>
<u>(7,352,496)</u>	<u>(1,975,067)</u>	<u>(15,619,172)</u>
4,565,180	2,333,260	11,722,745
-	-	4,063,220
-	-	(1,194,912)
-	21,000	87,961
-	(1,380,000)	(4,880,389)
-	1,050,500	3,247,606
<u>(1,050,500)</u>	<u>(1,004,774)</u>	<u>(2,303,318)</u>
<u>3,514,680</u>	<u>1,019,986</u>	<u>10,742,913</u>
(3,837,816)	(955,081)	(4,876,259)
<u>8,435,373</u>	<u>11,740,423</u>	<u>31,768,956</u>
<u>\$ 4,597,557</u>	<u>\$ 10,785,342</u>	<u>\$ 26,892,697</u>

See accompanying notes to financial statements.

## CITY OF BELOIT

### 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, 2009

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Net change in fund balances - total governmental funds	\$ (4,876,259)
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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 assets the cost of these assets is capitalized and they are depreciated over their estimated useful lives with depreciation expense reported 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	20,304,947
Less: Some items are reported as capital outlay but not capitalized	(11,074,307)
Depreciation is reported in the government-wide statements	(2,786,700)
Change in land held for resale	737,508

Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net assets.	(1,273,502)
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Receivables not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	532,067
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Debt and lease issues provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which issues (\$10,942,363 G.O. debt and \$4,843,602 capital leases) were more than payments (\$10,065,298 G.O. debt, \$125,479 other debt, and \$831,815 capital leases).	(4,763,373)
Other post-employment benefit liability	(2,864,092)

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	132,177
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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	33,398
Accrued interest on debt	(14,355)

Internal service funds are used by management to charge the costs of insurance, printing services, engineering and equipment maintenance to other funds. The increase in net assets of the internal service funds is reported in the governmental activities.	<u>(1,676,415)</u>
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<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (7,588,906)</u></b>
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See accompanying notes to financial statements.



**CITY OF BELOIT**

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
December 31, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and investments	\$ 1,618,613	\$ 2,630,275	\$ 783,695	\$ 5,032,583	\$ 2,497,168
Receivables					
Taxes	-	-	519,980	519,980	-
Accounts	878,384	2,789,739	468,843	4,136,966	52,870
Other	73,545	413,644	-	487,189	-
Due from other governmental units	-	-	1,373,174	1,373,174	-
Current portion of advance	-	182,666	-	182,666	-
Inventories	47,643	-	118,595	166,238	-
Restricted Assets					
Construction account	1,211,059	-	-	1,211,059	-
Bond redemption account	323,399	-	-	323,399	-
Replacement account	-	2,696,299	-	2,696,299	-
Accrued interest	83,118	-	-	83,118	-
Total Current Assets	<u>4,235,761</u>	<u>8,712,623</u>	<u>3,264,287</u>	<u>16,212,671</u>	<u>2,550,038</u>
<b>Non-Current Assets</b>					
Restricted Assets					
Bond reserve account	2,145,550	-	-	2,145,550	-
Construction account	-	-	177,859	177,859	-
Deposit with risk pool	-	-	-	-	1,575,475
Total Restricted Assets	<u>2,145,550</u>	<u>-</u>	<u>177,859</u>	<u>2,323,409</u>	<u>1,575,475</u>
Capital Assets					
Land	918,627	1,386,282	1,270,000	3,574,909	-
Construction in progress	98,452	1,677,971	1,624,198	3,400,621	-
Land improvements	-	-	702,418	702,418	-
Buildings	4,059,123	65,304,744	2,698,349	72,062,216	-
Machinery, equipment, and vehicles	1,842,836	1,450,710	4,218,459	7,512,005	67,165
Infrastructure	35,980,756	15,802,328	10,648,653	62,431,737	-
Less: Accumulated depreciation	<u>(10,801,197)</u>	<u>(42,101,811)</u>	<u>(5,920,956)</u>	<u>(58,823,964)</u>	<u>(43,403)</u>
Total Capital Assets, Net	<u>32,098,597</u>	<u>43,520,224</u>	<u>15,241,121</u>	<u>90,859,942</u>	<u>23,762</u>
Other Assets					
Advances to other funds	-	829,022	-	829,022	-
Property held for future use	52,000	-	-	52,000	-
Unamortized debt issuance costs	214,901	-	-	214,901	-
Total Other Assets	<u>266,901</u>	<u>829,022</u>	<u>-</u>	<u>1,095,923</u>	<u>-</u>
Total Non-Current Assets	<u>34,511,048</u>	<u>44,349,246</u>	<u>15,418,980</u>	<u>94,279,274</u>	<u>1,599,237</u>
Total Assets	<u>38,746,809</u>	<u>53,061,869</u>	<u>18,683,267</u>	<u>110,491,945</u>	<u>4,149,275</u>

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable	\$ 129,385	\$ 785,552	\$ 832,175	\$ 1,747,112	\$ 37,929
Claims payable	-	-	-	-	1,817,860
Due to other funds	-	-	321,624	321,624	721,490
Compensated absences	18,236	101,650	20,876	140,762	-
Current maturities of general obligation debt	107,179	61,058	195,916	364,153	-
Current portion of advances	182,666	-	-	182,666	-
Unearned revenue	-	-	519,980	519,980	-
Other current liabilities	-	-	8,775	8,775	-
Current Liabilities Payable From					
Restricted Assets					
Current maturities of revenue debt	835,000	-	-	835,000	-
Accrued interest	202,833	9,568	15,989	228,390	-
Total Current Liabilities	<u>1,475,299</u>	<u>957,828</u>	<u>1,915,335</u>	<u>4,348,462</u>	<u>2,577,279</u>
Noncurrent Liabilities					
General obligation debt, less current maturities	2,282,403	1,301,307	2,038,988	5,622,698	-
Compensated absences	2,184	88,363	121,619	212,166	-
Other post-employment benefits	23,421	103,444	93,683	220,548	-
Revenue debt, less current maturities	25,405,000	-	-	25,405,000	-
Unamortized discount	(247,646)	-	-	(247,646)	-
Unamortized loss on advance refunding	(487,054)	-	-	(487,054)	-
Advances from other funds	829,022	-	484,000	1,313,022	-
Total Noncurrent Liabilities	<u>27,807,330</u>	<u>1,493,114</u>	<u>2,738,290</u>	<u>32,038,734</u>	<u>-</u>
Total Liabilities	<u>29,282,629</u>	<u>2,450,942</u>	<u>4,653,625</u>	<u>36,387,196</u>	<u>2,577,279</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	6,716,695	42,157,859	13,184,076	62,058,630	23,762
Restricted for debt service	203,684	-	-	203,684	-
Restricted for replacement	-	2,696,299	-	2,696,299	-
Unrestricted	<u>2,543,801</u>	<u>5,756,769</u>	<u>845,566</u>	<u>9,146,136</u>	<u>1,548,234</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 9,464,180</u>	<u>\$ 50,610,927</u>	<u>\$ 14,029,642</u>	<u>\$ 74,104,749</u>	<u>\$ 1,571,996</u>
Amounts reported for business-type activities in the statement of net assets are different because:					
Portion of internal service fund net assets reported in the business-type activities as an interfund				<u>308,076</u>	
<b>NET ASSETS OF BUSINESS-TYPE ACTIVITIES</b>				<u>\$ 74,412,825</u>	

See accompanying notes to financial statements.

**CITY OF BELOIT**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND  
NET ASSETS - PROPRIETARY FUNDS  
For the Year Ended December 31, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 4,453,238	\$ 6,422,899	\$ 2,533,854	\$ 13,409,991	\$ 8,966,908
Other	237,013	386,735	46,647	670,395	-
Total Operating Revenues	<u>4,690,251</u>	<u>6,809,634</u>	<u>2,580,501</u>	<u>14,080,386</u>	<u>8,966,908</u>
<b>OPERATING EXPENSES</b>					
Operation and maintenance	1,458,584	4,276,134	3,787,199	9,521,917	9,904,454
Contractual services	810,111	743,658	311,875	1,865,644	505,014
Depreciation	1,152,744	2,383,710	417,377	3,953,831	2,940
Total Operating Expenses	<u>3,421,439</u>	<u>7,403,502</u>	<u>4,516,451</u>	<u>15,341,392</u>	<u>10,412,408</u>
Operating Income (Loss)	<u>1,268,812</u>	<u>(593,868)</u>	<u>(1,935,950)</u>	<u>(1,261,006)</u>	<u>(1,445,500)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Intergovernmental revenues	-	-	1,132,853	1,132,853	-
Investment income	66,065	256,990	134,883	457,938	(470)
Interest expense	(1,187,739)	(117,313)	(83,031)	(1,388,083)	-
Amortization of debt issuance costs and premiums	(155,275)	16,456	-	(138,819)	-
General property taxes	-	-	530,980	530,980	-
Amortization of loss on early retirement of debt	-	(87,015)	-	(87,015)	-
Miscellaneous	-	15,781	-	15,781	-
Gain on sale of property	-	-	3,000	3,000	-
Total Nonoperating Revenues (Expenses)	<u>(1,276,949)</u>	<u>84,899</u>	<u>1,718,685</u>	<u>526,635</u>	<u>(470)</u>
Income (loss) before contributions and transfers	(8,137)	(508,969)	(217,265)	(734,371)	(1,445,970)
Capital contributions	990,083	1,453,047	2,428,866	4,871,996	-
Transfers out	<u>(486,381)</u>	<u>-</u>	<u>-</u>	<u>(486,381)</u>	<u>(457,907)</u>
<b>Change in Net Assets</b>	<b>495,565</b>	<b>944,078</b>	<b>2,211,601</b>	<b>3,651,244</b>	<b>(1,903,877)</b>
TOTAL NET ASSETS - Beginning	<u>8,968,615</u>	<u>49,666,849</u>	<u>11,818,041</u>		<u>3,475,873</u>
<b>TOTAL NET ASSETS - ENDING</b>	<b>\$ 9,464,180</b>	<b>\$ 50,610,927</b>	<b>\$ 14,029,642</b>		<b>\$ 1,571,996</b>

Amounts reported for business-type activities in the Statement of Activities are different because:

Portion of internal service funds change in net assets reported in business-type activities (227,462)

**CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES** \$ 3,423,782

**CITY OF BELOIT**

STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUNDS  
 For the Year Ended December 31, 2009

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Non-Major Enterprise Funds		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Received from customers	\$ 4,684,044	\$ 6,829,968	\$ 2,560,549	\$ 14,074,561	\$ 8,987,761
Paid to suppliers for goods and services	(1,657,074)	(3,425,189)	(1,881,359)	(6,963,622)	(9,408,010)
Payments to employees for services	(624,108)	(1,578,228)	(2,136,500)	(4,338,836)	(523,180)
Net Cash Flows from Operating Activities	<u>2,402,862</u>	<u>1,826,551</u>	<u>(1,457,310)</u>	<u>2,772,103</u>	<u>(943,429)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating grants received	-	-	1,036,475	1,036,475	-
Transfers out	(486,381)	-	-	(486,381)	(457,907)
Property taxes received	-	-	530,980	530,980	-
Advances to other funds	-	173,774	-	173,774	-
Non-capital advance (and repayment)	-	-	264,573	264,573	-
Net Cash Flows from Noncapital Financing Activities	<u>(486,381)</u>	<u>173,774</u>	<u>1,832,028</u>	<u>1,519,421</u>	<u>(457,907)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Debt retired	(747,249)	(4,133,131)	(198,795)	(5,079,175)	-
Interest paid	(1,157,004)	(149,193)	(77,539)	(1,383,736)	-
Proceeds from issuance of new debt	3,974,000	73,000	215,637	4,262,637	-
Debt issuance costs	(92,626)	(1,000)	(2,000)	(95,626)	-
Repayment of capital advance	(173,775)	-	-	(173,775)	-
Acquisition and construction of capital assets	(787,274)	(1,048,736)	(655,543)	(2,491,553)	-
Construction grants received	-	-	56,698	56,698	-
Contributions received for construction	7,734	-	-	7,734	-
Salvage on retirement of plant	-	-	3,000	3,000	-
Cost of removal of property retired	(61,175)	-	-	(61,175)	-
Net Cash Flows from Capital and Related Financing Activities	<u>962,631</u>	<u>(5,259,060)</u>	<u>(658,542)</u>	<u>(4,954,971)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Marketable securities purchased	(1,870,550)	-	-	(1,870,550)	-
Marketable securities sold	-	1,158,000	-	1,158,000	-
Investment income	160,882	265,002	134,883	560,767	(470)
Net Cash Flows from Investing Activities	<u>(1,709,668)</u>	<u>1,423,002</u>	<u>134,883</u>	<u>(151,783)</u>	<u>(470)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,169,444	(1,835,733)	(148,941)	(815,230)	(1,401,806)
CASH AND CASH EQUIVALENTS - Beginning	<u>2,425,049</u>	<u>7,162,307</u>	<u>1,110,495</u>	<u>10,697,851</u>	<u>3,898,974</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 3,594,493</u>	<u>\$ 5,326,574</u>	<u>\$ 961,554</u>	<u>\$ 9,882,621</u>	<u>\$ 2,497,168</u>

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Non-Major Enterprise Funds		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Operating income (Loss)	\$ 1,268,812	\$ (593,868)	\$ (1,935,950)	\$ (1,261,006)	\$ (1,445,500)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities					
Nonoperating income	-	15,781	-	15,781	-
Depreciation charged to other funds	20,248	-	-	20,248	-
Depreciation expense	1,152,744	2,383,710	417,377	3,953,831	2,940
Changes in Assets and Liabilities					
Accounts receivable	(27,762)	29,639	(22,122)	(20,245)	19,073
Other accounts receivable	1,307	-	-	1,307	-
Inventories	(1,048)	-	(8,331)	(9,379)	-
Prepayments	-	-	565	565	-
Accounts payable	(24,822)	(1,765)	54,839	28,252	14,406
Due to/from other funds	-	(37,389)	-	(37,389)	-
Accrued compensated absences	(3,772)	-	-	(3,772)	-
Other post-employment benefits	11,870	52,421	47,474	111,765	-
Payable to other funds	(1,413)	-	56,392	54,979	721,490
Due from other governments	-	12,303	1,604	13,907	1,780
Compensated Absence	6,698	(31,602)	(33,578)	(58,482)	-
Other current liabilities	-	(2,679)	(35,581)	(38,260)	-
Claims payable	-	-	-	-	(257,618)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 2,402,862</b>	<b>\$ 1,826,551</b>	<b>\$ (1,457,310)</b>	<b>\$ 2,772,103</b>	<b>\$ (943,429)</b>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

Cash and investments - statement of net assets	\$ 1,618,613	\$ 2,630,275	\$ 783,695	\$ 5,032,583	\$ 2,497,168
Restricted cash and investments - statement of net assets:					
Bond redemption account	323,399	-	-	323,399	-
Replacement account	-	2,696,299	-	2,696,299	-
Construction account	1,211,059	-	177,859	1,388,918	-
Bond reserve account	2,145,550	-	-	2,145,550	-
Less: Non-cash equivalents	(1,704,128)	-	-	(1,704,128)	-
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 3,594,493</b>	<b>\$ 5,326,574</b>	<b>\$ 961,554</b>	<b>\$ 9,882,621</b>	<b>\$ 2,497,168</b>

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES**

During 2009, \$966,389 of water capital assets were contributed by the City.  
During 2009, the water fund had a \$166,422 loss on market valuation of investments.  
During 2009, \$1,453,047 of sewer capital assets were contributed by the City.  
During 2009, \$1,201,645 of storm capital assets were contributed by the City.  
During 2009, \$1,227,221 of transit capital grants were accrued.

**CITY OF BELOIT**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
December 31, 2009

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	Agency Fund
	<u>Tax Collection Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 12,188,936
Property taxes receivable	<u>11,061,531</u>
<b>TOTAL ASSETS</b>	<u>\$ 23,250,467</u>
<b>LIABILITIES</b>	
Due to other taxing units	<u>\$ 23,250,467</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 23,250,467</u>

See accompanying notes to financial statements.

**CITY OF BELOIT**

STATEMENT OF NET ASSETS - COMPONENT UNITS  
December 31, 2009

	Major Community Development Authority	Non-Major	Totals
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 1,564,868	\$ 730,165	\$ 2,295,033
Receivables			
Accounts	65,195	-	65,195
Special assessments	-	129,500	129,500
Accrued interest	-	586	586
Lease receivable from primary government	1,175,000	-	1,175,000
Due from Beloit Apartments Redevelopment - Phase I - LLC	209,963	-	209,963
Due from other governmental units	14,369	-	14,369
Prepaid items	1,919	-	1,919
Total Current Assets	<u>3,031,314</u>	<u>860,251</u>	<u>3,891,565</u>
Non-Current Assets			
Restricted Assets			
Cash and investments	<u>2,555,065</u>	<u>-</u>	<u>2,555,065</u>
Capital Assets			
Land	414,539	-	414,539
Construction in progress	1,375	-	1,375
Buildings	3,705,795	-	3,705,795
Machinery, equipment, and vehicles	4,639,630	-	4,639,630
Less: Accumulated depreciation	<u>(6,024,328)</u>	<u>-</u>	<u>(6,024,328)</u>
Total Capital Assets, Net	<u>2,737,011</u>	<u>-</u>	<u>2,737,011</u>
Other Assets			
Lease receivable from primary government	<u>17,809,935</u>	<u>-</u>	<u>17,809,935</u>
Total Non-Current Assets	<u>23,102,011</u>	<u>-</u>	<u>23,102,011</u>
Total Assets	<u>26,133,325</u>	<u>860,251</u>	<u>26,993,576</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	23,091	72,776	95,867
Accrued liabilities	72,309	-	72,309
Due to primary government	106,003	96,783	202,786
Unearned revenues	273,026	129,500	402,526
Deposits	79,472	-	79,472
Lease revenue bonds payable	1,175,000	-	1,175,000
Library campaign pledge	-	50,000	50,000
Total Current Liabilities	<u>1,728,901</u>	<u>349,059</u>	<u>2,077,960</u>
Noncurrent Liabilities			
Compensated absences	34,463	-	34,463
Lease revenue bonds payable	20,365,000	-	20,365,000
Library campaign pledge	-	200,000	200,000
Total Noncurrent Liabilities	<u>20,399,463</u>	<u>200,000</u>	<u>20,599,463</u>
Total Liabilities	<u>22,128,364</u>	<u>549,059</u>	<u>22,677,423</u>
<b>NET ASSETS</b>			
Invested in capital assets	2,737,011	-	2,737,011
Restricted for grant programs	1,267,950	5,446	1,273,396
Unrestricted	-	305,746	305,746
<b>TOTAL NET ASSETS</b>	<u>\$ 4,004,961</u>	<u>\$ 311,192</u>	<u>\$ 4,316,153</u>

See accompanying notes to financial statements.

## CITY OF BELOIT

### STATEMENT OF ACTIVITIES - COMPONENT UNITS Year Ended December 31, 2009

	<u>Major</u> Community Development Authority	Non-major	Totals
<b>EXPENSES</b>			
Community development	\$ 5,500,620	\$ -	\$ 5,500,620
Economic development	-	196,302	196,302
Library services	-	24,245	24,245
Total Expenses	<u>5,500,620</u>	<u>220,547</u>	<u>5,721,167</u>
<b>PROGRAM REVENUES</b>			
Charges for services	211,079	212,605	423,684
Operating grants and contributions	<u>3,951,632</u>	<u>2,410</u>	<u>3,954,042</u>
Total Program Revenues	<u>4,162,711</u>	<u>215,015</u>	<u>4,377,726</u>
Net Revenue (Expense)	<u>(1,337,909)</u>	<u>(5,532)</u>	<u>(1,343,441)</u>
<b>GENERAL REVENUES</b>			
Investment income	1,149,672	101,979	1,251,651
Miscellaneous	<u>20,666</u>	<u>-</u>	<u>20,666</u>
Total General Revenues	<u>1,170,338</u>	<u>101,979</u>	<u>1,272,317</u>
<b>Change in Net Assets</b>	(167,571)	96,447	(71,124)
TOTAL NET ASSETS - Beginning	<u>4,172,532</u>	<u>214,745</u>	<u>4,387,277</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 4,004,961</u>	<u>\$ 311,192</u>	<u>\$ 4,316,153</u>

See accompanying notes to financial statements



# CITY OF BELOIT

## INDEX TO NOTES TO FINANCIAL STATEMENTS December 31, 2009

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# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies of the City of Beloit, Wisconsin conform to generally accepted accounting principles 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 of Beloit. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity 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 is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the primary government.

Included within the reporting entity:

#### ***City of Beloit Community Development Authority***

The government-wide financial statements include the City of Beloit Community Development Authority ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the city council. Wisconsin Statutes provide for circumstances whereby the City can impose their will on the CDA, and also create a potential financial benefit to or burden on the City (see Note IV.1.). As a component unit, the CDA's financial statements are shown as a discrete column (proprietary) in the financial statements. The information presented is for the fiscal year ended December 31, 2009. Additional information may be obtained from the CDA's office.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **A. REPORTING ENTITY (cont.)**

##### ***City of Beloit Business Improvement District (the “district”)***

The district was created under the provisions of Wisconsin Statute Section 66.608. The district, created in 1989, is a legally separate entity with a separate thirteen member board appointed and approved by the city council. Wisconsin Statutes provide circumstances whereby the City can impose its will on the district, and also create a potential financial benefit to or burden on the City. The members serve staggered terms as designated by the city council. A majority of the members own or occupy real property in the district. The district has its own budgetary authority and assessment capabilities (see Note IV.I.). As a component unit, the district's financial statements are shown as a discrete column (proprietary) in the financial statements. The information presented is for the fiscal year ended December 31, 2009. Separately issued financial statements of the district may be obtained from the City of Beloit Business Improvement District.

##### ***Beloit Public Library Foundation, Inc. (the “Foundation”)***

The government-wide financial statements include the Beloit Public Library Foundation, Inc. as a component unit. The Foundation is a legally separate organization. The purpose of the Foundation is to provide support to the City of Beloit library. As a component unit, the Foundation'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, 2009 (see Note IV.I.). Separately issued financial statements of the Foundation may be obtained from the Foundation's office.

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

##### ***Government-Wide Financial Statements***

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

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

##### ***Government-Wide Financial Statements (cont.)***

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

##### ***Fund Financial Statements***

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

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

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

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10% 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.

The City reports the following major governmental funds:

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

TIF District No. 9 – Special Revenue Fund – accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing.

TIF District No. 10 – Special Revenue Fund – accounts for resources legally restricted to supporting expenditures of the district.

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

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

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

##### ***Fund Financial Statements*** (cont.)

The City reports the following major enterprise funds:

Water Utility – accounts for operations of the water system  
Sewer Utility – accounts for operations of the sewer system

The City reports the following non-major governmental and enterprise funds:

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

Rental Rehab (WRRP/HOME)	Fire Multi-Year Grants
Community Development Block Grant	DPW Multi-Year Grants
TIF District No. 3	Community Development
TIF District No. 5	Library
TIF District No. 6	Police
TIF District No. 8	Solid Waste
TIF District No. 11	Perpetual Care
TIF District No. 12	Neighborhood Development Initiative
TIF District No. 13	Fire
TIF District No. 14	

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.

Equipment Replacement  
Computer Replacement

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

Golf Course  
Cemeteries  
Ambulance  
Storm Sewer  
Transit System

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

##### ***Fund Financial Statements*** (cont.)

In addition, the City reports the following fund types:

Internal service funds are used to account for 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.

- Equipment Operations
- General Liability Insurance
- Health Insurance
- Retiree Health Insurance

Agency funds are used to account for assets held by the City in a trustee capacity for other governmental units for tax collections.

- Tax Collections

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

##### ***Government-Wide Financial Statements***

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

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

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

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### 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 revenues. 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 deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

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

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

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

Proprietary 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.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

##### ***Fund Financial Statements*** (cont.)

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds 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.

##### ***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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### **D. ASSETS, LIABILITIES, AND NET ASSETS 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 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, or by the University of Wisconsin Hospitals and Clinics 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.



# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**

##### **1. Deposits and Investments (cont.)**

Additional restrictions may arise from local charters, ordinances, resolutions and grant resolutions.

Investment of most trust funds including the cemetery perpetual care fund, is regulated by Chapter 881 of the Wisconsin Statutes. This section gives 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 follows the state statute for allowable investments. The policy includes custodial credit risk, credit risk, and concentration of credit risk.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank 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, 2009, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

The CLASS investment (Cooperative Liquid Assets Securities System) is an investment pool established by an intergovernmental agreement dated March 1, 1996. CLASS is available for investment by Wisconsin governmental entities except school districts. CLASS is a 2a 7 – like pool, and invests only in investments legally permissible under Wisconsin law, with a weighted average maturity not exceeding 120 days. The value of pool shares is the same as the fair value position in the pool.

See Note IV.A. for further information.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**

##### **2. Receivables**

###### *Property Taxes*

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

Property tax calendar – 2009 tax roll:

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

###### *Uncollectible Accounts*

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 water and 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.

###### *Interfund Loans*

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

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

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**

##### **2. Receivables (cont.)**

###### *Loans*

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as economic development and housing rehabilitation loans receivable has been reduced by an allowance for uncollectible accounts of \$79,574.

It is the City's policy to record deferred 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 designated fund balance in the fund financial statements.

##### **3. Inventories and Prepaid Items**

Governmental fund inventory, if material, are recorded at cost based on an average cost method using the consumption method of accounting. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction 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 assets.

##### **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 \$10,000 for general capital assets and infrastructure, and an estimated useful life in excess of one 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.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY** (cont.)

##### **5. Capital Assets** (cont.)

###### **Government-Wide Statements** (cont.)

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No 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 of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land Improvements	25 Years
Buildings	5-53 Years
Machinery, Equipment and Vehicles	4-45 Years
Sewer Mains	100 Years
Sewer Treatment Facility	30 Years
Water Mains	77 Years
Infrastructure	20-100 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.

##### **6. Other Assets**

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

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)***

##### ***7. Compensated Absences***

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

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

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

##### ***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, significant bond premiums and discounts are deferred and amortized over the life of the issue using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the statement of net assets.

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 \$478,730, made up of one issue.

##### ***9. Claims and Judgments***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. The liability for claims and judgments is only reported in governmental fund types if it has matured. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**

##### **10. Equity Classifications**

###### **Government-Wide Statements**

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

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

The net asset section includes an adjustment for capital assets owned by the business-type activities column, but financed by debt of the governmental activities column.

The amount is a reduction of “invested in capital assets, net of related debt,” and an increase in “unrestricted” net assets, shown only in the total column of \$4,243,699.

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 equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

##### **11. Basis for Existing Rates**

###### *Water Utility*

The water utility was authorized current rates by the Public Service Commission (PSC) effective April 30, 2008 and is allowed to earn a 5.4% rate of return.

###### *Sewer Utility*

Current sewer rates were approved by the council and effective on November 1, 2003.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS**

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

Land	\$	4,878,072
Construction in progress		-
Land improvements		67,854
Buildings and improvements		20,936,285
Machinery and equipment		18,994,872
Other improvements		5,335,614
Infrastructure		67,954,685
Less: Accumulated depreciation		(28,015,079)
Less: Internal service fund capital assets, net of depreciation		<u>(23,762)</u>
 Capital Assets	 \$	 <u>90,128,541</u>

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “some liabilities, including long-term debt, are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net assets.” The details of this \$80,894,142 difference in liabilities are as follows:

Bonds and notes payable	\$	53,844,175
Unamortized debt premium/discount/cost of issuance/loss on advance refunding		(811,270)
Compensated absences		2,029,101
Other post-employment benefit liabilities		5,616,707
Other debt		110,000
Capital leases		19,681,831
Accrued interest		<u>423,598*</u>
 Net Adjustment to Reduce Fund Balance – Total Governmental Funds to Arrive at Net Assets – Governmental Activities	   \$	   <u>80,894,142</u>

\* This amount is included in other accrued liabilities on the Statement of Net Assets.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### **NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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#### **A. 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.

Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds. Budgetary comparisons are not required for proprietary funds. A budget has been adopted for all funds with the exception of the following special revenue funds: Rental rehab (WRRP/HOME), TIF District No. 14, and perpetual care.

All City departments are required to submit their annual budget requests for the ensuing year to the city manager by August 25. The Department of Finance, acting as staff for the city manager, reviews the requests in detail with the departments during August, September, and October. After all of the requests have been reviewed, the city manager submits the proposed budget to the city council. The City's ordinances require that this be done on or before October 15.

All adopted budgets for the governmental funds are prepared in accordance with the modified accrual basis of accounting. All adopted budgets for proprietary funds are prepared in accordance with the accrual basis of accounting, except for the treatment of depreciation and capital outlays. For budget purposes, capital outlays are included as expenditures whereas for accounting purposes, depreciation is included as an expense.

The legal level of control for each budget is by department, as defined. Once the budget is adopted, transfers of appropriations among departments require approval by the city council and are permitted at any time during the year. Supplemental appropriations for the purpose of public emergencies may be made from unanticipated revenues received or surplus, as defined, by resolution adopted by a vote by the city council.

Every appropriation lapses at December 31, to the extent that it has not been expended, encumbered or administratively carried over to the next year. Operating account appropriations which are administratively carried forward are reviewed and approved by the city council. An appropriation for a capital expenditure or a major repair continues in force until the purpose for which it was made has been accomplished or abandoned. There were no carryovers to 2010. Budgets are adopted at the department level of expenditure.

The budgeted amounts presented include any amendments made. The city manager may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action.



**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

**NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)**

**B. EXCESS EXPENDITURES OVER APPROPRIATIONS**

The following individual funds had an excess of expenditures over appropriations at the legal level of budgeting control for the year ended December 31, 2009:

	<u>Excess</u>
<b>Debt Service</b>	
General Debt Service (major fund)	\$ 577,322
<b>Special Revenue</b>	
TIF District No. 3	310,750
Fire Multi-Year Grants	7,969
DPW Multi-Year Grants	849
Police	21,193
Fire	7,698
Neighborhood Development Initiative	82,245
<b>Capital Projects</b>	
Equipment Replacement	122,139
Computer Replacement	11,806

**C. DEFICIT BALANCES**

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

As of December 31, 2009, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
Special Revenue – TIF District No. 3	\$ 254	Excess expenditures over revenues
Special Revenue – TIF District No. 6	630,716	Excess expenditures over revenues
Special Revenue – TIF District No. 8	795,595	Excess expenditures over revenues
Special Revenue – TIF District No. 9	3,362,823	Excess expenditures over revenues
Special Revenue – TIF District No. 12	202,334	Excess expenditures over revenues
Community Development	96,114	Excess expenditures over revenues

Tax incremental 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 through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27) and may be extended in some cases. Other fund deficits are anticipated to be funded with future contributions, general tax revenues, or long-term borrowing.

**D. LIMITATIONS ON THE CITY'S TAX LEVY**

As part of Wisconsin's Act 28 (2009), legislation was passed that 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 3% for the 2009 levy collected in 2010 and 3% for the 2010 levy collected in 2011. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit is set to expire after the 2010 levy.

## CITY OF BELOIT

### NOTES TO FINANCIAL STATEMENTS December 31, 2009

#### **NOTE IV – DETAILED NOTES ON ALL FUNDS**

##### **A. DEPOSITS AND INVESTMENTS**

The City's cash and investments at year end were comprised of the following:

	Carrying Value	Statement Balance	Associated Risks
Money market (mutual funds)	\$ 335,977	\$ 335,977	Credit risk, interest rate risk
Demand deposits	14,741,108	9,358,813	Custodial credit risk
U.S. agencies – implicitly guaranteed	19,014,260	19,012,820	Custodial credit risk, interest rate risk, credit risk, concentration of credit risk
U.S. treasuries	1,704,127	1,704,127	Custodial credit risk, interest rate risk
Corporate bonds	1,721,366	1,721,366	Credit risk, custodial credit risk, concentration of credit risk, interest rate risk
LGIP	10,074,735	10,074,735	Credit risk, interest rate risk
CLASS	7,030,250	7,030,250	Credit risk, interest rate risk
Petty cash	8,683	-	N/A
<b>Total Cash and Investments</b>	<b>\$ 54,630,506</b>	<b>\$ 49,238,088</b>	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 35,886,169		
Restricted cash and investments	6,555,401		
Per statement of net assets –			
Fiduciary Funds			
Agency	12,188,936		
<b>Total Cash and Investments</b>	<b>\$ 54,630,506</b>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited coverage for noninterest bearing accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### **A. DEPOSITS AND INVESTMENTS (cont.)**

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government).

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. Additionally, through Lloyds of London, City accounts have additional securities coverage of \$150 million per customer, subject to a \$600 million aggregate firm limit. \$500,000 of the City's investments are covered by SIPC.

The City maintains collateral agreements with its banks. At December 31, 2009, the banks had pledged various government securities in the amount of \$9,793,634 to secure the City's deposits.

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

For a deposit, 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.

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.

As of December 31, 2009, the City had no bank balances exposed to custodial credit risk.

As of the December 31, 2009, the City had no investments exposed to custodial credit risk.

The City's investment policy states that securities will be held by a custodian designated by the Director of Finance and evidenced by safekeeping receipts. The policy does not address the risk for deposits.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### A. DEPOSITS AND INVESTMENTS (cont.)

##### **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, 2009, the City's investments were rated as follows:

Investment Type	Standard & Poor's	Fitch Ratings	Moody's Investor Service
U.S. agencies	AAA	AAA	AAA
Money markets (mutual funds)	AAA	AAA	AAA
CLASS	N/A	AAA	N/A

The City also had investments in the following external pool which is not rated:

LGIP

The City's investment policy states the City shall invest in those securities having a rating which is the highest or second highest rating category assigned by S&P Corp, Moody's investors service or similar nationally recognized rating agency.

##### **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.

At December 31, 2009, the investment portfolio was concentrated as follows:

##### **Concentration of Credit Risk by Issuer and Dealer:**

Issuer	Fair Value	Percentage of Portfolio
Federal Home Loan Bank (FHLB)	\$ 13,800,303	35%
Federal Home Loan Mortgage Co. (FHLMC)	2,350,686	6
Total Concentrated Investments	<u>\$ 16,150,989</u>	<u>41%</u>

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### A. DEPOSITS AND INVESTMENTS (cont.)

##### Concentration of Credit Risk (cont.)

##### Concentration of Credit Risk (by Dealer):

Dealer	Fair Value	Percentage of Portfolio
Multi-Bank Securities, Inc.	\$ 5,030,660	13 %
Morgan Stanley Smith Barney	6,296,598	16
Vining Sparks	7,357,683	18
Coastal Securities	3,754,813	9
<b>Total Concentrated Investments</b>	<b>\$ 22,439,754</b>	<b>56%</b>

According to the City's investment policy, the City will diversify its investments by security type and institution. No more than 40% of the City of Beloit's total investment portfolio will be invested in a single security type or with a single financial institution. The portfolio is currently not in compliance with the City's investment policy.

##### Interest Rate Risk

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

As of December 31, 2009, the City's investments were as follows:

Investment Type	Fair Value	Percentage of Portfolio	Maturity			
			Less than 1 Yr.	1 to 5 Yrs.	6 to 10 Yrs.	More Than 10
Federal Agency Coupon Securities	\$ 17,911,275	45%	\$ 2,003,950	\$ 8,279,743	\$ 2,532,510	\$ 5,095,072
Federal Treasury Disc.- At Cost	1,704,128	4	-	-	-	1,704,128
Pass-Through Securities (MBS)	1,102,984	3	548,191	554,793	-	-
Corporate bonds	1,721,366	4	-	1,721,366	-	-
LGIP (1)	10,074,735	25	10,074,735	-	-	-
CLASS	7,030,250	18	7,030,250	-	-	-
Money Market Funds (Federated)	335,977	1	335,977	-	-	-
<b>Totals</b>	<b>\$ 39,880,715</b>		<b>\$ 19,993,103</b>	<b>\$ 10,555,902</b>	<b>\$ 2,532,510</b>	<b>\$ 6,799,200</b>

The City's investment policy does not specifically mention interest rate risk.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### **B. RECEIVABLES**

Accounts receivables not expected to be collected within one year as follows:

General Fund – delinquent personal property taxes	\$ 68,938
Capital Projects – capital improvement – special assessments	1,704,836
Nonmajor Governmental Funds – loans	<u>3,429,367</u>
Governmental Activities – Total Amount Not Expected to be Collected Within One Year	<u>\$ 5,203,141</u>

Revenues of the City are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

	Total	Current Period
Governmental Fund Types – municipal court receivable	\$ 524,574	\$ (524,574)
Governmental Fund Types – economic development loans	79,574	-
Business Type – ambulance receivables	<u>510,035</u>	<u>(365,361)</u>
Total Uncollectibles	<u>\$ 1,114,183</u>	<u>\$ (889,935)</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes 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 *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned	Totals
Property taxes receivable for subsequent year	\$ -	\$ 19,107,487	\$ 19,107,487
Loans receivable	3,503,644	-	3,503,644
Accounts receivable – noncurrent	496,961	-	496,961
Investment income – noncurrent	48,309	-	48,309
Special assessments	1,731,017	-	1,731,017
Government grants	<u>-</u>	<u>45,574</u>	<u>45,574</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 5,779,931</u>	<u>\$ 19,153,061</u>	<u>\$ 24,932,992</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.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### C. RESTRICTED ASSETS (cont.)

##### **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.

Following is a list of restricted assets at December 31, 2009:

	Water	Sewer	Transit
Bond redemption account	\$ 323,399	\$ -	\$ 177,859
Equipment replacement account	1,211,059	2,696,299	-
Bond reserve account	2,145,550	-	-
Total Enterprise Fund Restricted Assets	\$ 3,680,008	\$ 2,696,299	\$ 177,859

##### **Impact Fee Account**

The City has received impact fees of \$1,235 which must be spent in accordance with local ordinance and state statutes. Any unspent funds must be refunded to the current property owner.

#### D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 4,392,964	\$ 485,108	\$ -	\$ 4,878,072
Construction in progress	5,486,595	-	5,486,595	-
Total Capital Assets Not Being Depreciated	9,879,559	485,108	5,486,595	4,878,072
Capital assets being depreciated				
Land improvements	101,854	-	34,000	67,854
Buildings	15,165,406	7,071,570	1,300,691	20,936,285
Machinery, equipment, and vehicles	18,333,052	2,087,875	1,426,055	18,994,872
Other improvements	5,316,246	70,000	50,632	5,335,614
Streets	51,662,701	4,419,211	682,124	55,399,788
Street lights	3,858,875	583,472	-	4,442,347
Traffic signals	2,562,159	-	-	2,562,159
Bridges	5,550,391	-	-	5,550,391
Total Capital Assets Being Depreciated	102,550,684	14,232,128	3,493,502	113,289,310

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### D. CAPITAL ASSETS (cont.)

<b>Governmental Activities (cont.)</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Less: Accumulated depreciation for				
Land improvements	\$ (73,333)	\$ (3,691)	\$ 25,117	\$ (51,907)
Buildings	(4,694,299)	(234,577)	865,605	(4,063,271)
Machinery, equipment, and vehicles	(9,072,760)	(1,370,041)	1,065,222	(9,377,579)
Other improvements	(1,774,588)	(274,967)	16,886	(2,032,669)
Streets	(8,638,485)	(647,755)	247,170	(9,039,070)
Street lights	(573,450)	(79,467)	-	(652,917)
Traffic signals	(1,229,054)	(93,893)	-	(1,322,947)
Bridges	(1,389,470)	(85,249)	-	(1,474,719)
Total Accumulated Depreciation	<u>(27,445,439)</u>	<u>(2,789,640)</u>	<u>2,220,000</u>	<u>(28,015,079)</u>
Net Capital Assets Being Depreciated	<u>75,105,245</u>	<u>11,442,488</u>	<u>1,273,502</u>	<u>85,274,231</u>
Total Governmental Activities – Capital Assets, Net of Depreciation	<u>\$ 84,984,804</u>			<u>\$ 90,152,303</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
Finance and administrative services	\$ 169,666
Finance and administrative services (internal service)	2,940
Community development	4,601
Public safety – police	202,968
Public safety – fire	231,448
Public works, which includes the depreciation of infrastructure	2,073,971
Library	<u>104,046</u>
Total Governmental Activities Depreciation Expense	<u>\$ 2,789,640</u>



# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### D. CAPITAL ASSETS (cont.)

<b>Business-type Activities</b>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 3,574,909	\$ -	\$ -	\$ 3,574,909
Construction in progress	<u>633,033</u>	<u>2,767,588</u>	<u>-</u>	<u>3,400,621</u>
Total Capital Assets Not Being Depreciated	<u>4,207,942</u>	<u>2,767,588</u>	<u>-</u>	<u>6,975,530</u>
Other capital assets				
Land improvements	702,418	-	-	702,418
Buildings	6,759,728	-	-	6,759,728
Machinery, equipment, and Vehicles	7,442,923	82,776	13,694	7,512,005
Sewer mains	14,242,051	1,563,877	3,600	15,802,328
Sewer treatment facility	65,108,278	213,651	19,441	65,302,488
Water mains	34,402,907	1,620,338	42,488	35,980,757
Storm infrastructure	<u>9,453,643</u>	<u>1,201,673</u>	<u>6,664</u>	<u>10,648,652</u>
Total Capital Assets Being Depreciated	<u>138,111,948</u>	<u>4,682,315</u>	<u>85,887</u>	<u>142,708,376</u>
Less: Accumulated depreciation for				
Land improvements	(554,603)	(22,862)	-	(577,465)
Buildings	(1,533,167)	(180,821)	-	(1,713,988)
Machinery, equipment, and vehicles	(3,667,053)	(399,247)	(13,694)	(4,052,606)
Sewer mains	(3,493,846)	(144,614)	(3,600)	(3,634,860)
Sewer treatment facility	(35,442,442)	(2,177,767)	(19,441)	(37,600,768)
Water mains	(8,313,220)	(936,294)	(103,659)	(9,145,855)
Storm infrastructure	<u>(1,992,593)</u>	<u>(105,829)</u>	<u>-</u>	<u>(2,098,422)</u>
Total Accumulated Depreciation	<u>(54,996,924)</u>	<u>(3,967,434)</u>	<u>(140,394)</u>	<u>(58,823,964)</u>
Business-type Capital Assets, Net of Depreciation	<u>83,115,024</u>	<u>714,881</u>	<u>(54,507)</u>	<u>83,884,412</u>
Total Business-type Capital Assets, Net of Depreciation	<u>\$ 87,322,966</u>			<u>\$ 90,859,942</u>

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### **D. CAPITAL ASSETS (cont.)**

Depreciation expense was charged to functions as follows:

#### **Business-type Activities**

Water	\$ 1,152,744
Sewer	2,383,710
Storm	112,469
Transit	273,759
Golf Course	28,127
Cemetery	<u>3,022</u>
Total Business-type Activities	
Depreciation Expense	<u>\$ 3,953,831</u>

Depreciation expense is different from additions because of joint metering, salvage cost of removal, internal allocations, and cost associated with the disposal of assets. Reductions in accumulated depreciation may exceed deletions of capital assets due to the 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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Internal Service – Retiree health insurance	\$ 721,490
General	Enterprise – Golf	57,051
General	Enterprise – Transit	264,573
General	Special Revenue – TIF District No. 3	254
General	Special Revenue – TIF District No. 8	245,595
General	Special Revenue – Community development	292,968
General	Special Revenue – Solid waste	234,467
General	Special Revenue – Fire	<u>1,348</u>
	Sub-total – Fund financial statements	1,817,746
	Less: Allocation of internal service funds	(308,076)
	Less: Fund eliminations	<u>(1,496,122)</u>
	Total – Government-Wide Statement of Net Assets	<u>\$ 13,548</u>

All amounts are due within one year.

The principal purpose of these interfund transactions is for deficit cash balances at year end. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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

##### *Interfund Receivables/Payables (cont.)*

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

##### **Advances**

The general fund, general debt service fund, and the capital improvement program funds are advancing funds to various tax incremental districts. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. The general fund is also advancing funds to the Golf Course and Cemetery. The sewer utility is also advancing funds to the water utility. A repayment schedule has been included for the sewer utility's advance to the water utility. No other repayment schedules have been established for these advances.

The sewer utility is charging 5% on its advance to the water utility.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Totals	Amount Not Due in One Year
General	Special Revenue – TIF District No. 12	\$ 250,000	\$ 250,000
General	Special Revenue – TIF District No. 6	300,352	300,352
General	Enterprise – Golf course fund	484,000	484,000
General debt service	Special Revenue – TIF District No. 6	367,626	367,626
General debt service	Special revenue – TIF District No. 8	550,000	550,000
General debt service	Special Revenue – TIF District No. 9	996,665	996,665
Capital improvement program	Special Revenue – TIF District No. 6	557,194	557,194
Capital improvement program	Special Revenue – TIF District No. 9	2,393,875	2,393,875
Enterprise – Sewer utility	Enterprise – Water utility	1,011,688	829,022
Sub-Totals		6,911,400	6,728,734
Less: Fund eliminations		(6,427,400)	(6,244,734)
Totals		\$ 484,000	\$ 484,000

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

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

**Advances (cont.)**

Governmental Activities – Business-type activities	\$ 484,000
Less: Business-type activities – Governmental activities	-
Total Government-wide Statement of Net Assets	\$ 484,000

The principal purpose of these advances is due to expenditures/expenses exceeding revenues.

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

The water utility received an advance from the sewer utility in the amount of \$1,800,000 at 5% for 120 months. The final maturity is December, 2014.

	Balance 1-1-09	Increases	Decreases	Balance 12-31-09
Advance from sewer utility	\$ 1,185,462	\$ -	\$ 173,774	\$ 1,011,688
Totals	\$ 1,185,462	\$ -	\$ 173,774	\$ 1,011,688

Advance repayment requirements to maturity are as follows:

Years	Principal	Interest
2010	\$ 182,666	\$ 46,436
2011	192,011	37,090
2012	201,835	27,267
2013	212,161	16,941
2014	223,015	6,086
Totals	\$ 1,011,688	\$ 133,820

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

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

***Transfers***

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Purpose
General	Water Utility	\$ 486,381	Payment in lieu of tax
General	Special Revenue – TIF District No. 3	200,382	Close TIF District No. 3
General	Special Revenue – TIF District No. 5	38,544	Prior year tax payment
Debt Service – General Debt Service	Special Revenue – TIF District No. 8	497,721	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 9	15,800	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 10	232,244	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 11	149,723	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 12	57,766	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 13	60,638	Debt service
Capital Projects – Capital Improvement Program	Special Revenue – TIF District No. 5	1,050,500	Capital projects funding
General	Internal Service – Health Insurance	457,907	Payment of previous advance
Sub-Total – Fund Financial Statements		3,247,606	
Less: Fund eliminations		(2,303,318)	
Less: Allocation of internal service funds		(457,907)	
Total – Government-wide Statement of Activities		\$ 486,381	

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

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

**Transfers (cont.)**

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, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable					
General Obligation Debt					
General	\$ 52,967,110	\$ 10,942,363	\$ 10,065,298	\$ 53,844,175	\$ 4,303,621
Add/(Subtract) Deferred Amounts For:					
(Discounts)	(299,020)	-	(21,238)	(277,782)	-
Premiums	40,901	-	2,639	38,262	-
Loss on advance refunding	(114,873)	-	(28,719)	(86,154)	-
Sub-totals	<u>52,594,118</u>	<u>10,942,363</u>	<u>10,017,980</u>	<u>53,518,501</u>	<u>4,303,621</u>
Other Liabilities					
Compensated Absences					
Sick leave	774,112	242,957	270,939	746,130	126,842
Vacation	1,288,387	1,282,971	1,288,387	1,282,971	1,282,971
Other post-employment benefit liability	2,752,615	2,864,092	-	5,616,707	-
Other Debt					
Alliant	36,479	-	36,479	-	-
Town of Turtle	120,000	-	10,000	110,000	10,000
WHEDA	79,000	-	79,000	-	-
Capital Leases					
Payable to component unit	14,882,996	4,843,602	741,664	18,984,934	1,175,000
Other capital leases	<u>787,048</u>	<u>-</u>	<u>90,151</u>	<u>696,897</u>	<u>94,290</u>
Total Other Liabilities	<u>20,720,637</u>	<u>9,233,622</u>	<u>2,516,620</u>	<u>27,437,639</u>	<u>2,689,103</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 73,314,755</u>	<u>\$ 20,175,985</u>	<u>\$ 12,534,600</u>	<u>\$ 80,956,140</u>	<u>\$ 6,992,724</u>

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### F. LONG-TERM OBLIGATIONS (cont.)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable					
General obligation debt	\$ 5,928,389	\$ 352,637	\$ 294,175	\$ 5,986,851	\$ 364,153
Revenue bonds	27,115,000	3,910,000	4,785,000	26,240,000	835,000
Add/(Subtract) Deferred Amounts For					
Refundings (Losses)	(695,833)	-	(208,779)	(487,054)	-
(Discounts)	(215,261)	(48,187)	(15,802)	(247,646)	-
Premiums	44,719	-	44,719	-	-
Sub-total	<u>32,177,014</u>	<u>4,214,450</u>	<u>4,899,313</u>	<u>31,492,151</u>	<u>1,199,153</u>
Other Liabilities					
Compensated absences	430,165	119,359	196,596	352,928	140,762
Other post-employment benefit liability	108,785	111,763	-	220,548	-
Sub-total	<u>538,950</u>	<u>231,122</u>	<u>196,596</u>	<u>573,476</u>	<u>140,762</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 32,715,964</u>	<u>\$ 4,445,572</u>	<u>\$ 5,095,909</u>	<u>\$ 32,065,627</u>	<u>\$ 1,339,915</u>

#### **General Obligation Debt**

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

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2009, was \$87,209,305. Total general obligation debt outstanding at year end was \$59,831,026.

	Date of Issue	Due Date	Interest Rates	Original Indebted- ness	Balance 12-31-09
Governmental Activities – General Obligation Debt					
General obligation corporate purpose bonds Series 2002B	5-1-02	11-1-11	3.00-4.35	\$ 860,000	\$ 198,699
General obligation corporate purpose bonds Series 2003A	4-1-03	4-1-12	3.00-4.60	3,150,000	2,475,000
General obligation promissory notes Series 2003B	4-1-03	4-1-11	2.00-3.80	2,753,366	509,576
Taxable general obligation refunding bonds Series 2003C	2-1-03	3-1-12	4.00-4.750	3,770,000	2,810,000

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### F. LONG-TERM OBLIGATIONS (cont.)

##### General Obligation Debt (cont.)

	Date of Issue	Due Date	Interest Rates	Original Indebted- ness	Balance 12-31-09
Governmental Activities – General Obligation Debt (cont.)					
General obligation promissory notes Series 2004A	3-1-04	3-1-12	2.25-3.00	\$ 4,134,790	\$ 1,588,034
General obligation corporate purpose bonds Series 2004B	3-1-04	3-1-24	2.00-4.35%	3,845,000	3,070,000
General obligation corporate purpose bonds Series 2005A	5-1-05	5-1-25	3.25-4.25	6,194,486	5,095,069
General obligation promissory notes Series 2005B	5-1-05	5-1-15	3.25-3.80	916,970	723,244
General obligation community development bonds Series 2005C	5-1-05	5-1-21	4.80-5.25	1,295,000	1,190,000
2005 state trust fund loan	11-23-05	3-15-15	4.25	405,000	290,068
General obligation corporate purpose bonds Series 2006A	5-1-06	5-1-26	4.00-4.375	7,587,545	7,011,447
General obligation promissory notes Series 2006B	5-1-06	5-1-16	4.00	639,754	484,348
General obligation corporate purpose bonds Series 2007A	6-1-07	6-1-27	4.00-4.75	11,249,589	10,648,430
General obligation promissory notes Series 2007B	6-1-07	6-1-17	3.60-4.00	3,259,405	2,894,974
2007 state trust fund loan	1-26-07	3-15-26	5.5	688,000	648,439
General obligation corporate purpose bonds Series 2008	6-19-08	6-1-28	3.75-4.10	2,260,670	2,146,964
2008 state trust fund loan	6-30-08	3-15-25	4.75	1,177,520	1,117,520
General obligation corporate Purpose bonds Series 2009	5-28-09	5-1-29	1.10-4.60	7,057,000	7,057,000
2009 state trust fund loan	7-8-09	3-15-19	4.50	1,645,000	1,645,000
2009 state trust fund loan	7-8-09	3-15-19	4.50	915,000	915,000
General obligation refunding Bonds Series 2009	11-5-09	12-1-15	2.00-3.25	1,325,363	1,325,363
Total Governmental Activities – General Obligation Debt					<u>\$ 53,844,175</u>



**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

**F. LONG-TERM OBLIGATIONS (cont.)**

**General Obligation Debt (cont.)**

	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-09</u>
Business-type Activities – General Obligation Debt					
General obligation corporate purpose bonds Series 2002B	5-1-02	11-1-11	3.00-4.35%	\$ 5,112	\$ 1,303
General obligation promissory notes Series 2003B	4-1-03	4-1-11	2.00-3.80	109,634	20,424
General obligation promissory notes Series 2004A	3-1-04	3-1-12	2.25-3.00	70,209	26,965
General obligation corporate purpose bonds Series 2005A	5-1-05	5-1-25	3.25-4.25	1,417,752	1,364,930
General obligation promissory notes Series 2005B	5-1-05	5-1-15	3.25-3.80	148,030	116,756
General obligation corporate purpose bonds Series 2006A	5-1-06	5-1-26	4.00-4.375	342,455	318,553
General obligation promissory notes Series 2006B	5-1-06	5-1-16	4.00	595,247	450,652
General obligation corporate purpose bonds Series 2007A	6-1-07	6-1-27	4.00-4.75	820,411	776,569
General obligation promissory notes Series 2007B	6-1-07	6-1-17	3.60-4.00	720,595	640,026
General obligation corporate purpose bonds Series 2008	6-19-08	6-1-28	3.75-4.10	1,954,330	1,918,036
General obligation corporate Purpose bonds Series 2009	5-28-09	5-1-29	1.10-4.60	333,000	333,000
General obligation refunding Bonds Series 2009	11-5-09	12-1-15	2.00-3.25	19,637	<u>19,637</u>
Total Business-type Activities – General Obligation Debt					<u>\$ 5,986,851</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>		<u>Business-type Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 4,303,621	\$ 1,936,780	\$ 364,153	\$ 261,003
2011	4,507,732	1,854,317	362,728	231,847
2012	4,574,078	1,729,940	373,994	200,972
2013	3,924,694	1,588,218	387,313	186,892
2014	4,064,559	1,446,915	416,648	171,818
2015 – 2019	16,894,130	5,060,960	1,805,657	627,452
2020 – 2024	10,726,048	2,185,824	1,407,928	332,315
2025 – 2029	4,849,313	330,793	868,430	62,514
Totals	<u>\$ 53,844,175</u>	<u>\$ 16,133,747</u>	<u>\$ 5,986,851</u>	<u>\$ 2,074,813</u>

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### F. LONG-TERM OBLIGATIONS (cont.)

##### **Capital Leases**

Refer to Note IV.G.

##### **Other Debt Information**

Estimated payments of compensated absences and other commitments are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

A statutory mortgage lien upon the City's utility system and any additions, improvements and extensions thereto is created by Section 66.066 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The City's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

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

##### **Other Debt – Governmental Activities**

In August 2004, the City received a loan from Alliant Energy – Wisconsin Power and Light in the amount of \$292,852. The loan is at 3% interest for 60 months. Payments are due monthly. The final maturity was July 2009.

In May 1999, the City of Beloit and the Town of Turtle entered a Cooperative Boundary Plan. Under this plan, the City of Beloit is obligated to pay the Town of Turtle \$10,000 per year until December 31, 2020. The original amount owed was \$200,000.

In August 2005, the City of Beloit received a loan from the Wisconsin Housing and Economic Development Authority (WHEDA) in the amount of \$264,900. The proceeds are to be used to construct or rehabilitate housing in the City. Interest on this loan is 2% and is to be repaid when the City sells property that was constructed or rehabilitated with these funds.

	Balance 1-1-09	Increases	Decreases	Balance 12-31-09
Alliant	\$ 36,479	\$ -	\$ 36,479	\$ -
Town of Turtle	120,000	-	10,000	110,000
WHEDA	79,000	-	79,000	-
Total Other Debt	\$ 235,479	\$ -	\$ 125,479	\$ 110,000

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### F. LONG-TERM OBLIGATIONS (cont.)

##### **Other Debt – Governmental Activities** (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities – Other Debt	
	Principal	Interest
2010	\$ 10,000	\$ -
2011	10,000	-
2012	10,000	-
2013	10,000	-
2014	10,000	-
2015 – 2019	50,000	-
2020	10,000	-
Totals	\$ 110,000	\$ -

##### **Revenue Debt**

Business-type activities revenue bonds are payable only from revenues derived from the operation of the responsible proprietary fund.

The water utility has pledged future sales revenues, net of specified operating expenses, to repay \$43,095,000 in water revenue bonds issued in 2003, 2007 and 2009. Proceeds from the bonds provided financing for the water systems. The bonds are payable solely from water revenues and are payable through 2029. Annual principal and interest payments on the bonds are expected to require 75% of net revenues. The total principal and interest remaining to be paid on the bonds is \$39,285,429. Principal and interest paid for the current year and total customer net revenues were \$5,912,211 and \$2,487,621, respectively.

	Date of Issue	Due Date	Interest Rates	Original Indebted- Ness	Balance 12-31-09
Water Utility					
Revenue bonds	11-12-03	11-1-28	2.00-5.00	\$ 25,210,000	\$ 8,605,000
Refunding revenue bonds	1-24-07	11-1-16	4.00-4.50	13,975,000	13,725,000
Revenue bonds	5-28-09	11-1-29	3.50-5.00	3,910,000	3,910,000
Total Water Utility Revenue Debt					26,240,000
Total Revenue Bonds					\$ 26,240,000

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### F. LONG-TERM OBLIGATIONS (cont.)

##### Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	Business-type Activities – Revenue Debt	
	Principal	Interest
2010	\$ 835,000	\$ 1,105,393
2011	910,000	1,077,682
2012	945,000	1,043,820
2013	1,010,000	1,006,771
2014	1,050,000	967,243
2015 – 2019	6,010,000	4,159,038
2020 – 2024	7,635,000	2,752,483
2025 – 2029	7,845,000	932,999
Totals	\$ 26,240,000	\$ 13,045,429

##### Advance and Current Refundings

On May 28, 2009, the City issued \$7,390,000 in general obligation bonds with an average interest rate of 3.325 percent to advance refund \$1,135,000 of outstanding bonds with an average interest rate of 5.39 percent, to current refund \$3,620,000 of outstanding bonds with an average interest rate of 4.43 percent and to provide \$2,681,984 for capital projects.

Net proceeds relating to the advance refunding of \$1,164,091 (after payment of \$52,560 in issuance costs) plus an additional \$30,822 of sinking fund monies 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 old bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from these financial statements. Net proceeds relating to the current refunding of \$3,437,098 plus an additional \$207,745 of sinking fund monies and \$3,200 of interest were used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the refunded bonds and notes prior to the refunding were \$5,285,979 from 2009 through 2017. The cash flow requirements on the refunding bonds are \$4,948,517 from 2009 through 2017. 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 \$287,933.

On November 5, 2009, the City issued \$1,345,000 in general obligation bonds with an average interest rate of 2.5 percent to current refund \$1,335,000 of outstanding bonds with an average interest rate of 4.69 percent. The net proceeds of \$1,334,819 (after payment of \$29,842 in underwriter's discount and issuance costs) plus an additional \$235,738 of sinking fund monies and \$650 in interest were used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the refunded bonds prior to the current refunding was \$1,839,525 from 2009 through 2015. The cash flow requirements on the refunding bonds are \$1,752,094 from 2009 through 2015. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$79,562.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### **F. LONG-TERM OBLIGATIONS** (cont.)

##### ***Prior-Year Defeasance of Debt***

In prior years, the water utility defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2009, \$12,965,000 of bonds outstanding are considered defeased. The bonds are callable on November 1, 2013.

#### **G. LEASE DISCLOSURES**

	Balance 1-1-09	Increases	Decreases	Balance 12-31-09
<b>Capital Leases</b>				
Governmental Activities (to Note IV.F.)				
Payable to component unit	\$ 14,882,996	\$ 4,843,602	\$ 741,664	\$ 18,984,934
Other capital leases	787,048	-	90,151	696,897
Totals	\$ 15,670,044	\$ 4,843,602	\$ 831,815	\$ 19,681,831

##### ***Lessee – Community Development Authority***

The City, through TIF District No. 10 and TIF District No. 6, is obligated to make lease payments to the Community Development Authority of Beloit (CDA) to retire debt issued by the CDA for TIF purposes.

Each lease obligation is directly attributable to the underlying debt issues noted.

##### ***Lessee – Capital Asset Capital Leases***

The Lease Rental Payments are expressly limited to: (i) tax increments generated by the tax incremental district No. 10 and tax incremental district No. 6; (ii) special assessments, as may be levied by the City for eligible projects; (iii) proceeds from a portion of land sales as provided in the Development Agreement by and among the City, the Authority, and the Lease; and (iv) gas and electric reimbursement amounts generated by the tax incremental district No. 10 and tax incremental district No. 6 (the "Rental Payments").

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

**G. LEASE DISCLOSURES (cont.)**

**Lessee – Capital Asset Capital Leases (cont.)**

The future minimum lease payments are required as follows:

Calendar <u>Year</u>	<u>TIF No. 10</u>	<u>TIF No. 6</u>
2010	\$ 1,933,005	\$ 176,570
2011	1,993,339	197,233
2012	2,036,141	216,795
2013	2,133,414	235,251
2014	2,096,700	252,608
2015	2,157,812	244,358
2016	2,127,317	260,483
2017	2,108,124	250,976
2018	2,075,193	256,035
2019	2,033,865	255,436
2020	1,989,800	-
2021	758,663	-
2022	736,194	-
2023	717,312	-
2024	706,512	-
2025	689,069	-
Sub-Totals	<u>26,292,460</u>	<u>2,345,745</u>
Less: Reserve funds to be applied to final principal payment	(2,365,967)	(189,099)
Less: Amount representing interest	<u>(6,642,460)</u>	<u>(455,745)</u>
Present Value of Minimum Lease Payments	<u>\$ 17,284,033</u>	<u>\$ 1,700,901</u>
Total TIF No. 10 and TIF No. 6		<u>\$ 18,984,934</u>

**Lessee – Other Capital Leases**

In 2006, the City acquired telecommunications equipment through lease/purchase agreements. The gross amount of these assets under capital lease is \$293,548 and is presented in the capital assets in the governmental activities. The assets acquired under capital lease are as follows:

<b>Asset</b>	<u>Governmental Activities</u>
Machinery and equipment	\$ 293,548
Less: Accumulated depreciation	<u>(85,702)</u>
Total	<u>\$ 207,846</u>

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### G. LEASE DISCLOSURES (cont.)

##### Lessee – Other Capital Leases (cont.)

The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2009, are as follows:

	Principal	Interest	Governmental Activities
2010	\$ 60,210	\$ 5,941	\$ 66,151
2011	63,110	3,042	66,152
	\$ 123,320	\$ 8,983	132,303
Less: Amount representing interest			(8,983)
Present Value of Minimum Lease Payments			\$ 123,320

In 2008, the City entered into a lease agreement to finance a lighting improvement project; heating, ventilating, and air conditioning improvement project; and a building envelope improvement project. The total lease amount was \$640,614. Only \$394,912 of assets were capitalized and are depreciable. The remaining amount was expensed in 2007.

	Governmental Activities
<b>Asset</b>	
Building improvements	\$ 394,912
Less: Accumulated depreciation	(88,855)
Total	\$ 306,057

The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2009, are as follows:

	Principal	Interest	Governmental Activities
2010	\$ 34,080	\$ 24,050	\$ 58,130
2011	35,509	22,621	58,130
2012	36,998	21,132	58,130
2013	38,549	19,581	58,130
2014 – 2018	218,391	72,260	290,651
2019 – 2022	210,050	22,470	232,520
	\$ 573,577	\$ 182,114	755,691
Less: Amount representing interest			(182,114)
Present Value of Minimum Lease Payments			\$ 573,577

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### **H. NET ASSETS/FUND BALANCES**

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

##### **Governmental Activities**

Invested in capital assets, net of related debt	
Land	\$ 4,878,072
Other capital assets, net of accumulated depreciation	85,274,231
Less: Related long-term debt outstanding	(45,109,767)
Less: Capital leases – payable to component unit	(16,107,278)
Add: Unamortized debt discount/premium and loss on advance refunding	75,674
Add: Unspent capital bond proceeds	6,502,209
Total Invested in Capital Assets, Net of Related Debt	<u>35,513,141</u>
Restricted	
General debt service	1,820,371
TIF District No. 5 – special revenue fund	477,328
Rental rehab (WRRP/HOME)	1,120,281
Community Development Block Grant	2,824,411
Fire – multi-year grants	22,658
DPW – multi-year grants	213,754
Community development	173,731
Library	340,800
Police	68,361
Cemetery perpetual care	1,754,118
Park activities	1,092
Total Restricted	<u>8,816,905</u>
Unrestricted	<u>2,934,357</u>
Total Governmental Activities Net Assets	<u>\$ 47,264,403</u>

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

<b>Reserved</b>	
Major Funds	
General Fund	
Delinquent personal property taxes	\$ 68,938
Inventories	753,618
Prepaid items	67,846
Advances to other funds	1,034,352
Total	<u>\$ 1,924,754</u>



**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

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**H. NET ASSETS/FUND BALANCES (cont.)**

**Governmental Activities (cont.)**

<b>Reserved (cont.)</b>	
Major Funds (cont.)	
TIF District No. 10	
Encumbrances	<u>\$ 1,197,300</u>
General Debt Service Fund	
Advances to other funds	\$ 1,914,291
Debt service	<u>329,677</u>
Total	<u>\$ 2,243,968</u>
Capital Improvement Program	
Advances to other funds	\$ 2,951,069
Encumbrances	<u>172,041</u>
Total	<u>\$ 3,123,110</u>
Non-Major Fund	
Special Revenue Funds	
Rental Rehab (WRRP/HOME) – encumbrances	\$ 65,767
Community Development Block Grant – encumbrances	234,386
Community Development – encumbrances	22,660
TIF District No. 5 – debt service	322,052
TIF District No. 5 – encumbrances	155,276
TIF District No. 6 – encumbrances	47,650
TIF District No. 13 – encumbrances	81,377
Capital Project Fund	
Equipment Replacement – encumbrances	522,664
Computer Replacement – encumbrances	<u>6,366</u>
Total	<u>\$ 1,458,198</u>
<b>Unreserved (deficit)</b>	
Major Funds	
General Fund	\$ 8,519,920
Special Revenue – TIF District No. 9	(3,362,823)
Capital Projects – Capital Improvements	<u>4,425,516</u>
Total	<u>\$ 9,582,613</u>

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### **H. NET ASSETS/FUND BALANCES** (cont.)

##### **Governmental Activities** (cont.)

##### **Unreserved (deficit)** (cont.)

###### Non-Major Funds

###### Special Revenue Funds

TIF District No. 3	\$ (254)
TIF District No. 6	(678,366)
TIF District No. 8	(795,595)
TIF District No. 12	(202,334)
Community Development	<u>(118,774)</u>

Total \$ (1,795,323)

###### Major Funds

###### Unreserved (Designated)

###### Major Fund

TIF District No. 10 – surplus applied to 2010 budget \$ 986,679

###### Non-Major Funds

###### Special Revenue Funds – designated for subsequent year's expenditures

Rental Rehab (WRRP/HOME)	\$ 223,271
Community Development Block Grant	187,469
TIF District No. 11	19,805
TIF District No. 13	736,312
TIF District No. 14	3,821
Fire – multi-year grants	22,658
DPW – multi-year grants	213,754
Library	340,800
Police	68,361
Solid waste	115,969
Perpetual care	<u>1,754,118</u>

Total \$ 3,686,338

###### Capital Projects Funds – designated for subsequent year's expenditures

Equipment Replacement	\$ 6,882,292
Computer Replacement	<u>553,837</u>

Total \$ 7,436,129

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### H. NET ASSETS/FUND BALANCES (cont.)

##### Business-type Activities

	Water	Sewer	Non-Major Proprietary Funds	Totals
Invested in capital assets, net of related debt				
Land	\$ 918,627	\$ 1,386,282	\$ 1,270,000	\$ 3,574,909
Construction in progress	98,452	1,677,971	1,624,198	3,400,621
Other capital assets, net of accumulated depreciation	31,081,518	40,455,971	12,346,923	83,884,412
Less: Related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(25,381,902)</u>	<u>(1,362,365)</u>	<u>(2,057,045)</u>	<u>(28,801,312)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>6,716,695</u>	<u>42,157,859</u>	<u>13,184,076</u>	<u>62,058,630</u>
Construction account	1,211,059	-	-	1,211,059
Redemption account	323,399	-	-	323,399
Replacement account	-	2,696,299	-	2,696,299
Reserve account	2,145,550	-	-	2,145,550
Interest receivable	83,118	-	-	83,118
Less: Restricted assets not funded by revenues	(3,356,609)	-	-	(3,356,609)
Less: Current liabilities payable from restricted assets	<u>(202,833)</u>	<u>-</u>	<u>-</u>	<u>(202,833)</u>
Total Restricted Net Assets	<u>203,684</u>	<u>2,696,299</u>	<u>-</u>	<u>2,899,983</u>
Unrestricted	<u>2,543,801</u>	<u>5,756,769</u>	<u>845,566</u>	<u>9,146,136</u>
Total Enterprise Funds Net Assets	<u>\$ 9,464,180</u>	<u>\$ 50,610,927</u>	<u>\$ 14,029,642</u>	<u>74,104,749</u>
Add: Portion of internal service funds Net assets allocated to business-type activities				<u>308,076</u>
Total Business-type Activities Net Assets				<u>\$ 74,412,825</u>

#### I. COMPONENT UNITS

This report contains the City of Beloit Community Development Authority (“CDA”), the City of Beloit’s Business Improvement District (“district”), and the Beloit Public Library Foundation, Inc. (“foundation”) which are included as component units. Financial information is presented as a discrete column in the statement of net assets and statement of activities.

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.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### **I. COMPONENT UNITS** (cont.)

##### **Community Development Authority**

#### a. Basis of Accounting/Measurement Focus

The CDA prepares its financial statements in accordance with generally accepted accounting principles. The accounting records are kept on the accrual basis of accounting and flow of economic resources measurement focus. The CDA has elected not to adopt the provisions of GASB No. 20, paragraph 7, which states that all FASB statements and interpretations issued after November 30, 1989, can be applied.

#### b. Cash and Investments

The CDA's cash and investments at year end were comprised of the following:

	Carrying Value	Statement Balance	Associated Risks
Demand deposits	\$ 1,564,868	\$ 1,567,149	Custodial credit risk
Mutual fund (U.S. treasuries)	2,555,065	2,555,065	Credit risk, interest rate risk
Total Cash and Investments	\$ 4,119,933	\$ 4,122,214	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 1,564,868		
Restricted cash and investments	2,555,065		
Total Cash and Investments	\$ 4,119,933		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited coverage for noninterest bearing accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in calculating custodial credit risk.

Although the CDA has an investment policy, it does not discuss any of the risks below.

#### **Custodial Credit Risk**

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

As of December 31, 2009, \$1,317,149 of the CDA's total bank balances of \$1,567,149 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,317,149
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# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### *I. COMPONENT UNITS* (cont.)

#### *Community Development Authority* (cont.)

##### **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, 2009, the CDA's investments were rated as follows:

Investment Type	Moody's Investor Service
Mutual Fund – U.S. Treasuries	AAA

##### **Interest Rate Risk**

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

As of December 31, 2009, the CDA's investments were as follows:

Investment Type	Fair Value	Maturity (In months) Less than 1 month
Mutual Fund – U.S. Treasuries	\$ <u>2,555,065</u>	\$ <u>2,555,065</u>

#### c. Restricted Assets

Restricted assets at December 31, 2009, consist of the following:

Cash and cash equivalents – bond redemption and construction accounts	\$ <u>2,555,065</u>
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# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### I. COMPONENT UNITS (cont.)

##### Community Development Authority (cont.)

#### d Capital Assets

The useful life assigned to buildings is 40 years. Machinery and equipment are assigned useful lives ranging from 5-10 years. The change in capital assets for 2009 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 414,539	\$ -	\$ -	\$ 414,539
Construction in progress	70,094	1,375	70,094	1,375
Total Capital Assets Not Being Depreciated	484,633	1,375	70,094	415,914
Capital assets being depreciated				
Buildings	3,640,214	65,581	-	3,705,795
Furniture, equipment, and machinery-dwellings	195,775	52,970	5,405	243,340
Furniture, equipment, and machine-administrative	220,930	2,287	16,674	206,543
Building and land improvements	391,894	23,604	-	415,498
Leasehold improvements	3,774,249	-	-	3,774,249
Total Capital Assets Being Depreciated	8,223,062	144,442	22,079	8,345,425
Less: Accumulated Depreciation	(5,783,495)	(261,280)	20,447	(6,024,328)
Total Capital Assets, Net of Depreciation	\$ 2,924,200			\$ 2,737,011

#### e. Long-Term Obligations

##### Lease Revenue Bonds

The CDA has pledged future revenues from the City of Beloit resulting from TIF increments to repay \$21.5 million in lease revenue bonds issued between 2002-2009. Proceeds from the bonds provided financing for infrastructure improvements and other TIF district investments. The bonds are payable solely from TIF increment revenues and are payable through 2025. Annual principal and interest payments on the bonds are expected to require 100% of TIF increment lease payments. The total principal and interest remaining to be paid on the bonds is \$28,638,205. Principal and interest paid for the current year and total pledged revenues were both \$1,971,336.

The following is a summary of the lease revenue bond transactions for the year ended December 31, 2009.

	Balance 1-1-09	Increases	Decreases	Balance 12-31-09
Lease revenue bonds	\$ 17,030,000	\$ 5,340,000	\$ 830,000	\$ 21,540,000

**CITY OF БЕЛОIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

**I. COMPONENT UNITS (cont.)**

**Community Development Authority (cont.)**

e. Long-Term Obligations (cont.)

**Lease Revenue Bonds (cont.)**

Title of Issue	Date of Issue	Due Date	Interest Rates	Original Indebted- Ness	Balance 12-31-09
2002A Lease Revenue Bonds	07-15-02	03-01-20	4.90-5.60%	\$ 7,345,000	\$ 565,000
2007A Lease Revenue Refunding Bonds	02-21-07	03-01-20	3.50-4.20%	8,915,000	8,575,000
2007B Lease Revenue Bonds	07-12-07	06-01-19	3.70-4.35%	2,015,000	1,890,000
2008A Lease Revenue Refunding Bonds	06-19-08	03-01-25	4.00-6.75%	2,640,000	2,640,000
2008B Lease Revenue Refunding Bonds	08-29-08	03-01-14	4.15-5.30%	3,010,000	2,530,000
2009A Lease Revenue Bonds	07-01-09	03-01-25	1.30-5.00%	5,340,000	<u>5,340,000</u>
Totals					<u><u>\$ 21,540,000</u></u>

Debt service requirements to maturity are as follows:

Calendar Year	Principal	Interest	Totals
2010	\$ 1,175,000	\$ 934,575	\$ 2,109,575
2011	1,305,000	885,571	2,190,571
2012	1,425,000	827,936	2,252,936
2013	1,605,000	763,665	2,368,665
2014	1,655,000	694,308	2,349,308
2015	1,780,000	622,170	2,402,170
2016	1,840,000	547,800	2,387,800
2017	1,890,000	469,100	2,359,100
2018	1,945,000	386,228	2,331,228
2019	1,990,000	299,303	2,289,303
2020	1,775,000	214,800	1,989,800
2021	600,000	158,663	758,663
2022	610,000	126,194	736,194
2023	625,000	92,313	717,313
2024	650,000	56,513	706,513
2025	670,000	19,066	689,066
Totals	<u><u>\$ 21,540,000</u></u>	<u><u>\$ 7,098,205</u></u>	<u><u>\$ 28,638,205</u></u>

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

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**I. COMPONENT UNITS (cont.)**

**Community Development Authority (cont.)**

e. Long-Term Obligations (cont.)

**Prior-Year Defeasance of Debt**

In prior years, the CDA defeased certain lease revenue bonds by placing the proceeds of net bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2009, \$6,480,000 outstanding are considered defeased. The bonds are callable on March 1, 2012.

There were no current or advance refundings in 2009.

f. Employee Retirement System

All eligible authority employees participate in the Wisconsin Retirement System ("system"), a cost-sharing defined benefit multiple-employer public employee retirement system (PERS). All authority employees are considered to be City employees. Refer to Note V.A. for details.

g. Lease Disclosures

Refer to Note IV.G.

h. Net Assets

Net assets at December 31, 2009 includes the following:

Invested in capital assets	
Land	\$ 414,539
Construction in progress	1,375
Other capital assets, net of accumulated depreciation	<u>2,321,097</u>
Total Invested in Capital	<u>2,737,011</u>
Restricted	
Section 8 Rental Voucher Program	602,052
Low Rent Public Housing	<u>665,898</u>
Total Restricted	<u>1,267,950</u>
Total Net Assets	<u>\$ 4,004,961</u>



**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

**I. COMPONENT UNITS (cont.)**

***City of Beloit Business Improvement District***

a. Basis of Accounting/Measurement Focus

The Business Improvement District prepares its financial statements in accordance with generally accepted accounting principles. The accounting records are kept on the accrual basis of accounting and the flow of economic resources focus. The district has elected not to adopt the provisions of GASB No. 20, paragraph 7, which states that all FASB statements and interpretations issued after November 30, 1989, can be applied.

b. Deposits and Investments

The business improvement district’s cash and investments at year end were comprised of the following:

	Carrying Value	Statement Balance	Associated Risks
Demand deposits	\$ 143,464	\$ 146,674	Custodial credit risk
Total Cash and Investments	\$ 143,464	\$ 146,674	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 143,464		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited coverage for noninterest bearing accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities.

The business improvement district does not have an investment policy.

***Custodial Credit Risk***

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the business improvement district’s deposits may not be returned to the business improvement district.

As of December 31, 2009, none of the BID’s total bank balances was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ _____ -
Total	\$ _____ -

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

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**I. COMPONENT UNITS (cont.)**

**City of Beloit Business Improvement District (cont.)**

b. Deposits and Investments (cont.)

**Beloit Public Library Foundation, Inc.**

a. Organization

The Beloit Public Library Foundation, Inc., (Foundation) is organized to raise and provide support monies for the Beloit, WI Public Library.

b. Summary of Significant Accounting Policies

1. The Foundation's financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America as promulgated by the American Institute of Certified Public Accountants.
2. The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). No provision for income taxes is reflected in financial statements.
3. The Foundation accounts for contributions under the provisions of Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made". All contributions are considered to be available for the general programs of the Foundation unless specifically restricted by the donor. The Foundation reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donated cash. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions are booked in the temporarily restricted class for restrictions expiring during the fiscal year, and then reclassified to the unrestricted class.

c. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

d. Temporarily Restricted Net Assets

Temporarily restricted net assets – Net assets subject to grantor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

The following funds have been temporarily restricted from general operating use by grantors:

	<u>12/31/09</u>
Library building fund	<u>\$ 5,446</u>

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

**NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

**I. COMPONENT UNITS (cont.)**

***Beloit Public Library Foundation, Inc.* (cont.)**

d. Temporarily Restricted Net Assets (cont.)

The Beloit Public Library (Library) is in the planning phase of the renovation of a facility and the relocation of the Library. It is anticipated the Foundation will provide significant financial assistance toward this project.

e. Investments

In accordance with SFAS No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations," investments are reported at fair market value. At December 31, as quoted by the trustee or from stock quotes, the market and cost are as follows:

	2009	
	Market	Cost
Mutual Funds	\$ 303,211	\$ 295,330
Fixed Income	170,142	163,078
Stocks	418	734
Totals	\$ 473,771	\$ 459,142

Current unrealized losses of \$138,281 have been reflected in the Statement of Activities for 2009. Cumulative unrealized losses amounted to \$14,629 as of December 31, 2009.

f. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2009 are as follows:

<u>December 31, 2009</u>	Fair Value Measurements at Reporting Date Using	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Short-term investments	\$ 473,771	\$ 473,771
Totals	\$ 473,771	\$ 473,771

Fair values for short-term investments and long-term investments are determined by reference to quoted market prices and other relevant information generated by market transactions (Level 1).

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### **I. COMPONENT UNITS** (cont.)

##### ***Beloit Public Library Foundation, Inc.*** (cont.)

#### g. Income Taxes

The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). No provision for income taxes is reflected in the financial statements.

In December 2009, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises." FSP Fin 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48 (interpretation 48), *Accounting for Uncertainty in Income Taxes*, to its annual financial statements for fiscal years beginning after December 15, 2009. The Foundation has elected to defer the application of Interpretation 48 for the year ending December 31, 2009. The Foundation evaluates its uncertain tax positions, if any, using the provisions of FASB Statement 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax provision or for all uncertain tax positions in the aggregate could differ from the amount recognized.

#### h. Related Organization

The Library is a separate tax exempt organization organized to provide books, audio books, magazines, CD's, movies and reading programs to the citizens of Beloit. Program services expenses of the Foundation are for the benefit of the Library.

#### i. Library Campaign Pledge

During 2008, the Foundation approved a \$250,000 pledge to the Beloit Public Library renovation and relocation project. This pledge will be paid over a five year period with the first payment scheduled to be in March 2010.

#### j. Library Campaign Deposits

The Foundation has agreed to accept Beloit Public Library Capital Campaign contributions which are deposited into a separate account. As funds are collected, a monthly transfer is made to the City of Beloit. These campaign deposits are not reported as income of the Foundation. As of December 31, 2009, an accounts payable in the amount of \$68,505 has been reported in the Statement of Financial Position to reflect amounts collected but not remitted to the City of Beloit as of that date.

# CITY OF БЕЛОIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE V – OTHER INFORMATION

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#### **A. EMPLOYEES' RETIREMENT SYSTEM**

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

The payroll for City employees covered by the system for the year ended December 31, 2009 was \$21,761,863; the employer's total payroll was \$22,805,016. The total required contribution for the year ended December 31, 2009 was \$3,222,511 or 15% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2008 and 2007 were \$3,195,616 and \$3,134,647, respectively, equal to the required contributions for each year.

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

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

Protective employees of the City hired prior to 1948 are covered under the City's Police and Firemen's Pension Funds established under Chapter 62 of the Wisconsin Statutes. The City has not obtained an actuarial valuation of these pension plans which were assumed by the Wisconsin Retirement Fund as of April 1, 1978. The total City contribution to the fund during 2009 was \$60,753.

#### **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. 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. However, other risks, such as health care of its employees, liability claims, and worker's compensation are accounted for and financed by the City in the internal service funds.

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

**NOTE V – OTHER INFORMATION (cont.)**

**B. RISK MANAGEMENT (cont.)**

**Self Insurance**

The City has a limited risk management program for employee health and dental benefits with claims processed by a third party claims administrator on behalf of the City. The claims are being paid out of the internal service fund, and are funded by allocations charged to other funds. Interfund premiums are based on claims experience. As a part of the plan a reinsurance policy has been purchased which picks up claims in excess of \$100,000 per individual up to a maximum of \$2 million. Total amounts charged back to the various departments during the year were \$4,981,026.

The estimated liability for self-funded losses is based on reported claims for the year and those received subsequent to year end. The City does not allocate overhead costs or other nonincremental costs to the claims liability. The liability is considered a current liability of the City as incurred but not reported claims are normally paid within two months of year end and represent the majority of claims payable at December 31, 2009. The estimated liability for self insured losses for this program consisted of the following at December 31, 2009:

Reported and Known Claims	\$ 445,377
Incurred but not Reported Claims	<u>1,230,217</u>
Total	<u>\$ 1,675,594</u>

Changes in the claims payable follow:

	Balance January 1	Incurred Claims	Claims Paid	Balance December 31
2008	\$ 1,732,416	\$ 7,849,273	\$ 7,673,253	\$ 1,908,436
2009	1,908,436	7,160,513	7,393,355	1,675,594

**Public Entity Risk Pool**

**Wisconsin Municipal Insurance Commission (WMIC)  
Cities and Villages Mutual Insurance Company (CVMIC)**

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC, and has numerous cities and villages as members.

The CVMIC is a municipal mutual insurance company established on September 19, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE V – OTHER INFORMATION (cont.)

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#### **B. RISK MANAGEMENT** (cont.)

##### **Public Entity Risk Pool** (cont.)

##### **Wisconsin Municipal Insurance Commission (WMIC) Cities and Villages Mutual Insurance Company (CVMIC)** (cont.)

The WMIC provided for the capitalization of the CVMIC through the issuance of \$28,645,000 of WMIC revenue bonds, dated November 11, 1987 and refinanced on December 15, 1997 in the amount of \$22,800,000. The bonds are due in varying installments starting in 1998 and ending in 2007. Interest rates vary from 5.74% to 6.47%. The underlying security for the revenue bonds are general obligation bonds of each of the cities and villages participating in the enterprise. Each city and village assumed a proportionate share of the revenue bond obligation and delivered its general obligation bond in that proportionate amount to the WMIC. The principal and interest payments made by each municipality to the WMIC on its general obligation bond provides the revenue stream to make the principal and interest payments on the WMIC revenue bonds.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities. The City's share of such losses is approximately 3.72%.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The City does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Financial statements of WMIC and CVMIC are available from: Cities and Village Mutual Insurance Company, 1250 South Sunnyslope Road, Suite 105, Brookfield, WI 53005.

The initial investment in WMIC is refundable upon withdrawal from the commission and has been reported at the original amount of \$1,575,475 in the insurance internal service fund.

The City pays an annual premium to CVMIC for its general automobile, public official, and liability insurance, which provides coverage up to \$5,000,000 per occurrence, less the City's retained liability. The City's retained liability is limited to \$50,000 per occurrence and an annual aggregate limit of \$200,000. An actuarially determined estimate has been recorded for this liability, as well as for claims incurred but not reported at December 31, 2009. A total liability of approximately \$142,266 at December 31, 2009 was recorded as claims payable in the internal service fund.

##### **Transit Mutual Insurance Corporation of Wisconsin (TMI)**

The Transit Mutual Insurance Corporation of Wisconsin is a joint effort of Wisconsin municipalities which have joined together for the managing and funding of the first party property losses and third party liability claims of its member municipalities' mass transit funds.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE V – OTHER INFORMATION (cont.)

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#### **B. RISK MANAGEMENT** (cont.)

##### **Public Entity Risk Pool** (cont.)

##### **Transit Mutual Insurance Corporation of Wisconsin (TMI)** (cont.)

In 2009, TMI issued a Motor Vehicle Insurance Policy to its members with the following available coverages:

Liability	\$250,000 per person, \$7,000,000 per accident, no deductible
Uninsured Motorists	\$25,000 per person, \$50,000 per accident, no deductible
Physical Damage	Collision and Comprehensive – “Agreed value, or Cost of Repairs, whichever is less; minus \$ 500 flat deductible per accident for all private passenger & service units, \$1000 flat deductible per accident for all bus units

TMI retains \$2,000,000 per occurrence (accident) of the liability limits and cedes \$5,000,000 to General Reinsurance Corporation. TMI retains \$500,000 per occurrence (accident) of the physical damage limits and cedes the balance up to \$9,500,000 to General Reinsurance Corporation.

Management consists of a board of directors comprised of one representative for each member. The City does not exercise any control over the activities of the agency beyond its representation on the board of directors.

Initial contributions are determined in advance of each membership year. The board of directors may require that supplemental contributions be made by members to ensure adequate funds are available to meet the obligations applicable to the membership year. Members have a contractual obligation to fund any deficit attributable to a membership year during which they were a member. The City's share of this insurance pool is 2.29% for auto liability and 4.13% of physical damage liability. A list of the other members is available in the TMI report.

#### **C. COMMITMENTS AND CONTINGENCIES**

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.

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.

During 2009 and in prior years, the City borrowed money for the purpose of making various capital improvements. These monies, as well as other revenue sources, are reflected in the capital improvements fund. Work that has been completed but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures. The balance of contract amounts plus open purchase orders is \$172,041 at year end and is included in reserve for encumbrances.



# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE V – OTHER INFORMATION (cont.)

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#### **C. COMMITMENTS AND CONTINGENCIES (cont.)**

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

Over the years, the City of Beloit has entered into several developer agreements with different companies. As of December 31, 2009, no certain obligations have arisen from these agreements.

#### **D. OTHER POSTEMPLOYMENT BENEFITS**

The City administers a single-employer defined benefit healthcare plan. The plan provides for eligible retirees and their spouses through the City which covers both active and retired members. Benefit provisions are established through collective bargaining agreements and state that eligible retirees and their spouses be at established contribution rates.

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the City and the union. The City makes the same monthly health insurance contribution on behalf of the retiree as it makes on behalf of all other active employees during that year. The City contributes 100% and 100% of the current year premiums for a family and a single plan, respectively, for eligible retired plan members and their spouses. For fiscal year 2009, the City contributed \$1,790,501 to the plan. Fire and police plan members receiving benefits contribute 0% and 0% of their premium costs for a family plan and a single plan, respectively. All others pay \$618 per month. For fiscal year 2009, total member contributions were \$0.

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 the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 4,651,901
Interest on net OPEB obligation	114,455
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	4,766,356
Contributions made	<u>(1,790,501)</u>
Increase in Net OPEB Obligation	2,975,855
Net OPEB Obligation – Beginning of Year	<u>2,861,400</u>
Net OPEB Obligation – End of Year	<u>\$ 5,837,255</u>

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

**NOTE V – OTHER INFORMATION** (cont.)

**D. OTHER POSTEMPLOYMENT BENEFITS** (cont.)

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2008 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/09	\$ 4,766,356	38%	\$ 5,837,255
12/31/08	4,651,901	38%	2,861,400

The funded status of the plan as of January 1, 2008, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 66,942,287
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 66,942,287
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 21,911,189
UAAL as a percentage of covered payroll	305.52%

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan is 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 actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the City’s actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% investment rate of return and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% after nine years. Both rates include a 3.0% inflation assumption. The plan’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009 was 29 years.

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

**NOTE V – OTHER INFORMATION (cont.)**

**E. BOND COVENANT DISCLOSURES**

The following information is provided as required by the resolution creating the 2003 water revenue bonds.

**Sales**

The following is the customer count and water volume basis for water revenues as of December 31, 2009:

	Water – 2009	
	Customers	CCF
Residential	13,676	925,426
Commercial	1,578	463,465
Industrial	10	539,284
Public Authority	50	69,200
Totals	15,314	1,997,375

**Debt Coverage**

The revenue bond resolutions require revenue less operating expenses excluding depreciation and tax equivalent (defined net earnings) to exceed 1.25 times in the water utility the corresponding principal and interest.

	Water – 2009
Operating revenues	\$ 4,690,251
Investment income	66,065
Operating expenses excluding depreciation	(2,268,695)
Defined Earnings	\$ 2,487,621
Annual debt service on revenue bonds	\$ 1,725,961
Coverage factor	x 1.25
Required Net Earnings	\$ 2,157,451

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

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### NOTE V – OTHER INFORMATION (cont.)

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#### ***F. SUBSEQUENT EVENTS***

On March 15, 2010, the City ratified the issuance of Water System Revenue Bonds in the amount of \$4,025,000 with an interest rate of 4.3023%. The amount will be used to help fund construction of a new well for the Water Utility System.

On March 15, 2010, the City ratified the issuance of Storm Sewer System Revenue Bonds in the amount of \$1,470,000 with an interest rate of 3.711%. The amount will be used to build a storm water pond system on the Golf Course and was issued under the Build America Bond Program.

On April 5, 2010, the City ratified the issuance of General Obligation Corporate Purpose Bonds in the amount of \$4,165,000 with an interest rate of approximately 3%. The bonds were issued under the Recovery Zone Economic Development Bond Program with cooperation with Rock County.

On April 19, 2010, the City approved an application for a \$600,000 loan from the Board of Commissioners of Public Lands through their State Trust Fund Loan Program. The loan will be repaid in ten years with an interest rate of 4.25%. The loan will be used for public purpose capital improvement projects.

On May 3, 2010, the City approved the application to the Public Service Commission of Wisconsin to increase the City of Beloit Water Utility Rates.

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Application of these standards may restate portions of these financial statements.