

City of  
**BELOIT**, Wisconsin

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the year ended December 31, 2010



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, 2010

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 27, 2011

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, 2010. 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 CAFR 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 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, 2010. Their report is located at the beginning of the financial section of this CAFR.

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 auditor's report, management's 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 27, 2011

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. According to the most recent census, the City is home to 36,966 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.

To the City Council and  
Citizens of the City of Beloit, Wisconsin  
June 27, 2011

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 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, 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 and was recently recognized by the National Trust for Historic Presentation to be a 2011 Great American Main Street Award recipient.

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 continues to suffer from the nationwide recession. In late 2008, the General Motors assembly plant in Janesville, Wisconsin, closed leaving a significant void in our local economy which has yet to be filled. This closing negatively affected the City and its businesses and the City's unemployment rate at 12.6% in April 2011 continues to be among one of the highest in the State of Wisconsin. This is a significant improvement over a recession high of over 18%. This compares to an unemployment rate of 7.3% for the State of Wisconsin and 9% 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 MD&A and Statistical Sections of this report.

To the City Council and  
Citizens of the City of Beloit, Wisconsin  
June 27, 2011

The City's economy historically and presently 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 continuous operation and is internationally renowned for its scholastic excellence. The college's over 1,200 students come from nearly every state and 40 nations worldwide.

The City's Tax Increment District number 10 continues to be its major economic development driver. In early 2009, the City realized some very positive improvements to its local economy with the opening of Kerry Ingredients and Flavours America's headquarters in TID #10. This new development has accounted for over 300 new jobs, 200,000 square feet of new industrial/commercial space and a total increase to the tax base of \$44 million. Earlier this year Kettle Foods, also located in TID #10, broke ground on an expansion project expected to double their production capacity with a \$38 million investment and creation of at least 100 new jobs. 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 \$590,577 of its unreserved, undesignated general fund balance as a funding source for the budget for the year ending December 31, 2011, 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, 2009. This was the eighth 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

To the City Council and  
Citizens of the City of Beloit, Wisconsin  
June 27, 2011

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

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, 2011. 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 is the thirteenth year the City has received this award and it too is 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 Laureen 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, 2009

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.



President

Executive Director

**City of Beloit, Wisconsin  
List of Elected and Appointed Officials  
December 31, 2010**

**CITY COUNCIL MEMBERS**

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

**CITY MANAGER**

Larry N. Arft

**DEPARTMENT DIRECTORS**

Beth Jacobsen – Assistant to the 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



**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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Beloit's management. Our responsibility is to express opinions on these financial statements based on our audit. We have also audited the adjustment described in Note IV. I. that was applied to restate the 2009 financial statements in order to correct an error. We did not audit the financial statements of the Beloit Public Library Foundation, Inc., or the limited liability corporation (LLC) presented as a component unit of the City of Beloit Community Development Authority (CDA). The Beloit Public Library Foundation Inc. represents 2%, 6%, and 1%, of the assets, net assets, and revenues of the discretely presented component units. The LLC of the CDA represents 18%, 17%, and 1%, respectively, of the assets, net assets, and operating revenues of the CDA component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation and the LLC of the CDA, is based on the reports 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 reports of the other auditors provide a reasonable basis for our opinions. The Beloit Public Library Foundation, Inc., a component unit of the City and the LLC of the CDA were not audited in accordance with *Government Auditing Standards*.

In our opinion, based on our audit and the reports 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, 2010, 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 also issued our report dated June 27, 2011 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 and the other auditors 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 (restated for the correction described in Note IV.I.) and the schedule of expenditures of federal awards and the schedule of expenditures that are in the "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 the schedule of expenditures of federal awards and the schedule of expenditures that are in the "Single Audit Section" have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, 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 or the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on such information.

*Baker Tilly Vuchow-Krause LLP*

Madison, Wisconsin  
June 27, 2011

# CITY OF БЕЛОIT, WISCONSIN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For Year Ended December 31, 2010

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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, 2010. 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, 2010, by \$118,258,280 (total net assets). Of this amount, \$16,849,310 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, 2010, the City's governmental funds reported combined ending fund balances of \$27,669,734, an increase of \$777,037 from the prior year. Of this amount, \$5,756,104 or 21% is unreserved and undesignated and is available for spending at the government's discretion.
  - > As of December 31, 2010, the unreserved and undesignated fund balance for the general fund was \$8,724,137 or 30.4% of total general fund expenditures. This is an increase of \$734,108 from the prior year.
  - > The business-type activities total net assets at December 31, 2010, were \$74,796,590, which represents an increase of \$383,765 from the prior year. Of this amount, \$62,944,168 represents the City's investment in capital assets, net of related debt.
  - > Total liabilities as of December 31, 2010, were \$147,740,300, which is an increase of \$5,221,156 from the prior year, and of this amount, \$121,108,178 is for long-term liabilities. This increase in liabilities is related to the issuance of long term debt by the city during the year.
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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, 2010

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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, 2010

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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 24 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 governmental funds 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 БЕЛОIT, WISCONSIN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) (UNAUDITED) For Year Ended December 31, 2010

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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 84 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 85 to 94 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 95 to 100 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, over time net assets may serve as a useful indicator of City's financial position. In the case of the City of Beloit, assets exceeded liabilities by \$118,258,280 as of December 31, 2010. This is a decrease of \$3,418,948 over the previous year. This decrease in net assets is attributed to an increase in long term liabilities of \$5,221,156 because of the issuance of long term debt and other post employment benefit liability expense for the City's retirees and dependents.

The largest portion of the City of Beloit's net assets (approximately 76%) reflects its investment in capital assets (e. g., land, buildings, machinery, improvements, construction in progress, and equipment) net of any 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 to fund City operations. 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, 2010

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

#### Summary of Net Assets

as of December 31

(\$ in millions)

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$ 65.0	\$ 62.7	\$ 18.1	\$ 21.7	\$ 83.1	\$ 84.4
Capital assets	<u>90.2</u>	<u>90.0</u>	<u>90.9</u>	<u>91.6</u>	<u>181.1</u>	<u>181.6</u>
Total Assets	<u>155.2</u>	<u>152.7</u>	<u>109.0</u>	<u>113.3</u>	<u>264.2</u>	<u>266.0</u>
Long-term liabilities	80.9	84.5	32.0	36.6	112.9	121.1
Other liabilities	<u>27.0</u>	<u>24.8</u>	<u>2.6</u>	<u>1.9</u>	<u>29.6</u>	<u>26.7</u>
Total Liabilities	<u>107.9</u>	<u>109.3</u>	<u>34.6</u>	<u>38.5</u>	<u>142.5</u>	<u>147.8</u>
Net assets:						
Invested in capital assets, Net of related debt	35.5	32.4	62.1	62.9	93.3	89.6
Restricted	8.9	8.7	2.8	3.1	11.7	11.8
Unrestricted	<u>2.9</u>	<u>2.4</u>	<u>9.5</u>	<u>8.8</u>	<u>16.6</u>	<u>16.9</u>
Total Net Assets	<u>\$ 47.3</u>	<u>\$ 43.5</u>	<u>\$ 74.4</u>	<u>\$ 74.8</u>	<u>\$ 121.7</u>	<u>\$ 118.3</u>

The net assets section includes an adjustment for capital assets owned by the business-type activities, but financed by the debt of the governmental activities column. Columns may not total due to rounding.

An additional portion of the City's net assets (approximately 10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$16,897,481, 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, 2010. Governmental activities decreased the City's net assets by \$3,802,713 and business-type activities increased the City's net assets by \$383,765.

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# CITY OF BELOIT, WISCONSIN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

(UNAUDITED)

For Year Ended December 31, 2010

### 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	
	2009	2010	2009	2010	2009	2010
<b>REVENUES</b>						
Program Revenues:						
Charges for services	\$ 6.8	\$ 8.0	\$ 14.1	\$ 14.9	\$ 20.9	\$ 22.9
Operating grants & contributions	2.7	2.0	1.1	-	3.8	2.0
Capital grants & contributions	1.2	0.2	-	-	1.2	0.2
General Revenues:						
Property taxes	17.0	18.9	0.5	0.5	17.5	19.4
Other taxes	0.5	0.6	-	-	0.5	0.6
Intergovernmental	20.7	21.2	-	1.2	20.7	22.4
Investment income	0.6	-	0.5	0.4	1.1	0.4
Gain on the sale of property	0.1	0.2	-	-	0.1	0.2
Miscellaneous	1.3	1.6	-	-	1.3	1.6
Total Revenues	<u>50.9</u>	<u>52.7</u>	<u>16.2</u>	<u>17.0</u>	<u>67.1</u>	<u>69.7</u>
<b>EXPENSES</b>						
General government	0.8	0.7	-	-	0.8	0.7
Finance and Administration	6.9	7.9	-	-	6.9	7.9
Community development	3.2	3.6	-	-	3.2	3.6
Economic development	0.3	0.3	-	-	0.3	0.3
Police services	13.2	14.4	-	-	13.2	14.4
Fire services	8.7	9.5	-	-	8.7	9.5
Public works	15.2	13.9	-	-	15.2	13.9
Library	2.7	2.2	-	-	2.7	2.2
Interest & fiscal charges	3.1	3.2	-	-	3.1	3.2
Water utility	-	-	4.8	4.5	4.8	4.5
Sewer utility	-	-	7.7	7.9	7.7	7.9
Other non-major proprietary funds	-	-	4.7	5.0	4.7	5.0
Total Expenses	<u>54.1</u>	<u>55.7</u>	<u>17.2</u>	<u>17.4</u>	<u>71.3</u>	<u>73.1</u>
<b>Change in net assets before transfers</b>	(3.2)	(3.0)	(1.0)	(0.4)	(4.1)	(3.4)
Transfers	<u>(4.4)</u>	<u>(0.8)</u>	<u>4.4</u>	<u>0.8</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	(7.6)	(3.8)	3.5	0.4	(4.1)	(3.4)
Net Assets - January 1	<u>54.9</u>	<u>47.3</u>	<u>70.9</u>	<u>74.4</u>	<u>125.8</u>	<u>121.7</u>
<b>Net Assets - December 31</b>	<u>\$ 47.3</u>	<u>\$ 43.5</u>	<u>\$ 74.4</u>	<u>\$ 74.8</u>	<u>\$ 121.7</u>	<u>\$ 118.3</u>

Columns may not total due to rounding.

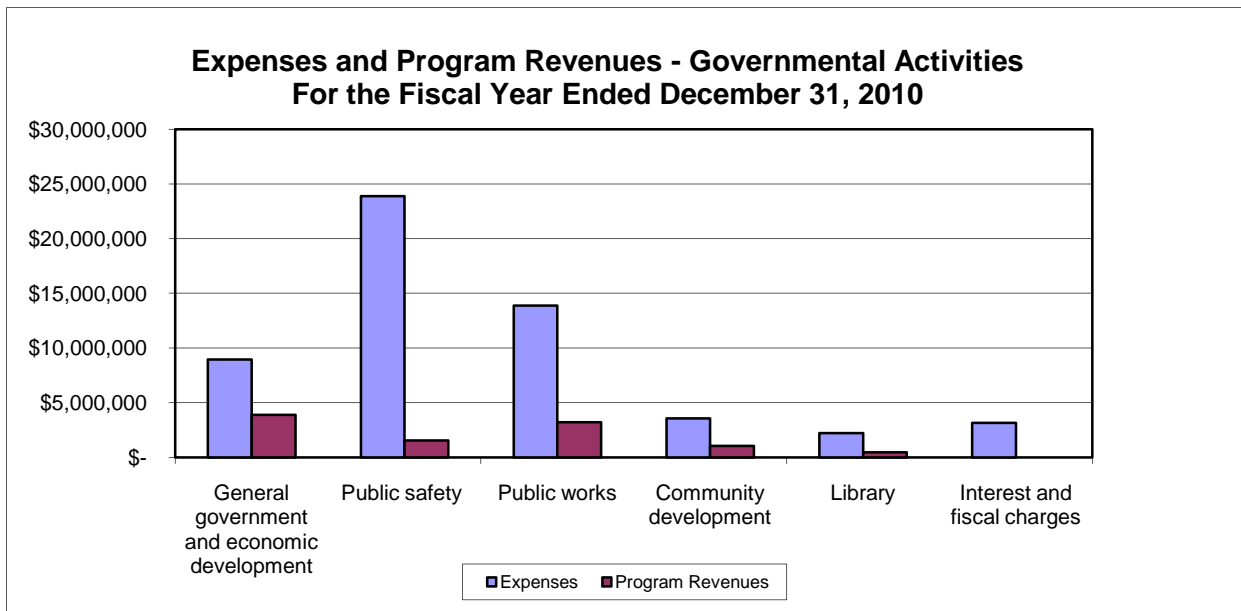
# CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
(UNAUDITED)  
For Year Ended December 31, 2010

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

For 2010, revenues increased \$2,573,704 over the prior year. The City's property tax levy increased \$1,876,396 in 2010, largely because of increased debt service costs and tax increment in the City's Tax Increment Districts.

Expenses increased \$1,827,528 over the prior year largely due to an increase in the other post employment health benefit liability resulting from the change in the actuarial assumptions for the medical trend rate.



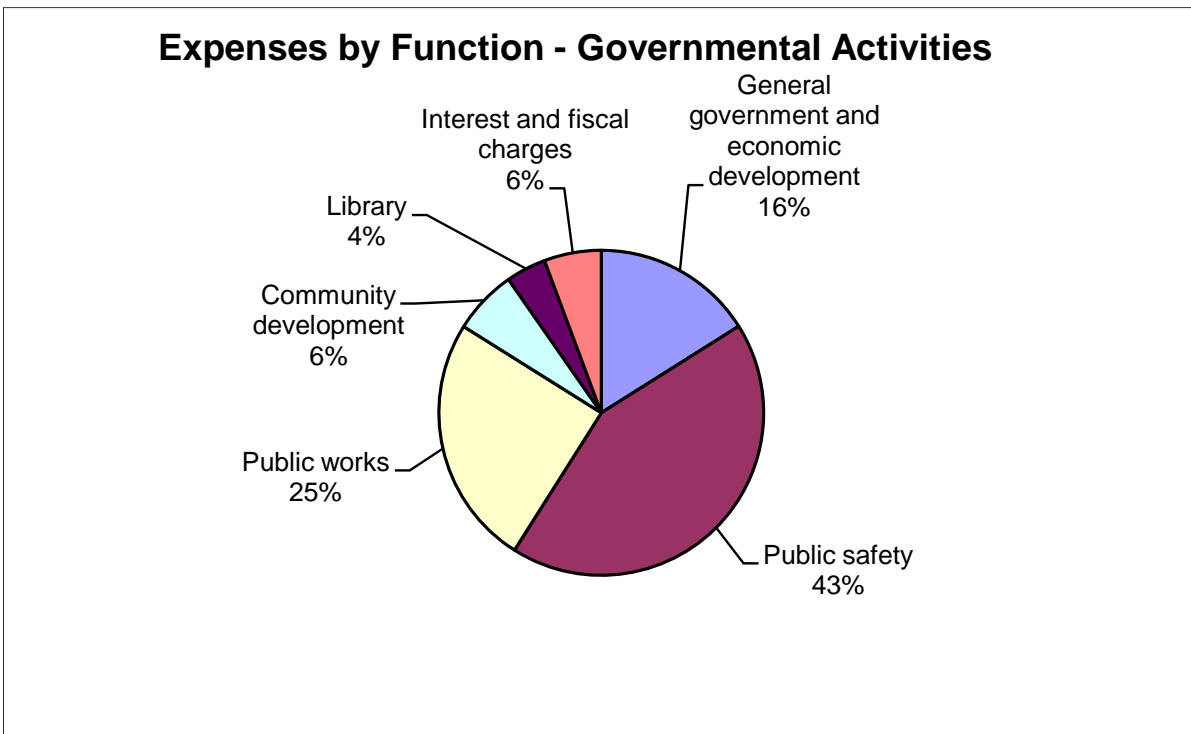
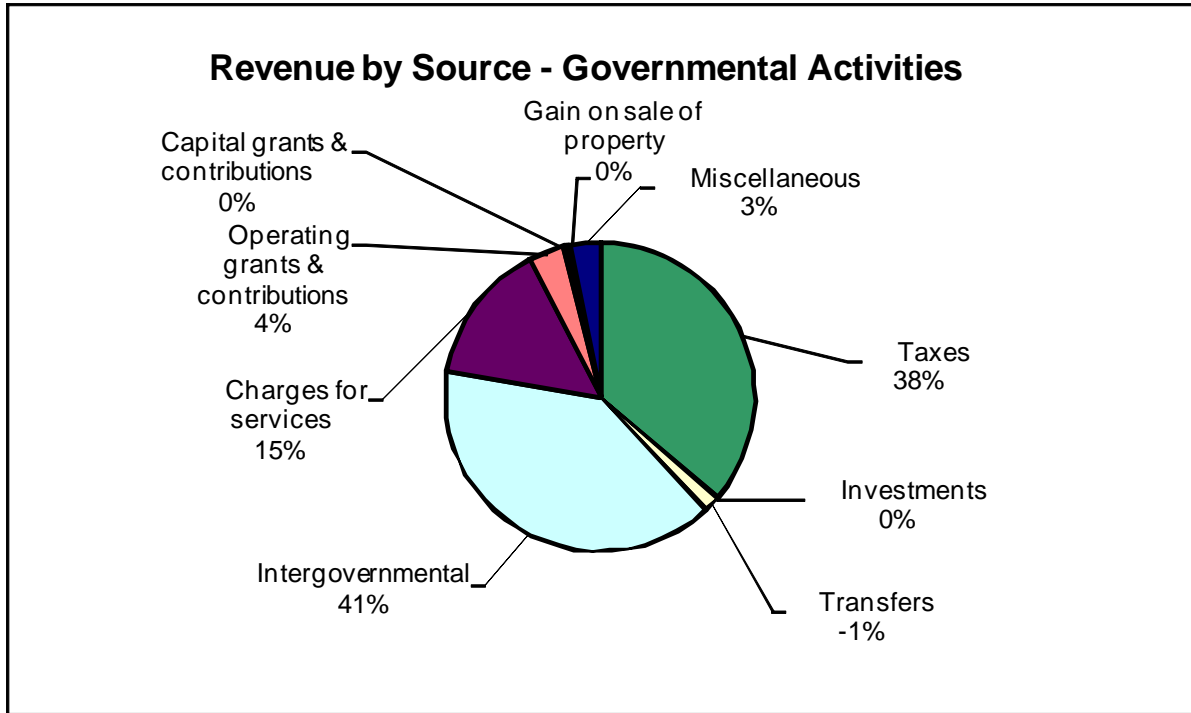
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# CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
(UNAUDITED)  
For Year Ended December 31, 2010

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

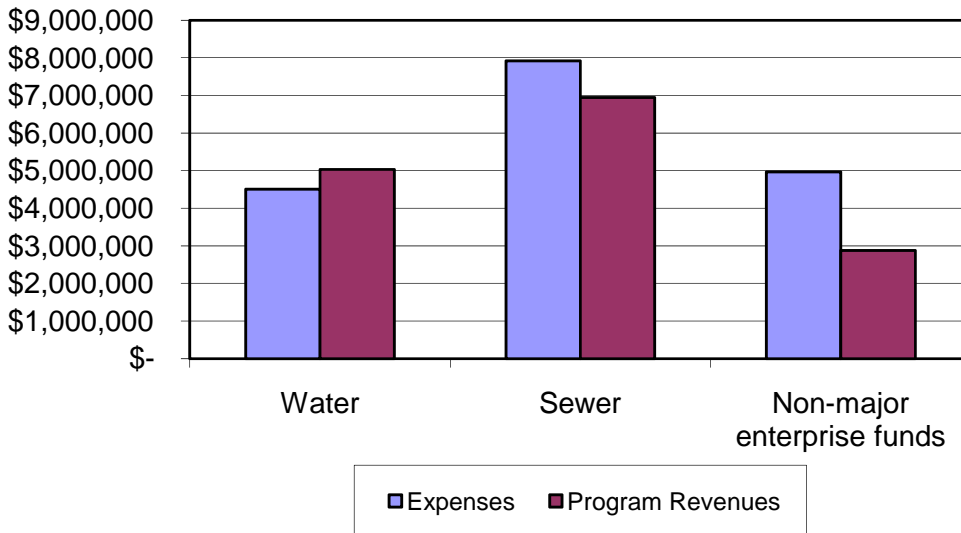


# CITY OF BELOIT, WISCONSIN

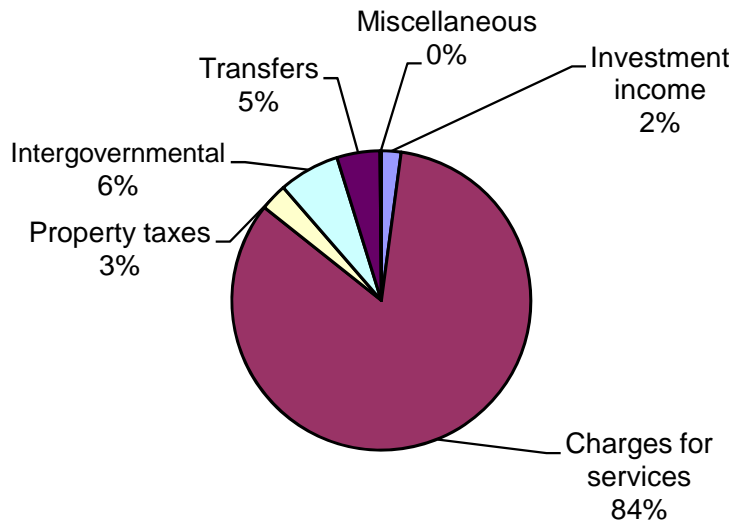
MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
(UNAUDITED)  
For Year Ended December 31, 2010

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

**Expenses and Program Revenues - Business-type Activities  
For the Fiscal Year Ended December 31, 2010**



**Revenues by Source - Business-type Activities**



# CITY OF БЕЛОIT, WISCONSIN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) (UNAUDITED) For Year Ended December 31, 2010

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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 accounting and 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, 2010, the City of Beloit's governmental funds reported combined ending fund balances of \$27,669,734. This is an increase of \$777,037 from the previous year. Approximately 21% of this total or \$5,756,104 constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. This increase is largely due to spending levels in the City's general fund being well below budgeted levels for the year and the repayment of advances by the tax increment districts. There were a number of vacancies throughout the year in the general fund departments leading to lower personnel and benefits costs. We also had a less severe winter resulting in lower snow and ice removal costs.

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 (\$14,414,828), 2) to pay debt service (\$882,393), 3) for non-current receivables/advances (\$5,234,360), and 4) the balance for a variety of other restricted purposes (\$1,382,049).

**General Fund:** The general fund is the primary 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 is greater. As of December 31, 2010, the total fund balance of the general fund was \$10,800,186, of which \$8,724,137 was unreserved and undesignated. This unreserved and undesignated fund balance represents 30.4% of general fund expenditures. The City's unreserved and undesignated fund balance increased \$734,108 over the prior year largely due to the repayment of advances made to tax increment districts and actual expenditures being \$946,740 less than budgeted amounts.

**Tax Increment Financing 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 \$140 million. The premier project in the TID is the Kerry Ingredients and Flavours North American Headquarters facility which was completed in early 2009. This project consists of a new 200,000 square foot corporate office/ R&D facility representing a tax base investment in excess of \$40 million. The district has a fund balance of \$1,764,783 and is scheduled to close in 2024.

# CITY OF БЕЛОIT, WISCONSIN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) (UNAUDITED) For Year Ended December 31, 2010

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

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Any remaining fund balance after that date will be distributed proportionately to the overlying taxing districts and the general fund. Increased spending on capital projects and project plan expenses reduced the fund balance \$419,196.

**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 \$2,061,368 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 \$182,600.

**Tax Increment Financing 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 2009. The TID has a negative fund balance of \$3,220,225. The TID 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 was a reduction of \$142,598 to the negative fund balance from the prior year largely due to minimum guaranteed increment payments received from the property owner.

**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, 2010 is \$5,505,004 all of which is programmed to be used for capital improvements. The City spent \$4.2 million on capital improvement projects last year including several major road and highway improvements and parks improvements.

The aggregate non-major governmental funds column includes various special revenue and capital projects funds that are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Most of these are the remaining tax incremental financing districts. The cumulative fund balances for these funds is \$10,758,618, a decrease of \$26,724 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 \$831,996 in 2010 compared to a loss of \$593,868 for 2009. This loss is largely the result of increased operating and maintenance costs and depreciation expense on plant and equipment. Operating revenues increased in 2010 although there was no change in the user fees assessed for sewer services. The rates for sewer services have not changed since 2003. Net assets decreased \$742,757 last year largely due to increased operating and depreciation expenses. The City has 13,498 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, 2010

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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 \$2,090,964 in 2010 compared to \$1,268,812 in 2009. The water utility is experiencing the same trend as the sewer utility with increased operating revenues. The Public Service Commission of Wisconsin approved a 12% increase in user rates effective December 1, 2010. This increase is expected to yield an additional \$530,000 in revenue for the water utility. The change in net assets in 2010 was \$1,256,279. Most of this increase can be attributed to the increase in operating revenues as well as decreases in operating expenses. In 2010 the City began charging rent for the use of space at the 2400 Springbrook Court operations center to non-utility related operations of the City. Currently the public works and police departments are occupying space at this facility which is owned by the water utility. Also last year there was a reduction in operating expenses associated with the painting of one of the water towers in the prior year and contractual services related to water main maintenance. The City serves 15,293 water customers and maintains seven wells and approximately 200 miles of water mains.

The net assets of the City's Enterprise Funds as of December 31, 2010 were \$74,691,811. The water and sewer utility's net assets accounted for \$60,588,629 or 81% of this total.

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### GENERAL FUND BUDGETARY HIGHLIGHTS

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The final amended budget appropriations, which include expenditures and transfers out, totaled \$29,603,798. The final actual expenditures and transfers out of \$28,657,315 were \$946,740 less than the final budget appropriations. This was due to a number of staff vacancies that occurred during the year and lower than anticipated snow and ice removal costs.

The actual revenues and transfers in were \$29,012,827, which was \$662,471 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 2010 were \$117,603 and in 2009 they were \$241,174. Interest rates remain at all-time historic lows without any sign of improvement in the near future. The City issued only two building permits for new construction in 2010 with a total construction value of \$375,000. Building permit fees were \$14,711 more than the previous year with most of the permits issued for renovation and remodeling. At \$5,990,830, the property tax levy is the largest local source revenue in the General Fund. Property taxes exceeded the final budget by \$11,944. 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 2010, these payments totaled \$19,658,456. This represents 68% of total General Fund Revenues and Other Financing Sources. Revenues and transfers in exceeded expenditures and transfers out by \$355,512 which is the net change in fund balance for 2010.

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

- > General government expenditures were \$288,186 less than budget largely related to personnel vacancies in the City Manager's department and the contingency reserve not being used in the Finance and Administrative Services department.
- > Actual expenditures for the Public Safety departments were \$296,932 less than the final budget amount. This was again due to reduced personnel costs related to position vacancies that occurred during the year.
- > Public Works department expenditures were \$373,729 less than budgeted amounts due to reduced snow removal and parks maintenance costs.
- > Overall, General Fund expenditures were \$946,740 less than final budgeted amounts.

# CITY OF БЕЛОIT, WISCONSIN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) (UNAUDITED) For Year Ended December 31, 2010

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### **GENERAL FUND BUDGETARY HIGHLIGHTS** (cont.)

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- > Tax revenues were less than budget primarily due to prior year tax collections and rescinded taxes all other tax collections were within budgeted amounts.
- > The City's largest source of revenue for its General Fund comes from funding it receives from the State of Wisconsin. In 2010 the City received \$19,658,456 in intergovernmental aid from the State to support municipal services and transportation aids.
- > License and permit revenues were down largely due to the affect of the recession on the development industry.
- > Fines, forfeitures and penalties were \$116,545 more than budget largely due to increased fines being collected and penalties on delinquent property taxes.
- > Fees and charges departments make for services provided were down \$14,443 largely due to the effects of the economy.
- > Investment income of \$117,603 is down considerably from the prior year and reflects the impact of the financial markets on the City's portfolio. Interest rates continue to remain 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, 2010, was \$181,575,874 (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 \$563,629 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 \$1 million were either completed or were started last year. Some of the more significant projects include the reconstruction of McKinley and Public Avenues, the fourth street parking lot, and almost \$180,000 in new street lights associated with these and other projects.
- > Another notable project that was completed last year was the construction of a new transfer facility for the City's public transit system. This new facility opened in May 2010 at a cost of approximately \$2.5 million and was paid for largely with federal and state grants.
- > 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 \$2 million of various machinery, equipment and vehicles to its operations.

## CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

(UNAUDITED)

For Year Ended December 31, 2010

### CAPITAL ASSETS (cont.)

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Land	\$ 4.9	\$ 4.9	\$ 3.6	\$ 3.7	\$ 8.5	\$ 8.6
Construction in progress	0.0	0.0	3.4	3.1	3.4	3.1
Land improvements	0.0	0.0	0.1	0.1	0.1	0.1
Buildings	16.9	16.5	5.0	7.4	21.9	23.9
Machinery & equipment	9.6	9.8	3.5	3.5	13.1	13.3
Other improvements	3.3	3.1	-	-	3.3	3.1
Streets	46.4	46.6	-	-	46.4	46.6
Street lights	3.8	3.9	-	-	3.8	3.9
Traffic signals	1.2	1.1	-	-	1.2	1.1
Bridges	4.1	4.0	-	-	4.1	4.0
Storm sewer infrastructure	-	-	8.6	8.6	8.6	8.6
Water plant & equipment	-	-	26.8	26.6	26.8	26.6
Sewer plant & equipment	-	-	39.9	38.7	39.9	38.7
Totals	<u>\$ 90.2</u>	<u>\$ 90.0</u>	<u>\$ 90.9</u>	<u>\$ 91.6</u>	<u>\$ 181.1</u>	<u>\$ 181.6</u>

Columns may not total due to rounding.

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 2010, the City issued \$10,260,000 in bonds and notes and retired debt of \$5,777,774 resulting in \$90,553,253 in outstanding general obligation and revenue bonds and notes payable at the end of 2010. The per capita general obligation debt ratio was \$1,621 at the end of 2010. Of the general obligation and revenue bonded debt, \$54,003,141 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 \$59,928,253, which is 74.4% of the maximum allowed of \$80,544,490. 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 2010.

# CITY OF БЕЛОIT, WISCONSIN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

(UNAUDITED)

For Year Ended December 31, 2010

### LONG-TERM OBLIGATIONS (cont.)

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
General obligation bonds	\$ 53.8	\$ 54.0	\$ 6.0	\$ 5.9	\$ 59.8	\$ 59.9
Revenue bonds	-	-	26.2	30.6	26.2	30.6
<b>Debt Outstanding</b>	<b><u>\$ 53.8</u></b>	<b><u>\$ 54.0</u></b>	<b><u>\$ 32.2</u></b>	<b><u>\$ 36.5</u></b>	<b><u>\$ 86.0</u></b>	<b><u>\$ 90.5</u></b>

Columns may not total due to rounding.

Additional information on the City of Beloit's long-term debt can be found in footnote IV.F on pages 45-51 of this CAFR.

### CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

The City's economy historically and currently remains largely reliant on manufacturing and industry which are sectors of the economy that have been some of the most negatively impacted by the worldwide recession. In late 2008, the General Motors assembly plant in Janesville, Wisconsin, closed leaving a significant void in the local economy that has yet to be completely filled. There have been recent improvements to the local economy but this closing has had a profound effect on the City and its businesses. The City's unemployment rate in April 2011 was 12.6%, the second highest in the State of Wisconsin. The April 2009 unemployment rate for the City was 18.3% which was the highest in the State. Although this trend is positive, the local economy and in particular, job creation and unemployment continues to lag behind both State and National levels.

There is, however, 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 39/90, and Milwaukee to the northeast via Interstate 43 Beloit has 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 \$140 million with over 700 jobs. We are optimistic that this linkage will further enhance the development potential of TID #10 and just recently Kettle Foods broke ground on an expansion project that will double the size of their facility with a \$38 million investment and 100 new jobs.

In 2010, the City's tax base decreased \$133,296,300 or 7.6% to \$1,610,889,800. Most of this decrease occurred in residential property value and this trend is not expected to continue in 2011 as property values have stabilized. There has been very little new development in Beloit the last two years to offset market adjustments. Only two building permits for new construction were issued in 2010 with an improvements value of \$375,000. The improvements value of all building permits issued in 2010 was \$13,393,074 which is similar to 2009.



# CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)  
(UNAUDITED)  
For Year Ended December 31, 2010

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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 БЕЛОIT

STATEMENT OF NET ASSETS  
December 31, 2010

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Totals	
<b>ASSETS</b>				
Cash and investments	\$ 27,350,653	\$ 5,241,891	\$ 32,592,544	\$ 2,081,234
Advance payments	-	-	-	3,370
Receivables (net of allowance for uncollectibles)				
Taxes	19,697,360	567,256	20,264,616	-
Delinquent personal property taxes	103,519	-	103,519	-
Accounts	1,599,038	4,141,849	5,740,887	167,362
Notes	-	-	-	345,663
Special assessments	1,712,531	-	1,712,531	125,486
Loans	3,527,800	-	3,527,800	-
Accrued interest	183,797	-	183,797	433
Other	234,181	430,602	664,783	-
Due from other governmental units	606,597	263,840	870,437	4,140
Internal balances - interfunds	42,394	(42,394)	-	-
Internal balances - advances	564,000	(564,000)	-	-
Due from component unit	176,440	-	176,440	-
Inventories	595,092	148,435	743,527	-
Tax credit fees	-	-	-	110,784
Prepaid items	96,815	-	96,815	391
Lease receivable from primary government	-	-	-	17,723,066
Restricted Assets				
Temporarily Restricted				
Cash and investments	617	11,165,116	11,165,733	2,667,736
Deposit with risk pool	1,575,475	-	1,575,475	-
Other assets	536,542	281,370	817,912	-
Land held for resale	4,185,890	-	4,185,890	-
Capital Assets				
Land	4,853,096	3,688,591	8,541,687	414,539
Construction in progress	-	3,071,164	3,071,164	813,506
Capital assets net of depreciation	85,098,233	84,864,790	169,963,023	4,227,675
Total Assets	152,740,070	113,258,510	265,998,580	28,685,385
<b>LIABILITIES</b>				
Accounts payable	1,647,561	1,062,488	2,710,049	687,229
Accrued liabilities	590,832	260,334	851,166	86,898
Claims payable	2,719,122	-	2,719,122	-
Due to primary government	-	-	-	298,257
Other liabilities	-	17,770	17,770	-
Unearned revenues	19,766,759	567,256	20,334,015	1,423,453
Deposits	-	-	-	74,236
Noncurrent liabilities				
Due within one year	7,527,652	1,706,361	9,234,013	1,355,000
Due in more than one year	77,026,454	34,847,711	111,874,165	19,320,607
Total Liabilities	109,278,380	38,461,920	147,740,300	23,245,680
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	32,392,062	62,944,168	89,611,229	486,075
Members' equity	-	-	-	935,375
Restricted for debt service	2,077,288	442,159	2,519,447	-
Restricted for replacement	-	2,696,299	2,696,299	-
Restricted for grant programs	4,783,247	-	4,783,247	3,660,742
Restricted for cemetery perpetual care	1,765,337	-	1,765,337	-
Restricted for park activities	33,411	-	33,411	-
Unrestricted	2,410,345	8,713,964	16,849,310	357,513
<b>TOTAL NET ASSETS</b>	<b>\$ 43,461,690</b>	<b>\$ 74,796,590</b>	<b>\$ 118,258,280</b>	<b>\$ 5,439,705</b>

See accompanying notes to financial statements.

**CITY OF BELOIT**

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government				
City Council, Manager, Attorney	\$ 680,410	\$ 26,550	\$ -	\$ -
Finance and Administrative Services	7,947,872	3,670,559	202,950	-
Community Development	3,569,817	113,941	945,986	-
Economic Development	315,893	-	-	-
Public Safety				
Police Services	14,431,648	1,383,631	49,636	-
Fire Services	9,460,266	52,421	66,205	-
Public works	13,882,641	2,493,176	453,139	234,354
Library	2,222,913	220,268	274,970	-
Interest and fiscal charges	3,164,857	-	-	-
Total Governmental Activities	<u>55,676,317</u>	<u>7,960,546</u>	<u>1,992,886</u>	<u>234,354</u>
Business-type Activities				
Water	4,505,850	5,029,628	-	-
Sewer	7,920,544	6,946,357	-	-
Golf course	506,898	446,711	-	-
Cemeteries	300,303	170,913	-	-
Ambulance	960,452	1,076,656	-	-
Storm sewer	998,025	942,022	-	-
Transit	2,196,377	237,273	-	-
Total Business-type Activities	<u>17,388,449</u>	<u>14,849,560</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 73,064,766</u>	<u>\$ 22,810,106</u>	<u>\$ 1,992,886</u>	<u>\$ 234,354</u>
Component Units - Business-type Activities				
Community Development Authority	\$ 5,623,879	\$ 195,574	\$ 4,229,917	\$ 956,901
Business Improvement District	209,621	129,500	83,056	-
Beloit Public Library Foundation, Inc.	31,526	58,185	6,676	-
Total Component Units	<u>\$ 5,865,026</u>	<u>\$ 383,259</u>	<u>\$ 4,319,649</u>	<u>\$ 956,901</u>

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
\$ (653,860)	\$ -	\$ (653,860)	\$ -
(4,074,363)	-	(4,074,363)	-
(2,509,890)	-	(2,509,890)	-
(315,893)	-	(315,893)	-
(12,998,381)	-	(12,998,381)	-
(9,341,640)	-	(9,341,640)	-
(10,701,972)	-	(10,701,972)	-
(1,727,675)	-	(1,727,675)	-
(3,164,857)	-	(3,164,857)	-
<u>(45,488,531)</u>	<u>-</u>	<u>(45,488,531)</u>	<u>-</u>
-	523,778	523,778	-
-	(974,187)	(974,187)	-
-	(60,187)	(60,187)	-
-	(129,390)	(129,390)	-
-	116,204	116,204	-
-	(56,003)	(56,003)	-
-	(1,959,104)	(1,959,104)	-
-	<u>(2,538,889)</u>	<u>(2,538,889)</u>	<u>-</u>
(45,488,531)	(2,538,889)	(48,027,420)	-
-	-	-	(241,487)
-	-	-	2,935
-	-	-	<u>33,335</u>
			(205,217)
5,990,830	519,980	6,510,810	-
4,298,477	-	4,298,477	-
6,644,301	-	6,644,301	-
1,916,587	-	1,916,587	-
612,327	-	612,327	-
21,209,003	1,172,108	22,381,111	-
39,470	377,693	417,163	1,300,120
172,518	-	172,518	-
1,628,340	26,838	1,655,178	28,649
(826,035)	826,035	-	-
<u>41,685,818</u>	<u>2,922,654</u>	<u>44,608,472</u>	<u>1,328,769</u>
(3,802,713)	383,765	(3,418,948)	1,123,552
<u>47,264,403</u>	<u>74,412,825</u>	<u>121,677,228</u>	<u>4,316,153</u>
<u>\$ 43,461,690</u>	<u>\$ 74,796,590</u>	<u>\$ 118,258,280</u>	<u>\$ 5,439,705</u>

See accompanying notes to financial statements.

**CITY OF BELOIT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
December 31, 2010

	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	\$ 9,317,311	\$ 21,535	\$ 1,788,543	\$ 473,277	\$ 2,760,128	\$ 12,378,136	\$ 26,738,930
Receivables							
Taxes	6,338,078	37,479	3,884,807	4,573,523	199,347	4,668,080	19,701,314
Delinquent personal property taxes	99,565	-	-	-	41,736	-	141,301
Accounts (net)	503,939	95,121	7,662	-	-	639,022	1,245,744
Special assessments	-	-	-	-	1,712,531	-	1,712,531
Loans	-	-	-	-	-	3,527,800	3,527,800
Accrued interest	88,331	-	-	-	-	95,466	183,797
Other	97,324	-	-	-	-	-	97,324
Due from other governmental units	-	-	-	-	-	606,597	606,597
Due from other funds	1,161,417	-	-	-	-	7,626	1,169,043
Due from component units	-	-	-	-	-	176,440	176,440
Inventories	595,092	-	-	-	-	-	595,092
Prepaid items	96,815	-	-	-	-	-	96,815
Advances to other funds	694,000	-	-	1,589,291	2,951,069	-	5,234,360
<b>TOTAL ASSETS</b>	<b>\$ 18,991,872</b>	<b>\$ 154,135</b>	<b>\$ 5,681,012</b>	<b>\$ 6,636,091</b>	<b>\$ 7,664,811</b>	<b>\$ 22,099,167</b>	<b>\$ 61,227,088</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	\$ 1,373,099	\$ -	\$ 24,757	\$ 1,200	\$ 145,208	\$ 500,863	\$ 2,045,127
Due to other funds	7,626	-	-	-	60,983	951,064	1,019,673
Deferred revenue	6,810,961	108,820	3,891,472	4,573,523	1,953,616	8,483,802	25,822,194
Advances from other funds	-	3,265,540	-	-	-	1,404,820	4,670,360
Total Liabilities	8,191,686	3,374,360	3,916,229	4,574,723	2,159,807	11,340,549	33,557,354
<b>Fund Balances (Deficits)</b>							
Reserved for							
Delinquent personal property taxes	99,565	-	-	-	-	-	99,565
Inventories	595,092	-	-	-	-	-	595,092
Prepaid items	96,815	-	-	-	-	-	96,815
Noncurrent receivables/advances	694,000	-	-	1,589,291	2,951,069	-	5,234,360
Debt service	-	-	-	472,077	-	410,316	882,393
Encumbrances	-	-	2,063	-	88,154	1,758,499	1,848,716
Unreserved and designated, reported in							
General fund - surplus applied to 2011 budget	590,577	-	-	-	-	-	590,577
Special revenue funds - subsequent year's expenditures	-	-	1,762,720	-	-	3,915,070	5,677,790
Capital projects funds - subsequent year's expenditures	-	-	-	-	-	6,888,322	6,888,322
Unreserved and undesignated (deficit), reported in							
General fund	8,724,137	-	-	-	-	-	8,724,137
Special revenue funds	-	(3,220,225)	-	-	-	(2,213,589)	(5,433,814)
Capital projects funds	-	-	-	-	2,465,781	-	2,465,781
Total Fund Balances (Deficits)	10,800,186	(3,220,225)	1,764,783	2,061,368	5,505,004	10,758,618	27,669,734
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 18,991,872</b>	<b>\$ 154,135</b>	<b>\$ 5,681,012</b>	<b>\$ 6,636,091</b>	<b>\$ 7,664,811</b>	<b>\$ 22,099,167</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.							89,930,507
Land held for resale is not reported in the funds							4,185,890
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.							6,055,435
Internal service funds are reported in the statement of net assets as governmental funds							109,794
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.							(84,489,670)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>							<b>\$ 43,461,690</b>

**CITY OF BELOIT**

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2010

	General	TIF District No. 9	TIF District No. 10	General Debt Service
<b>REVENUES</b>				
Taxes	\$ 6,067,246	\$ 48,520	\$ 3,470,523	\$ 4,298,477
Intergovernmental	19,658,456	258	51,298	66,329
Licenses and permits	577,009	-	-	-
Fines, forfeitures and penalties	1,266,545	-	-	-
Fees and service charges	668,787	-	-	-
Rent	15,469	-	-	-
Special assessments	-	-	-	-
Investment income (loss)	117,603	1,510	25,683	(17,871)
Public charges for services	-	107,860	-	-
Other	40,504	-	-	317,795
Total Revenues	<u>28,411,619</u>	<u>158,148</u>	<u>3,547,504</u>	<u>4,664,730</u>
<b>EXPENDITURES</b>				
Current				
General government	3,847,646	-	-	-
Community development	1,074,355	-	-	-
Public safety	17,888,846	-	-	-
Public works	5,836,211	-	-	-
Parks, recreation, and education	-	-	-	-
Capital Outlay	-	150	1,775,860	-
Debt Service				
Principal retirement	10,000	-	1,153,769	4,337,701
Interest and fiscal charges	-	-	858,477	2,051,583
Total Expenditures	<u>28,657,058</u>	<u>150</u>	<u>3,788,106</u>	<u>6,389,284</u>
Excess (deficiency) of revenues over expenditures	<u>(245,439)</u>	<u>157,998</u>	<u>(240,602)</u>	<u>(1,724,554)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt issued	-	-	-	-
Sale of city property	16,709	-	75,710	-
Transfers in	584,499	-	-	1,541,954
Transfers out	(257)	(15,400)	(254,304)	-
Total Other Financing Sources (Uses)	<u>600,951</u>	<u>(15,400)</u>	<u>(178,594)</u>	<u>1,541,954</u>
Net Change in Fund Balances	355,512	142,598	(419,196)	(182,600)
FUND BALANCES (DEFICIT) - Beginning - as restated	<u>10,444,674</u>	<u>(3,362,823)</u>	<u>2,183,979</u>	<u>2,243,968</u>
<b>FUND BALANCES (DEFICIT) - ENDING</b>	<u>\$ 10,800,186</u>	<u>\$ (3,220,225)</u>	<u>\$ 1,764,783</u>	<u>\$ 2,061,368</u>

Capital Improvements	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 5,043,846	\$ 18,928,612
27,814	3,204,892	23,009,047
-	2,008	579,017
3,594	-	1,270,139
-	52,111	720,898
-	-	15,469
158,485	-	158,485
3,147	(101,445)	28,627
-	2,468,666	2,576,526
734,647	1,870,290	2,963,236
<u>927,687</u>	<u>12,540,368</u>	<u>50,250,056</u>
-	2,003	3,849,649
-	2,888,795	3,963,150
-	558,270	18,447,116
-	2,489,277	8,325,488
-	1,992,966	1,992,966
4,191,503	3,506,923	9,474,436
-	108,098	5,609,568
120,524	89,394	3,119,978
<u>4,312,027</u>	<u>11,635,726</u>	<u>54,782,351</u>
<u>(3,384,340)</u>	<u>904,642</u>	<u>(4,532,295)</u>
3,643,592	818,995	4,462,587
-	169,827	262,246
15,000	257	2,141,710
-	(1,287,250)	(1,557,211)
<u>3,658,592</u>	<u>(298,171)</u>	<u>5,309,332</u>
274,252	606,471	777,037
<u>5,230,752</u>	<u>10,152,147</u>	<u>26,892,697</u>
<u>\$ 5,505,004</u>	<u>\$ 10,758,618</u>	<u>\$ 27,669,734</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, 2010

Net change in fund balances - total governmental funds	\$ 777,037
Amounts reported for governmental activities in the statement of activities are different because:	
<p>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.</p>	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	9,474,436
Less: Some items are reported as capital outlay but not capitalized	(6,711,719)
Depreciation is reported in the government-wide statements	(2,784,318)
Change in land held for resale	92,434
Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net assets.	(176,433)
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.	275,504
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 (\$4,462,587 G.O. debt) were more than payments (\$4,303,621 G.O. debt, \$10,000 other debt, and \$1,356,157 capital leases).	1,207,191
Other post-employment benefit liability	(4,678,447)
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.	3,630
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	(79,393)
Accrued interest on debt	(48,509)
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>(1,154,126)</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (3,802,713)</u></b>

See accompanying notes to financial statements.



CITY OF BELOIT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
December 31, 2010

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	
<b>ASSETS</b>					
Current Assets					
Cash and investments	\$ 1,476,316	\$ 3,383,874	\$ 381,701	\$ 5,241,891	\$ 612,340
Receivables					
Taxes	-	-	567,256	567,256	-
Accounts	863,913	2,755,274	522,662	4,141,849	448,415
Other	76,928	349,431	4,243	430,602	-
Due from other governmental units	-	-	263,840	263,840	-
Current portion of advance	-	192,011	-	192,011	-
Inventories	26,213	-	122,222	148,435	-
Restricted Assets					
Bond redemption account	551,862	-	126,444	678,306	-
Total Current Assets	<u>2,995,232</u>	<u>6,680,590</u>	<u>1,988,368</u>	<u>11,664,190</u>	<u>1,060,755</u>
Non-Current Assets					
Restricted Assets					
Bond reserve account	2,300,940	-	-	2,300,940	-
Construction account	4,046,689	-	1,442,882	5,489,571	-
Replacement account	-	2,696,299	-	2,696,299	-
Deposit with risk pool	-	-	-	-	1,575,475
Total Restricted Assets	<u>6,347,629</u>	<u>2,696,299</u>	<u>1,442,882</u>	<u>10,486,810</u>	<u>1,575,475</u>
Capital Assets					
Land	1,032,309	1,386,282	1,270,000	3,688,591	-
Construction in progress	1,020,527	1,444,621	606,016	3,071,164	-
Land improvements	-	-	702,418	702,418	-
Buildings	4,386,532	66,144,371	4,833,464	75,364,367	-
Machinery, equipment, and vehicles	2,298,140	1,460,398	4,286,854	8,045,392	67,165
Infrastructure	36,651,449	16,073,860	10,772,259	63,497,568	-
Less: Accumulated depreciation	<u>(11,919,791)</u>	<u>(44,469,119)</u>	<u>(6,356,045)</u>	<u>(62,744,955)</u>	<u>(46,343)</u>
Total Capital Assets, Net	<u>33,469,166</u>	<u>42,040,413</u>	<u>16,114,966</u>	<u>91,624,545</u>	<u>20,822</u>
Other Assets					
Advances to other funds	-	637,011	-	637,011	-
Unamortized debt discount	-	-	45,013	45,013	-
Unamortized debt issuance costs	<u>236,357</u>	<u>-</u>	<u>-</u>	<u>236,357</u>	<u>-</u>
Total Other Assets	<u>236,357</u>	<u>637,011</u>	<u>45,013</u>	<u>918,381</u>	<u>-</u>
Total Non-Current Assets	<u>40,053,152</u>	<u>45,373,723</u>	<u>17,602,861</u>	<u>103,029,736</u>	<u>1,596,297</u>
Total Assets	<u>43,048,384</u>	<u>52,054,313</u>	<u>19,591,229</u>	<u>114,693,926</u>	<u>2,657,052</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	\$ 184,621	\$ 551,301	\$ 326,566	\$ 1,062,488	\$ 38,903
Accrued liabilities	-	9,206	14,981	24,187	-
Claims payable	-	-	-	-	2,401,379
Due to other funds	-	-	147,173	147,173	2,197
Compensated absences	18,805	116,172	58,656	193,633	-
Current maturities of general obligation debt	124,227	77,011	181,490	382,728	-
Current portion of advances	192,011	-	-	192,011	-
Unearned revenue	-	-	567,256	567,256	-
Other current liabilities	-	-	17,770	17,770	-
Current Liabilities Payable From Restricted Assets					
Current maturities of revenue debt	1,080,000	-	50,000	1,130,000	-
Accrued interest	224,023	-	12,124	236,147	-
Total Current Liabilities	<u>1,823,687</u>	<u>753,690</u>	<u>1,376,016</u>	<u>3,953,393</u>	<u>2,442,479</u>
Noncurrent Liabilities					
General obligation debt, less current maturities	2,392,476	1,224,296	1,925,612	5,542,384	-
Compensated absences	1,877	98,844	103,311	204,032	-
Other post-employment benefits	24,750	109,313	99,108	233,171	-
Revenue debt, less current maturities	28,075,000	-	1,420,000	29,495,000	-
Unamortized discount	(261,586)	-	-	(261,586)	-
Unamortized loss on advance refunding	(365,290)	-	-	(365,290)	-
Advances from other funds	637,011	-	564,000	1,201,011	-
Total Noncurrent Liabilities	<u>30,504,238</u>	<u>1,432,453</u>	<u>4,112,031</u>	<u>36,048,722</u>	<u>-</u>
Total Liabilities	<u>32,327,925</u>	<u>2,186,143</u>	<u>5,488,047</u>	<u>40,002,115</u>	<u>2,442,479</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	8,179,303	40,739,106	14,025,759	62,944,168	20,822
Restricted for debt service	327,839	-	114,320	442,159	-
Restricted for replacement	-	2,696,299	-	2,696,299	-
Unrestricted	<u>2,213,317</u>	<u>6,432,765</u>	<u>(36,897)</u>	<u>8,609,185</u>	<u>193,751</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 10,720,459</u>	<u>\$ 49,868,170</u>	<u>\$ 14,103,182</u>	<u>\$ 74,691,811</u>	<u>\$ 214,573</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

104,779

**NET ASSETS OF BUSINESS-TYPE ACTIVITIES**

\$ 74,796,590

**CITY OF BELOIT**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND  
NET ASSETS - PROPRIETARY FUNDS  
For the Year Ended December 31, 2010

	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	\$ 4,507,904	\$ 6,575,320	\$ 2,836,529	\$ 13,919,753	\$ 10,511,018
Other	521,724	371,037	37,046	929,807	-
Total Operating Revenues	<u>5,029,628</u>	<u>6,946,357</u>	<u>2,873,575</u>	<u>14,849,560</u>	<u>10,511,018</u>
<b>OPERATING EXPENSES</b>					
Operation and maintenance	1,466,106	4,264,274	3,948,170	9,678,550	11,273,750
Contractual services	387,232	1,106,037	339,758	1,833,027	591,751
Depreciation	1,085,326	2,408,042	435,193	3,928,561	2,940
Total Operating Expenses	<u>2,938,664</u>	<u>7,778,353</u>	<u>4,723,121</u>	<u>15,440,138</u>	<u>11,868,441</u>
Operating Income (Loss)	<u>2,090,964</u>	<u>(831,996)</u>	<u>(1,849,546)</u>	<u>(590,578)</u>	<u>(1,357,423)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Intergovernmental revenues	-	-	1,172,108	1,172,108	-
Investment income	197,535	137,342	10,524	345,401	-
Interest expense	(1,375,784)	(56,200)	(112,354)	(1,544,338)	-
Amortization of debt issuance costs and premiums	(44,010)	-	(2,610)	(46,620)	-
General property taxes	-	-	519,980	519,980	-
Amortization of loss on early retirement of debt	(121,764)	-	-	(121,764)	-
Interest subsidy received on Build America Bonds	-	-	18,741	18,741	-
Miscellaneous	-	8,097	-	8,097	-
Total Nonoperating Revenues (Expenses)	<u>(1,344,023)</u>	<u>89,239</u>	<u>1,606,389</u>	<u>351,605</u>	<u>-</u>
Income (loss) before contributions and transfers	746,941	(742,757)	(243,157)	(238,973)	(1,357,423)
Capital contributions	1,093,837	-	316,697	1,410,534	-
Transfers in	-	-	-	-	1,287,000
Transfers out	(584,499)	-	-	(584,499)	(1,287,000)
<b>Change in Net Assets</b>	<u>1,256,279</u>	<u>(742,757)</u>	<u>73,540</u>	<u>587,062</u>	<u>(1,357,423)</u>
TOTAL NET ASSETS - Beginning	<u>9,464,180</u>	<u>50,610,927</u>	<u>14,029,642</u>		<u>1,571,996</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 10,720,459</u>	<u>\$ 49,868,170</u>	<u>\$ 14,103,182</u>		<u>\$ 214,573</u>

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 (203,297)

**CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES** \$ 383,765

**CITY OF BELOIT**

STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUNDS  
 For the Year Ended December 31, 2010

	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	\$ 5,164,414	\$ 7,053,132	\$ 2,819,756	\$ 15,037,302	\$ 10,115,473
Paid to suppliers for goods and services	(1,269,414)	(3,705,865)	(2,117,303)	(7,092,582)	(11,465,449)
Payments to employees for services	(556,913)	(1,589,960)	(2,174,000)	(4,320,873)	(534,852)
Net Cash Flows from Operating Activities	<u>3,338,087</u>	<u>1,757,307</u>	<u>(1,471,547)</u>	<u>3,623,847</u>	<u>(1,884,828)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating grants received	-	-	1,054,221	1,054,221	-
Interest subsidy received on Build America Bonds	-	-	14,498	14,498	-
Transfers out	(584,499)	-	-	(584,499)	-
Property taxes received	-	-	519,980	519,980	-
Advances to other funds	-	182,666	-	182,666	-
Non-capital advance (and repayment)	-	-	(90,920)	(90,920)	-
Net Cash Flows from Noncapital Financing Activities	<u>(584,499)</u>	<u>182,666</u>	<u>1,497,779</u>	<u>1,095,946</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Debt retired	(1,217,179)	(61,058)	(195,916)	(1,474,153)	-
Interest paid	(1,354,594)	(56,562)	(133,530)	(1,544,686)	-
Proceeds from issuance of new debt	4,259,300	-	1,538,113	5,797,413	-
Debt issuance costs	(79,406)	-	(47,623)	(127,029)	-
Repayment of capital advance	(182,666)	-	-	(182,666)	-
Acquisition and construction of capital assets	(1,546,823)	(1,206,096)	(1,696,647)	(4,449,566)	-
Construction grants received	-	-	1,488,320	1,488,320	-
Contributions received for construction	196,633	-	-	196,633	-
Cost of removal of property retired	(32,320)	-	-	(32,320)	-
Net Cash Flows from Capital and Related Financing Activities	<u>42,945</u>	<u>(1,323,716)</u>	<u>952,717</u>	<u>(328,054)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Marketable securities sold	1,704,128	-	-	1,704,128	-
Investment income (loss)	280,653	137,342	10,524	428,519	-
Net Cash Flows from Investing Activities	<u>1,984,781</u>	<u>137,342</u>	<u>10,524</u>	<u>2,132,647</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>4,781,314</u>	<u>753,599</u>	<u>989,473</u>	<u>6,524,386</u>	<u>(1,884,828)</u>
CASH AND CASH EQUIVALENTS - Beginning	<u>3,594,493</u>	<u>5,326,574</u>	<u>961,554</u>	<u>9,882,621</u>	<u>2,497,168</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 8,375,807</u>	<u>\$ 6,080,173</u>	<u>\$ 1,951,027</u>	<u>\$ 16,407,007</u>	<u>\$ 612,340</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)	\$ 2,090,964	\$ (831,996)	\$ (1,849,546)	\$ (590,578)	\$ (1,357,423)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities					
Nonoperating income	-	8,097	-	8,097	-
Depreciation charged to other funds	120,315	-	-	120,315	-
Depreciation expense	1,085,326	2,408,042	435,193	3,928,561	2,940
Changes in Assets and Liabilities					
Accounts receivable	14,471	20,768	(53,819)	(18,580)	(395,545)
Inventories	21,430	-	(3,627)	17,803	-
Accounts payable	3,991	43,614	(30,109)	17,496	974
Due to/from other funds	-	77,910	-	77,910	-
Accrued compensated absences	(307)	10,481	-	10,174	-
Other post-employment benefits	1,329	5,869	5,425	12,623	-
Payable to other funds	-	-	(3,531)	(3,531)	(719,293)
Compensated absences	568	-	10,859	11,427	-
Other current liabilities	-	14,522	17,608	32,130	-
Claims payable	-	-	-	-	583,519
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 3,338,087</b>	<b>\$ 1,757,307</b>	<b>\$ (1,471,547)</b>	<b>\$ 3,623,847</b>	<b>\$ (1,884,828)</b>

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

Cash and investments - statement of net assets	\$ 1,476,316	\$ 3,383,874	\$ 381,701	\$ 5,241,891	\$ 612,340
Restricted cash and investments - statement of net assets:					
Bond redemption account	551,862	-	126,444	678,306	-
Replacement account	-	2,696,299	-	2,696,299	-
Construction account	4,046,689	-	1,442,882	5,489,571	-
Bond reserve account	2,300,940	-	-	2,300,940	-
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 8,375,807</b>	<b>\$ 6,080,173</b>	<b>\$ 1,951,027</b>	<b>\$ 16,407,007</b>	<b>\$ 612,340</b>

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES**

During 2010, \$893,821 of water capital assets were contributed by the City.

During 2010, \$55,598 of storm capital assets were contributed by the City.

During 2010, \$32,292 of storm interest was capitalized.

During 2010, \$261,099 of transit capital grants were accrued.

**CITY OF BELOIT**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
December 31, 2010**

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	<u>Agency Fund</u>
	<u>Tax Collection Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 11,377,082
Property taxes receivable	<u>12,492,827</u>
<b>TOTAL ASSETS</b>	<u>\$ 23,869,909</u>
<b>LIABILITIES</b>	
Due to other taxing units	<u>\$ 23,869,909</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 23,869,909</u>

See accompanying notes to financial statements.

CITY OF БЕЛОIT

STATEMENT OF NET ASSETS - COMPONENT UNITS  
December 31, 2010

	Major Community Development Authority	Non-Major	Totals
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 1,416,589	\$ 664,645	\$ 2,081,234
Advance payments	-	3,370	3,370
Receivables			
Accounts	167,362	-	167,362
Special assessments	-	125,486	125,486
Accrued interest	-	433	433
Lease receivable from Beloit Apartments Redevelopment - Phase I - LLC	-	-	-
Lease receivable from primary government	1,305,000	-	1,305,000
Due from Beloit Apartments Redevelopment - Phase I - LLC	209,803	-	209,803
Due from Beloit Apartments Redevelopment - Phase 2 - LLC	135,860	-	135,860
Due from other governmental units	4,140	-	4,140
Tax credit fees	110,784	-	110,784
Prepaid items	391	-	391
Total Current Assets	<u>3,349,929</u>	<u>793,934</u>	<u>4,143,863</u>
Non-Current Assets			
Restricted Assets			
Cash and investments	<u>2,667,736</u>	-	<u>2,667,736</u>
Capital Assets			
Land	414,539	-	414,539
Land improvements	92,478	-	92,478
Construction in progress	813,506	-	813,506
Buildings	2,767,905	-	2,767,905
Building improvements	2,076,288	-	2,076,288
Machinery, equipment, furnishings and vehicles	2,381,452	-	2,381,452
Less: Accumulated depreciation	<u>(3,090,448)</u>	-	<u>(3,090,448)</u>
Total Capital Assets, Net	<u>5,455,720</u>	-	<u>5,455,720</u>
Other Assets			
Lease receivable from primary government	<u>16,418,066</u>	-	<u>16,418,066</u>
Total Non-Current Assets	<u>24,541,522</u>	-	<u>24,541,522</u>
Total Assets	<u>27,891,451</u>	<u>793,934</u>	<u>28,685,385</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	9,907	3,837	13,744
Construction payables	673,485	-	673,485
Accrued liabilities	86,898	-	86,898
Due to primary government	196,563	101,694	298,257
Unearned revenues	1,297,967	125,486	1,423,453
Deposits	74,236	-	74,236
Lease revenue bonds payable	1,305,000	-	1,305,000
Library campaign pledge	-	50,000	50,000
Total Current Liabilities	<u>3,644,056</u>	<u>281,017</u>	<u>3,925,073</u>
Noncurrent Liabilities			
Compensated absences	31,345	-	31,345
Mortgage notes payable	79,262	-	79,262
Lease revenue bonds payable	19,060,000	-	19,060,000
Library campaign pledge	-	150,000	150,000
Total Noncurrent Liabilities	<u>19,170,607</u>	<u>150,000</u>	<u>19,320,607</u>
Total Liabilities	<u>22,814,663</u>	<u>431,017</u>	<u>23,245,680</u>
<b>NET ASSETS</b>			
Invested in capital assets	486,075	-	486,075
Members' equity	935,375	-	935,375
Restricted for grant programs	3,655,338	5,404	3,660,742
Unrestricted	-	357,513	357,513
<b>TOTAL NET ASSETS</b>	<u>\$ 5,076,788</u>	<u>\$ 362,917</u>	<u>\$ 5,439,705</u>

See accompanying notes to financial statements.

**CITY OF BELOIT**

STATEMENT OF ACTIVITIES - COMPONENT UNITS  
Year Ended December 31, 2010

	<u>Major</u> Community Development Authority	<u>Non-major</u>	<u>Totals</u>
<b>EXPENSES</b>			
Community development	\$ 4,254,631	\$ -	\$ 4,254,631
Economic development	-	209,621	209,621
Library services	-	31,526	31,526
Total Expenses	<u>4,254,631</u>	<u>241,147</u>	<u>4,495,778</u>
<b>PROGRAM REVENUES</b>			
Charges for services	195,574	187,685	383,259
Operating grants and contributions	4,229,917	89,732	4,319,649
Other revenue	9,568	-	9,568
Total Program Revenues	<u>4,435,059</u>	<u>277,417</u>	<u>4,712,476</u>
Net Revenues (Expenses)	<u>180,428</u>	<u>36,270</u>	<u>216,698</u>
<b>GENERAL REVENUES (EXPENSES)</b>			
Investment income	1,284,665	15,455	1,300,120
Interest and amortization	(1,305,149)	-	(1,305,149)
Loss on capital assets	(64,099)	-	(64,099)
Miscellaneous	19,081	-	19,081
Total General Revenues (Expenses)	<u>(65,502)</u>	<u>15,455</u>	<u>(50,047)</u>
Revenues (Expenses) Before Contributions	<u>114,926</u>	<u>51,725</u>	<u>166,651</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>956,901</u>	<u>-</u>	<u>956,901</u>
<b>Change in Net Assets</b>	1,071,827	51,725	1,123,552
TOTAL NET ASSETS - Beginning	<u>4,004,961</u>	<u>311,192</u>	<u>4,316,153</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 5,076,788</u>	<u>\$ 362,917</u>	<u>\$ 5,439,705</u>

See accompanying notes to financial statements



# CITY OF BELOIT

## INDEX TO NOTES TO FINANCIAL STATEMENTS December 31, 2010

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# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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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.J.). As a component unit, the CDA's financial statements are shown as a discrete column (proprietary) in the financial statements. The CDA's financial statements include transactions of one limited liability company which is used to promote redevelopment of CDA properties. The information presented is for the fiscal year ended December 31, 2010. Additional information may be obtained from the CDA's office.

# CITY OF БЕЛОIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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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.J.). 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, 2010. 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, 2010 (see Note IV.J.). 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, 2010

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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 is 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, 2010

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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)	TIF District No. 14
Community Development Block Grant	Fire Multi-Year Grants
TIF District No. 3	DPW Multi-Year Grants
TIF District No. 5	Community Development
TIF District No. 6	Library
TIF District No. 8	Police
TIF District No. 11	Solid Waste
TIF District No. 12	Perpetual Care
TIF District No. 13	

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, 2010

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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 guidance 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, 2010

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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, 2010

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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 guidance 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, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.



# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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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, 2010, 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, 2010

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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 – 2010 tax roll:

Lien date and levy date	December 2010
Tax bills mailed	December 2010
Payment in full, or	January 31, 2011
First installment due	January 31, 2011
Second installment due	March 31, 2011
Third installment due	May 31, 2011
Fourth installment due	July 31, 2011
Personal property taxes in full	January 31, 2011
Tax sale – 2010 delinquent real estate taxes	October 2013

###### *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, 2010

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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 \$40,893.

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, 2010

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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. \$32,292 of 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.

The City implemented GASB 51, *Accounting and Financial Reporting for Intangible Assets*, for the year ended December 31, 2010. As of year end the City had no significant intangible assets.

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, 2010

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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, 2010 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) is 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 \$430,857, 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. The liability and expenditure for claims and judgments is only reported in governmental fund types if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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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 \$5,725,001.

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 December 1, 2010 and is allowed to earn a 5.05% 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, 2010

### 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	\$ 4,853,096
Land improvements	67,854
Buildings and improvements	20,936,285
Machinery and equipment	19,728,500
Other improvements	5,335,614
Infrastructure	69,153,375
Less: Accumulated depreciation	(30,123,395)
Less: Internal service fund capital assets, net of depreciation	<u>(20,822)</u>
 Capital Assets	 <u><u>\$ 89,930,507</u></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 \$84,489,670 difference in liabilities are as follows:

Bonds and notes payable	\$ 54,003,141
Unamortized debt premium/discount/cost of issuance/loss on advance refunding	(814,899)
Compensated absences	2,108,494
Other post-employment benefit liabilities	10,295,154
Other debt	100,000
Capital leases	18,325,674
Accrued interest	<u>472,106*</u>
 Net Adjustment to Reduce Fund Balance – Total Governmental Funds to Arrive at Net Assets – Governmental Activities	   <u><u>\$ 84,489,670</u></u>

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

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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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. 3, 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 2011. 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, 2010

**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, 2010:

	<u>Excess</u>
<b>Debt Service</b>	
General Debt Service (major fund)	\$ 542,244
<b>Capital Projects</b>	
Computer Replacement	85,599

**C. DEFICIT BALANCES**

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

As of December 31, 2010, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
Special Revenue – TIF District No. 6	\$ 410,730	Excess expenditures over revenues
Special Revenue – TIF District No. 8	923,285	Excess expenditures over revenues
Special Revenue – TIF District No. 9	3,220,225	Excess expenditures over revenues
Special Revenue – TIF District No. 12	120,179	Excess expenditures over revenues
Community Development	50,516	Excess expenditures over revenues
Internal Service – Health Insurance	1,703,876	Excess expenses over revenues
Internal Service – Retiree Health Insurance	289	Excess expenses 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, 2010

### 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)	\$ 84,726	\$ 84,726	Credit risk, interest rate risk
Demand deposits	12,409,751	9,403,388	Custodial credit risk
U.S. agencies – implicitly guaranteed	6,230,749	6,230,749	Custodial credit risk, interest rate risk, credit risk, concentration of credit risk
Municipal bonds	4,886,460	4,886,460	Custodial credit risk, interest rate risk, credit risk, concentration of credit risk
Corporate bonds	3,192,371	3,192,371	Credit risk, custodial credit risk, concentration of credit risk, interest rate risk
LGIP	17,503,077	17,503,077	Credit risk, interest rate risk
CLASS	10,819,542	10,819,542	Credit risk, interest rate risk
Petty cash	8,683	-	N/A
Total Cash and Investments	\$ 55,135,359	\$ 52,120,313	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 32,592,544		
Restricted cash and investments	11,165,733		
Per statement of net assets –			
Fiduciary Funds			
Agency	11,377,082		
Total Cash and Investments	\$ 55,135,359		

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, 2010

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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, 2010, the banks had pledged various government securities in the amount of \$9,997,174 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, 2010, the City had no bank balances exposed to custodial credit risk.

As of the December 31, 2010, 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, 2010

**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, 2010, 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
Municipal bonds	AA to AA+	N/A	AA1 to AA2
Corporate bonds	AA- to AA+	N/A	AA2 to AA3
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, 2010, 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)	\$ 3,285,155	8%
Total Concentrated Investments	<u>\$ 3,285,155</u>	<u>8%</u>

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

### 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.	\$ 3,456,633	8%
Vining Sparks	4,760,763	11
Coastal Securities	4,576,710	11
Total Concentrated Investments	\$ 12,794,106	30%

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 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, 2010, 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	\$ 6,230,749	15%	\$ 98,464	\$ 2,066,317	\$ 2,016,710	\$ 2,049,258
Municipal Bonds	4,886,460	11	-	241,178	-	4,645,282
Corporate Bonds	3,192,371	7	-	1,736,901	502,690	952,780
LGIP (1)	17,503,077	41	17,503,077	-	-	-
CLASS	10,819,542	25	10,819,542	-	-	-
Money Market Funds (Federated)	84,726	1	84,726	-	-	-
Totals	\$ 42,716,925		\$ 28,505,809	\$ 4,044,396	\$ 2,519,400	\$ 7,647,320

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

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

**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	\$ 99,565
General Fund – accounts receivable	210,000
Capital Projects – capital improvement – special assessments	1,712,531
Nonmajor Governmental Funds – loans	<u>3,527,800</u>
Total Amount Not Expected to be Collected Within One Year	<u>\$ 5,549,896</u>

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

	<u>Total</u>	<u>Current Period</u>
Governmental Fund Types – municipal court receivable	\$ 512,365	\$ (512,365)
Governmental Fund Types – economic development loans	40,893	-
Business Type – ambulance receivables	<u>216,549</u>	<u>(216,549)</u>
Total Uncollectibles	<u>\$ 769,807</u>	<u>\$ (728,914)</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:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Totals</u>
Property taxes receivable for subsequent year	\$ -	\$ 19,666,175	\$ 19,666,175
Loans receivable	3,646,397	-	3,646,397
Accounts receivable – noncurrent	595,617	-	595,617
Investment income – noncurrent	59,152	-	59,152
Special assessments	1,754,269	-	1,754,269
Government grants	-	<u>100,584</u>	<u>100,584</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 6,055,435</u>	<u>\$ 19,766,759</u>	<u>\$ 25,822,194</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, 2010

**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, 2010:

	<u>Water</u>	<u>Sewer</u>	<u>Storm</u>
Bond redemption account	\$ 551,862	\$ -	\$ 126,444
Equipment replacement account	-	2,696,299	-
Construction account	4,046,689	-	1,442,882
Bond reserve account	<u>2,300,940</u>	-	-
Total Enterprise Fund Restricted Assets	<u>\$ 6,899,491</u>	<u>\$ 2,696,299</u>	<u>\$ 1,569,326</u>

***Impact Fee Account***

In 2010 the City received impact fees of \$617 which must be spent in accordance with local ordinance and state statutes. Any unspent funds must be refunded to the current property owner. As of December 31, 2010 the City had accumulated a total of \$33,411 in impact fees.

**D. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 4,878,072	\$ -	\$ 24,976	\$ 4,853,096
Total Capital Assets Not Being Depreciated	<u>4,878,072</u>	<u>-</u>	<u>24,976</u>	<u>4,853,096</u>
Capital assets being depreciated				
Land improvements	67,854	-	-	67,854
Buildings	20,936,285	-	-	20,936,285
Machinery, equipment, and vehicles	18,994,872	1,552,896	819,268	19,728,500
Other improvements	5,335,614	-	-	5,335,614
Streets	55,399,788	1,029,174	11,131	56,417,831
Street lights	4,442,347	180,647	-	4,622,994
Traffic signals	2,562,159	-	-	2,562,159
Bridges	<u>5,550,391</u>	<u>-</u>	<u>-</u>	<u>5,550,391</u>
Total Capital Assets Being Depreciated	<u>113,289,310</u>	<u>2,762,717</u>	<u>830,399</u>	<u>115,221,628</u>

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

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

<b>Governmental Activities (cont.)</b>	Beginning Balance	Additions	Deletions	Ending Balance
Less: Accumulated depreciation for				
Land improvements	\$ (51,907)	\$ (3,053)	\$ -	\$ (54,960)
Buildings	(4,063,271)	(386,232)	-	(4,449,503)
Machinery, equipment, and vehicles	(9,377,579)	(1,210,341)	670,215	(9,917,705)
Other improvements	(2,032,669)	(159,200)	-	(2,191,869)
Streets	(9,039,070)	(761,134)	8,728	(9,791,476)
Street lights	(652,917)	(88,157)	-	(741,074)
Traffic signals	(1,322,947)	(93,893)	-	(1,416,840)
Bridges	(1,474,719)	(85,249)	-	(1,559,968)
Total Accumulated Depreciation	(28,015,079)	(2,787,259)	678,943	(30,123,395)
Net Capital Assets Being Depreciated	85,274,231	(24,542)	151,456	85,098,233
Total Governmental Activities – Capital Assets, Net of Depreciation	\$ 90,152,303			\$ 89,951,329

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
Finance and administrative services	\$ 170,515
Finance and administrative services (internal service)	2,940
Community development	1,770
Public safety – police	200,592
Public safety – fire	235,329
Public works, which includes the depreciation of infrastructure	2,038,158
Library	137,955
	137,955
Total Governmental Activities Depreciation Expense	\$ 2,787,259



**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**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	\$ 113,682	\$ -	\$ 3,688,591
Construction in progress	3,400,621	2,610,516	2,939,973	3,071,164
Total Capital Assets Not Being Depreciated	<u>6,975,530</u>	<u>2,724,198</u>	<u>2,939,973</u>	<u>6,759,755</u>
Other capital assets				
Land improvements	702,418	-	-	702,418
Buildings	6,759,728	2,529,314	-	9,289,042
Machinery, equipment, and vehicles	7,512,005	472,563	5,967	7,978,601
Sewer mains	15,802,328	271,532	-	16,073,860
Sewer treatment facility	65,302,488	878,197	38,569	66,142,116
Water mains	35,980,757	725,419	54,727	36,651,449
Storm infrastructure	10,648,652	123,711	104	10,772,259
Total Capital Assets Being Depreciated	<u>142,708,376</u>	<u>5,000,736</u>	<u>99,367</u>	<u>147,609,745</u>
Less: Accumulated depreciation for				
Land improvements	(577,465)	(22,861)	-	(600,326)
Buildings	(1,713,988)	(196,426)	-	(1,910,414)
Machinery, equipment, and vehicles	(4,052,606)	(409,771)	5,967	(4,456,410)
Sewer mains	(3,634,860)	(147,567)	-	(3,782,427)
Sewer treatment facility	(37,600,768)	(2,196,393)	34,767	(39,762,394)
Water mains	(9,145,855)	(953,132)	87,047	(10,011,940)
Storm infrastructure	(2,098,422)	(122,726)	104	(2,221,044)
Total Accumulated Depreciation	<u>(58,823,964)</u>	<u>(4,048,876)</u>	<u>127,885</u>	<u>(62,744,955)</u>
Business-type Capital Assets, Net of Depreciation	<u>83,884,412</u>	<u>951,860</u>	<u>(28,518)</u>	<u>84,864,790</u>
Total Business-type Capital Assets, Net of Depreciation	<u>\$ 90,859,942</u>			<u>\$ 91,624,545</u>

## CITY OF BELOIT

### NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

Depreciation expense was charged to functions as follows:

##### Business-type Activities

Water	\$ 1,085,326
Sewer	2,408,042
Storm	122,726
Transit	281,319
Golf Course	28,126
Cemetery	<u>3,022</u>
Total Business-type Activities	
Depreciation Expense	<u>\$ 3,928,561</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	Special Revenue – Cemetery Perpetual	\$ 3,528
General	Internal Service – Health Insurance	504
General	Internal Service – Retiree Health Insurance	1,693
General	Enterprise – Golf	2,412
General	Enterprise – Transit System	93,653
General	Enterprise – Cemetery	51,108
General	Capital Projects – Capital Improvements	60,983
General	Special Revenue – Fire	10,269
General	Special Revenue – Community Development	428,058
General	Special Revenue – TIF District No. 8	374,285
General	Special Revenue – Solid Waste	134,924
Special Revenue – TIF District No. 12	General	<u>7,626</u>
Sub-total – Fund financial statements		1,169,043
Less: Allocation of internal service funds		(104,779)
Less: Fund eliminations		<u>(1,021,870)</u>
Total – Government-Wide Statement of Net Assets		<u>\$ 42,394</u>

All amounts are due within one year.

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

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

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

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.

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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Totals</u>	<u>Amount Not Due in One Year</u>
General	Special Revenue – TIF District No. 12	\$ 130,000	\$ 130,000
General	Enterprise – Golf course fund	564,000	564,000
General debt service	Special Revenue – TIF District No. 6	167,626	167,626
General debt service	Special revenue – TIF District No. 8	550,000	550,000
General debt service	Special Revenue – TIF District No. 9	871,665	871,665
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	<u>829,022</u>	<u>637,011</u>
Sub-Totals		6,063,382	5,871,371
Less: Fund eliminations		<u>(5,499,382)</u>	<u>(5,307,371)</u>
Totals		<u>\$ 564,000</u>	<u>\$ 564,000</u>

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

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

**Advances (cont.)**

Governmental Activities – Business-type activities	\$ 564,000
Less: Business-type activities – Governmental activities	-
Total Government-wide Statement of Net Assets	\$ 564,000

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 1-1-10	Increases	Decreases	Balance 12-31-10
Advance from sewer utility	\$ 1,011,688	\$ -	\$ 182,666	\$ 829,022
Totals	\$ 1,011,688	\$ -	\$ 182,666	\$ 829,022

Advance repayment requirements to maturity are as follows:

Years	Principal	Interest
2011	\$ 192,011	\$ 37,090
2012	201,835	27,267
2013	212,161	16,941
2014	223,015	6,086
Totals	\$ 829,022	\$ 87,384

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**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	\$ 584,499	Payment in lieu of tax
Debt Service – General	Special Revenue – TIF	396,359	Debt service
Debt Service	District No. 5		
Debt Service – General	Special Revenue – TIF	394,632	Debt service
Debt Service	District No. 6		
Debt Service – General	Special Revenue – TIF	262,991	Debt service
Debt Service	District No. 8		
Debt Service – General	Special Revenue – TIF	15,400	Debt service
Debt Service	District No. 9		
Debt Service – General	Special Revenue – TIF	254,304	Debt service
Debt Service	District No. 10		
Debt Service – General	Special Revenue – TIF	60,175	Debt service
Debt Service	District No. 11		
Debt Service – General	Special Revenue – TIF	63,755	Debt service
Debt Service	District No. 12		
Debt Service – General	Special Revenue – TIF	94,338	Debt service
Debt Service	District No. 13		
Capital Projects – Capital	Special Revenue – DPW	15,000	Capital projects funding
Improvement Program	Multi-year Grants		
Special Revenue – TIF	General	257	Close TIF District #3
District No. 3			
Internal Service – Retiree	Internal Service – Health	1,287,000	Deficit cash
Health Insurance	Insurance		
Sub-Total – Fund Financial Statements		<u>3,428,710</u>	
Less: Capital contributions from Governmental Activities to		(1,410,534)	
Business-type Activities			
Less: Fund eliminations		<u>(2,844,211)</u>	
Total – Government-wide Statement of			
Activities		<u>\$ (826,035)</u>	

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

**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, 2010 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	\$ 53,844,175	\$ 4,462,587	\$ 4,303,621	\$ 54,003,141	\$ 4,682,473
Add/(Subtract) Deferred Amounts For:					
(Discounts)	(277,782)	-	(21,238)	(256,544)	-
Premiums	38,262	-	2,639	35,623	-
Loss on advance refunding	(86,154)	-	(28,718)	(57,436)	-
Sub-totals	53,518,501	4,462,587	4,256,304	53,724,784	4,682,473
Other Liabilities					
Compensated Absences					
Sick leave	746,130	174,116	126,842	793,404	116,470
Vacation	1,282,971	1,315,090	1,282,971	1,315,090	1,315,090
Other post-employment benefit liability	5,616,707	4,678,447	-	10,295,154	-
Other Debt					
Town of Turtle	110,000	-	10,000	100,000	10,000
Capital Leases					
Payable to component unit	18,984,934	-	1,261,867	17,723,067	1,305,000
Other capital leases	696,897	-	94,290	602,607	98,619
Total Other Liabilities	27,437,639	6,167,653	2,775,970	30,829,322	2,845,179
Total Governmental Activities Long-Term Liabilities	\$ 80,956,140	\$ 10,630,240	\$ 7,032,274	\$ 84,554,106	\$ 7,527,652

## CITY OF BELOIT

### NOTES TO FINANCIAL STATEMENTS December 31, 2010

#### 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>					
<b>Bonds and Notes Payable</b>					
General obligation debt	\$ 5,986,851	\$ 302,414	\$ 364,153	\$ 5,925,112	\$ 382,728
Revenue bonds	26,240,000	5,495,000	1,110,000	30,625,000	1,130,000
Add/(Subtract) Deferred Amounts For					
Refundings (Losses)	(487,054)	-	(121,764)	(365,290)	-
(Discounts)	(247,646)	(27,468)	(13,528)	(261,586)	-
Sub-total	<u>31,492,151</u>	<u>5,769,946</u>	<u>1,338,661</u>	<u>35,923,236</u>	<u>1,512,728</u>
<b>Other Liabilities</b>					
Compensated absences	352,928	140,762	96,025	397,665	193,633
Other post-employment benefit liability	220,548	12,623	-	233,171	-
Sub-total	<u>573,476</u>	<u>153,385</u>	<u>96,025</u>	<u>630,836</u>	<u>193,633</u>
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 32,065,627</u>	<u>\$ 5,923,331</u>	<u>\$ 1,434,886</u>	<u>\$ 36,554,072</u>	<u>\$ 1,706,361</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, 2010, was \$80,544,490. Total general obligation debt outstanding at year end was \$59,928,253.

	Date of Issue	Due Date	Interest Rates	Original Indebted- ness	Balance 12-31-10
<b>Governmental Activities – General Obligation Debt</b>					
General obligation corporate purpose bonds Series 2002B	5-1-02	11-1-11	3.00-4.35%	\$ 860,000	\$ 99,349
General obligation corporate purpose bonds Series 2003A	4-1-03	4-1-12	3.00-4.60	3,150,000	2,300,000
General obligation promissory notes Series 2003B	4-1-03	4-1-11	2.00-3.80	2,753,366	384,586
Taxable general obligation refunding bonds Series 2003C	2-1-03	3-1-12	4.00-4.750	3,770,000	2,645,000

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

**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 12-31-10
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	\$ 1,076,717
General obligation corporate purpose bonds Series 2004B	3-1-04	3-1-24	2.00-4.35	3,845,000	2,905,000
General obligation corporate purpose bonds Series 2005A	5-1-05	5-1-25	3.25-4.25	6,194,486	4,976,763
General obligation promissory notes Series 2005B	5-1-05	5-1-15	3.25-3.80	916,970	615,619
General obligation community development bonds Series 2005C	5-1-05	5-1-21	4.80-5.25	1,295,000	1,120,000
2005 state trust fund loan	11-23-05	3-15-15	4.25	405,000	246,606
General obligation corporate purpose bonds Series 2006A	5-1-06	5-1-26	4.00-4.375	7,587,545	6,652,744
General obligation promissory notes Series 2006B	5-1-06	5-1-16	4.00	639,754	419,595
General obligation corporate purpose bonds Series 2007A	6-1-07	6-1-27	4.00-4.75	11,249,589	10,298,920
General obligation promissory notes Series 2007B	6-1-07	6-1-17	3.60-4.00	3,259,405	2,706,616
2007 state trust fund loan	1-26-07	3-15-26	5.5	688,000	624,404
General obligation corporate purpose bonds Series 2008	6-19-08	6-1-28	3.75-4.10	2,260,670	2,086,964
2008 state trust fund loan	6-30-08	3-15-25	4.75	1,177,520	1,067,520
General obligation corporate purpose bonds Series 2009	5-28-09	5-1-29	1.10-4.60	7,057,000	5,876,000
2009 state trust fund loan	7-8-09	3-15-19	4.50	1,645,000	1,490,603
2009 state trust fund loan	7-8-09	3-15-19	4.50	915,000	829,119
General obligation refunding bonds Series 2009	11-5-09	12-1-15	2.00-3.25	1,325,363	1,118,429
General obligation corporate purpose bonds Series 2010	4-22-10	4-1-30	1.20-6.00	3,862,587	3,862,587
2010 state trust fund loan	8-30-10	3-15-20	4.25	600,000	600,000
Total Governmental Activities – General Obligation Debt					<u>\$ 54,003,141</u>



**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

**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 Indebtedness	Balance 12-31-10
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	\$ 652
General obligation promissory notes Series 2003B	4-1-03	4-1-11	2.00-3.80	109,634	15,414
General obligation promissory notes Series 2004A	3-1-04	3-1-12	2.25-3.00	70,209	18,283
General obligation corporate purpose bonds Series 2005A	5-1-05	5-1-25	3.25-4.25	1,417,752	1,333,237
General obligation promissory notes Series 2005B	5-1-05	5-1-15	3.25-3.80	148,030	99,381
General obligation corporate purpose bonds Series 2006A	5-1-06	5-1-26	4.00-4.375	342,455	302,256
General obligation promissory notes Series 2006B	5-1-06	5-1-16	4.00	595,247	390,405
General obligation corporate purpose bonds Series 2007A	6-1-07	6-1-27	4.00-4.75	820,411	751,080
General obligation promissory notes Series 2007B	6-1-07	6-1-17	3.60-4.00	720,595	598,384
General obligation corporate purpose bonds Series 2008	6-19-08	6-1-28	3.75-4.10	1,954,330	1,808,036
General obligation corporate purpose bonds Series 2009	5-28-09	5-1-29	1.10-4.60	333,000	289,000
General obligation refunding bonds Series 2009	11-5-09	12-1-15	2.00-3.25	19,637	16,571
General obligation corporate purpose bond Series 2010	4-22-10	4-1-30	1.20-6.00	302,413	302,413
Total Business-type Activities – General Obligation Debt					<u>\$ 5,925,112</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2011	\$ 4,682,473	\$ 2,048,983	\$ 382,728	\$ 244,912
2012	4,764,559	1,931,916	393,994	213,737
2013	4,147,383	1,784,686	407,313	199,237
2014	4,314,487	1,636,276	436,648	183,633
2015	4,043,906	1,480,137	464,411	166,609
2016 – 2020	16,744,685	5,122,543	1,689,938	606,637
2021 – 2025	11,286,798	2,198,852	1,522,344	305,857
2026 – 2030	4,018,850	324,750	627,736	46,856
Totals	<u>\$ 54,003,141</u>	<u>\$ 16,528,143</u>	<u>\$ 5,925,112</u>	<u>\$ 1,967,478</u>

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

**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 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.

	Balance 1-1-10	Increases	Decreases	Balance 12-31-10
Town of Turtle	\$ 110,000	\$ -	\$ 10,000	\$ 100,000
Total Other Debt	\$ 110,000	\$ -	\$ 10,000	\$ 100,000

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities – Other Debt	
	Principal	Interest
2011	\$ 10,000	\$ -
2012	10,000	-
2013	10,000	-
2014	10,000	-
2015	10,000	-
2016 – 2020	50,000	-
Totals	\$ 100,000	\$ -

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

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

**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 \$47,120,000 in water revenue bonds issued in 2003, 2007, 2009 and 2010. Proceeds from the bonds provided financing for the water systems. The bonds are payable solely from water revenues and are payable through 2030. Annual principal and interest payments on the bonds are expected to require 67% of net revenues. The total principal and interest remaining to be paid on the bonds is \$43,119,949. Principal and interest paid for the current year and total customer net revenues were \$2,299,849 and \$3,373,825, respectively.

The stormwater utility has pledged future sales revenues, net of specified operating expenses, to repay \$1,470,000 in stormwater revenue bonds issued in 2010. Proceeds from the bonds provided financing for the stormwater system. The bonds are payable solely from stormwater revenues and are payable through 2030. Annual principal and interest payments on the bonds are expected to require 49% of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,405,729. Principal and interest paid for the current year and total customer net revenues were \$41,424 and \$246,145, respectively.

	Date of Issue	Due Date	Interest Rates	Original Indebted- Ness	Balance 12-31-10
Water Utility					
Revenue bonds	11-12-03	11-1-28	2.00-5.00%	\$ 25,210,000	\$ 7,920,000
Refunding revenue bonds	1-24-07	11-1-16	4.00-4.50	13,975,000	13,685,000
Revenue bonds	5-28-09	11-1-29	3.50-5.00	3,910,000	3,800,000
Revenue bonds	4-6-10	11-1-30	2.00-4.50	4,025,000	3,750,000
Total Water Utility Revenue Debt					<u>29,155,000</u>
Stormwater Utility					
Revenue bonds	4-6-10	5-1-30	1.50-6.25	1,470,000	<u>1,470,000</u>
Total Stormwater Utility Revenue Debt					<u>1,470,000</u>
Total Revenue Bonds					<u><u>\$ 30,625,000</u></u>

**CITY OF БЕЛОIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

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

**Revenue Debt (cont.)**

Debt service requirements to maturity are as follows:

Years	Business-type Activities – Revenue Debt	
	Principal	Interest
2011	\$ 1,130,000	\$ 1,292,863
2012	1,170,000	1,254,676
2013	1,210,000	1,212,990
2014	1,250,000	1,169,049
2015	1,295,000	1,121,823
2016 – 2020	7,310,000	4,778,864
2021 – 2025	8,965,000	3,090,694
2026 – 2030	8,295,000	979,719
Totals	<u>\$ 30,625,000</u>	<u>\$ 14,900,678</u>

**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, 2010, \$12,965,000 of bonds outstanding are considered defeased. The bonds are callable on November 1, 2013.

**G. LEASE DISCLOSURES**

	Balance 1-1-10	Increases	Decreases	Balance 12-31-10
<b>Capital Leases</b>				
Governmental Activities (to Note IV.F.)				
Payable to component unit	\$ 18,984,934	\$ -	\$ 1,261,867	\$ 17,723,067
Other capital leases	696,897	-	94,290	602,607
Totals	<u>\$ 19,681,831</u>	<u>\$ -</u>	<u>\$ 1,356,157</u>	<u>\$ 18,325,674</u>

**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.

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

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

***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").

The future minimum lease payments are required as follows:

<u>Calendar Year</u>	<u>TIF No. 10</u>	<u>TIF No. 6</u>
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>24,359,455</u>	<u>2,169,175</u>
Less: Reserve funds to be applied to final principal payment	(2,445,208)	(196,725)
Less: Amount representing interest	<u>(5,784,455)</u>	<u>(379,175)</u>
Present Value of Minimum Lease Payments	<u>\$ 16,129,792</u>	<u>\$ 1,593,275</u>
Total TIF No. 10 and TIF No. 6		<u>\$ 17,723,067</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>(112,071)</u>
Total	<u>\$ 181,477</u>

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

**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, 2010, are as follows:

	Principal	Interest	Governmental Activities
2011	\$ 63,110	\$ 3,042	\$ 66,152
	<u>\$ 63,110</u>	<u>\$ 3,042</u>	<u>66,152</u>
Less: Amount representing interest			(3,042)
Present Value of Minimum Lease Payments			<u>\$ 63,110</u>

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	<u>(128,346)</u>
Total	<u>\$ 266,566</u>

The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2010, are as follows:

	Principal	Interest	Governmental Activities
2011	\$ 35,509	\$ 22,621	\$ 58,130
2012	36,998	21,132	58,130
2013	38,549	19,581	58,130
2014	40,166	17,965	58,131
2015	41,850	16,280	58,130
2016 – 2020	237,089	53,562	290,651
2021 – 2022	109,336	6,924	116,260
	<u>\$ 539,497</u>	<u>\$ 158,065</u>	<u>697,562</u>
Less: Amount representing interest			(158,065)
Present Value of Minimum Lease Payments			<u>\$ 539,497</u>

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

**H. NET ASSETS/FUND BALANCES**

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

**Governmental Activities**

Invested in capital assets, net of related debt	
Land	\$ 4,853,096
Other capital assets, net of accumulated depreciation	85,098,234
Less: Related long-term debt outstanding	(44,364,463)
Less: Capital leases – payable to component unit	(15,447,240)
Add: Unamortized debt discount/premium and loss on advance refunding	278,357
Add: Unspent capital bond proceeds	<u>1,974,078</u>
Total Invested in Capital Assets, Net of Related Debt	<u>32,392,062</u>
Restricted	
General debt service	1,589,261
TIF District No. 5 – special revenue fund	488,027
Rental rehab (WRRP/HOME)	1,142,557
Community Development Block Grant	2,713,017
Fire – multi-year grants	28,668
DPW – multi-year grants	209,467
Community development	174,174
Library	429,837
Police	85,527
Cemetery perpetual care	1,765,337
Park activities	<u>33,411</u>
Total Restricted	<u>8,659,283</u>
Unrestricted	<u>2,410,345</u>
Total Governmental Activities Net Assets	<u>\$ 43,461,690</u>

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

<b>Reserved</b>	
Major Funds	
General Fund	
Delinquent personal property taxes	\$ 99,565
Inventories	595,092
Prepaid items	96,815
Advances to other funds	<u>694,000</u>
Total	<u>\$ 1,485,472</u>

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

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

**Governmental Activities (cont.)**

<b>Reserved (cont.)</b>	
Major Funds (cont.)	
TIF District No. 10	
Encumbrances	\$ <u>2,063</u>
General Debt Service Fund	
Advances to other funds	\$ 1,589,291
Debt service	<u>472,077</u>
Total	<u>\$ 2,061,368</u>
Capital Improvement Program	
Advances to other funds	\$ 2,951,069
Encumbrances	<u>88,154</u>
Total	<u>\$ 3,039,223</u>
Non-Major Fund	
Special Revenue Funds	
Rental Rehab (WRRP/HOME) – encumbrances	\$ 141,725
Community Development Block Grant – encumbrances	737,895
Community Development – encumbrances	64,742
TIF District No. 5 – debt service	410,316
TIF District No. 5 – encumbrances	77,711
TIF District No. 6 – encumbrances	5,974
Capital Projects Fund	
Equipment Replacement	
Encumbrances	<u>730,452</u>
Total	<u>\$ 2,168,815</u>
<b>Unreserved and undesignated (deficit)</b>	
Major Funds	
General Fund	\$ 8,724,137
Special Revenue – TIF District No. 9	(3,220,225)
Capital Projects – Capital Improvements	<u>2,465,781</u>
Total	<u>\$ 7,969,693</u>



**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

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

**Governmental Activities (cont.)**

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

Non-Major Funds

Special Revenue Funds

Community Development Block Grant	\$ (638,163)
TIF District No. 6	(416,704)
TIF District No. 8	(923,285)
TIF District No. 12	(120,179)
Community Development	<u>(115,258)</u>
Total	<u>\$ (2,213,589)</u>

Major Funds

Unreserved and Designated

Major Funds

General – surplus applied to 2011 budget	\$ 590,577
TIF District No. 10 – surplus applied to 2011 budget	<u>1,762,720</u>
Total	<u>\$ 2,353,297</u>

Non-Major Funds

Special Revenue Funds – designated for subsequent year's expenditures

Rental Rehab (WRRP/HOME)	\$ 129,723
TIF District No. 11	187,253
TIF District No. 13	820,908
TIF District No. 14	65,046
Fire – multi-year grants	28,668
DPW – multi-year grants	209,467
Library	429,837
Police	85,527
Solid waste	193,304
Perpetual care	<u>1,765,337</u>
Total	<u>\$ 3,915,070</u>

Capital Projects Funds – designated for subsequent year's expenditures

Equipment replacement	\$ 6,426,784
Computer replacement	<u>461,538</u>
Total	<u>\$ 6,888,322</u>

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

**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	\$ 1,032,309	\$ 1,386,282	\$ 1,270,000	\$ 3,688,591
Construction in progress	1,020,527	1,444,621	606,016	3,071,164
Other capital assets, net of accumulated depreciation	31,416,330	39,209,510	14,238,950	84,864,790
Less: Related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(25,289,863)</u>	<u>(1,301,307)</u>	<u>(2,089,207)</u>	<u>(28,680,377)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>8,179,303</u>	<u>40,739,106</u>	<u>14,025,759</u>	<u>62,944,168</u>
Construction account	4,046,689	-	1,442,882	5,489,571
Redemption account	551,862	-	126,444	678,306
Replacement account	-	2,696,299	-	2,696,299
Reserve account	2,300,940	-	-	2,300,940
Less: Restricted assets not funded by revenues	(6,347,629)	-	(1,442,882)	(7,790,511)
Less: Current liabilities payable from restricted assets	<u>(224,023)</u>	<u>-</u>	<u>(12,124)</u>	<u>(236,147)</u>
Total Restricted Net Assets	<u>327,839</u>	<u>2,696,299</u>	<u>114,320</u>	<u>3,138,458</u>
Unrestricted	<u>2,213,317</u>	<u>6,432,765</u>	<u>(36,897)</u>	<u>8,609,185</u>
Total Enterprise Funds Net Assets	<u>\$ 10,720,459</u>	<u>\$ 49,868,170</u>	<u>\$ 14,103,182</u>	74,691,811
Add: Portion of internal service funds Net assets allocated to business-type activities				<u>104,779</u>
Total Business-type Activities Net Assets				<u>\$ 74,796,590</u>

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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#### *I. RESTATEMENT OF FUND BALANCES*

Fund balance has been restated to correct an error in 2009 for an expenditure that was recorded in the Capital Improvement Program Fund instead of the TIF District No. 5 Fund. Net income of the Capital Improvement Program fund for 2009 would have decreased by \$633,195 to (\$4,471,011) and the net income of TIF District No. 5 would have increased by \$633,195 to (\$66,500).

#### *CAPITAL IMPROVEMENT PROGRAM*

Capital Improvement Program fund balance – December 31, 2009 (as reported)	\$ 4,597,557
Add: TIF District No. 5 capital expenditures	<u>633,195</u>
Fund Balance – December 31, 2009 (as restated)	<u>\$ 5,230,752</u>

#### *TIF DISTRICT NO. 5 FUND*

TIF District No. 5 fund balance – December 31, 2009 (as reported)	\$ 477,328
Less: TIF District No. 5 capital expenditures	<u>(633,195)</u>
Fund Balance – December 31, 2009 (as restated)	<u>\$ (155,867)</u>

#### *J. COMPONENT UNITS*

This report contains the City of Beloit Community Development Authority (“CDA”), the Beloit Apartments Redevelopment – Phase I, LLC, a component unit of the 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.

#### *Community Development Authority – Primary Government*

a. Basis of Accounting/Masurement 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.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

#### J. COMPONENT UNITS (cont.)

##### *Community Development Authority – Primary Government (cont.)*

#### b. Cash and Investments

The CDA's cash and investments (not including its component unit) at year end were comprised of the following:

	Carrying Value	Statement Balance	Associated Risks
Demand deposits	\$ 1,341,295	\$ 1,346,291	Custodial credit risk
Mutual fund (U.S. agencies)	2,641,934	2,641,934	Credit risk, interest rate risk
Total Cash and Investments	\$ 3,983,229	\$ 3,988,225	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 1,341,295		
Restricted cash and investments	2,641,934		
Total Cash and Investments	\$ 3,983,229		

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, 2010, \$1,091,154 of the CDA's total bank balances of \$1,346,291 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,091,154
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**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

*J. COMPONENT UNITS (cont.)*

*Community Development Authority – Primary Government (cont.)*

b. Cash 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, 2010, the CDA's investments were rated as follows:

Investment Type	Moody's Investor Service
Mutual Fund – U.S. Agencies	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, 2010, the CDA's investments were as follows:

Investment Type	Fair Value	Maturity (In months) Less than 1 month
Mutual Fund – U.S. Agencies	\$ 2,641,934	\$ 2,641,934

c. Restricted Assets

Restricted assets at December 31, 2010, consist of the following:

Cash and cash equivalents – bond redemption and construction accounts	\$ <u>2,641,934</u>
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**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

**J. COMPONENT UNITS (cont.)**

**Community Development Authority – Primary Government (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 2010 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 414,539	\$ -	\$ -	\$ 414,539
Construction in progress	1,375	1,498	1,375	1,498
Total Capital Assets Not Being Depreciated	<u>415,914</u>	<u>1,498</u>	<u>1,375</u>	<u>416,037</u>
Capital assets being depreciated				
Buildings	3,705,795	-	1,889,075	1,816,720
Furniture, equipment, and machinery-dwellings	243,340	-	137,534	105,806
Furniture, equipment, and machine-administrative	206,543	-	105,878	100,665
Building and land improvements	415,498	7,700	208,799	214,399
Leasehold improvements	3,774,249	-	1,858,418	1,915,831
Total Capital Assets Being Depreciated	<u>8,345,425</u>	<u>7,700</u>	<u>4,199,704</u>	<u>4,153,421</u>
Less: Accumulated Depreciation	<u>(6,024,328)</u>	<u>(243,180)</u>	<u>3,182,940</u>	<u>(3,084,568)</u>
Total Capital Assets, Net of Depreciation	<u>\$ 2,737,011</u>			<u>\$ 1,484,890</u>

e. Long-Term Obligations

**Lease Revenue Bonds**

The CDA has pledged future revenues from the City of Beloit resulting from TIF increments to repay \$20.4 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 \$26,528,630. Principal and interest paid for the current year and total pledged revenues were both \$2,454,933.

The following is a summary of the lease revenue bond transactions for the year ended December 31, 2010.

	Balance 1-1-10	Increases	Decreases	Balance 12-31-10
Lease revenue bonds	<u>\$ 21,540,000</u>	<u>\$ -</u>	<u>\$ 1,175,000</u>	<u>\$ 20,365,000</u>

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

*J. COMPONENT UNITS (cont.)*

*Community Development Authority – Primary Government (cont.)*

e. Long-Term Obligations (cont.)

*Lease Revenue Bonds (cont.)*

<u>Title of Issue</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12-31-10</u>
2002A Lease Revenue Bonds	07-15-02	03-01-20	4.90-5.60%	\$ 7,345,000	\$ 400,000
2007A Lease Revenue Refunding Bonds	02-21-07	03-01-20	3.50-4.20%	8,915,000	8,395,000
2007B Lease Revenue Bonds	07-12-07	06-01-19	3.70-4.35%	2,015,000	1,790,000
2008A Lease Revenue Refunding Bonds	06-19-08	03-01-25	4.00-6.75%	2,640,000	2,590,000
2008B Lease Revenue Refunding Bonds	08-29-08	03-01-14	4.15-5.30%	3,010,000	2,050,000
2009A Lease Revenue Bonds	07-01-09	03-01-25	1.30-5.00%	5,340,000	5,140,000
Totals					<u>\$ 20,365,000</u>

Debt service requirements to maturity are as follows:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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>\$ 20,365,000</u>	<u>\$ 6,163,630</u>	<u>\$ 26,528,630</u>

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

**J. COMPONENT UNITS (cont.)**

**Community Development Authority – Primary Government (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, 2010, \$6,480,000 outstanding are considered defeased. The bonds are callable on March 1, 2012.

There were no current or advance refundings in 2010.

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, 2010 includes the following:

Invested in capital assets	
Land	\$ 414,539
Construction in progress	1,498
Other capital assets, net of accumulated depreciation	1,068,853
Total Invested in Capital	1,484,890
Restricted	
Section 8 Rental Voucher Program	803,179
Low Rent Public Housing	2,852,159
Total Restricted	3,655,338
Total Net Assets	\$ 5,140,228



## CITY OF BELOIT

### NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

##### ***Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC***

##### a. Nature of Business and Significant Accounting Policies

###### **Nature of Business**

Beloit Apartments Redevelopment – Phase I, LLC (the company) was organized on January 14, 2009, as a limited liability company (LLC) formed under the Wisconsin Limited Liability Company Act (the Act). The company was formed to acquire, rehabilitate, and operate a 39 building, 65-unit duplex and single family homes complex located on scattered sites in Beloit, Wisconsin, called Beloit Apartments Redevelopment, Phase I (the project). The project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The original property, including the buildings and land, was acquired under a capital lease dated September 22, 2010. The company completed the rehabilitation of 14 units on various dates in December 2010. The remaining units were under rehabilitation in 2010.

The company consists of one managing member and three investor members, with rights, preferences, and privileges as described in the operating agreement. Each member's liability for the debts and obligations of the company shall be limited to the maximum extent permitted by the Act and other applicable laws.

The company's income tax filings are subject to audit by various taxing authorities. Open periods subject to audit for federal and Wisconsin purposes are generally the previous three and four years of tax returns filed, respectively. There were no interest or penalties recorded for the period ended December 31, 2010.

The company shall be operated in a manner consistent with its treatment as a partnership for federal and state income tax purposes. Therefore, the accompanying financial statements do not include the personal or corporate assets and liabilities of the members, their obligation for income taxes on their distributive shares of the net income of the company or their rights to refunds on its net loss, nor any provision for income tax expense.

The operating agreement states that the company shall be perpetual unless sooner terminated in accordance with the operating agreement.

###### **Significant Accounting Policies**

A summary of significant accounting policies follows:

###### **Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# CITY OF БЕЛОIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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#### J. COMPONENT UNITS (cont.)

##### *Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC* (cont.)

#### a. Nature of Business and Significant Accounting Policies (cont.)

##### **Significant Accounting Policies** (cont.)

##### **Cash and Cash Equivalents**

For purposes of reporting cash flows, the project considers all investments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash not available to the project due to restrictions placed on it.

##### **Accounts Receivable and Revenue Recognition**

The company utilizes the direct write-off method of accounting for bad debts. The use of this method has no material effect on the financial statements. A receivable is considered past due if payments have not been received by the company for 10 days. Accounts are generally written off as uncollectible if no payments are received after 30 days. No fee is charged to customers for late payment.

Rental revenue is recognized when earned. The project leases apartments to eligible applicants under operating leases which are substantially all on a yearly basis.

##### **Rental Property**

Rental property is stated at cost. Depreciation of rental property is computed on the straight-line method based upon the following estimated useful lives of the assets:

	<u>Years</u>
Land and buildings under capital lease	98
Building improvements	40
Land improvements	15
Furnishings and equipment	5

Maintenance and repairs of rental property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of rental property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

It is the company's policy to include amortization expense on assets acquired under capital leases with depreciation expense on owned assets.

##### **Impairment of Long-Lived Assets**

The company reviews long-lived assets, including rental property and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

## CITY OF БЕЛОIT

### NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

##### *Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC* (cont.)

##### a. Nature of Business and Significant Accounting Policies (cont.)

##### **Significant Accounting Policies** (cont.)

##### **Tax Credit Fees**

In connection with obtaining an allocation of low-income housing tax credits, the company paid fees totaling \$110,784. The company will amortize these fees on a straight-line basis over the related tax credit compliance period of 15 years, beginning in 2011.

##### **Deferred Revenue**

Governmental agencies have provided grant funding to the company to encourage the development of affordable housing (See Note J.h. in this section). The deferred revenue relating to this grant is recognized as other revenue in the statement of operations under the straight-line method over the estimated useful lives of the underlying assets purchased or constructed.

##### **Current Vulnerability Due to Certain Concentrations**

The project's operations are concentrated in the low-income, public housing residential real estate market. In addition, the project operates in a heavily regulated environment. The operations of the project are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies including, but not limited to, the Community Development Authority of the City of Beloit (CDA) under the Regulatory & Operating Agreement (R&O Agreement). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the CDA. Such changes may occur with little or inadequate funding to pay for the related cost, including additional administrative burden to comply with a change.

##### **Subsequent Events**

These financial statements have not been updated for subsequent events occurring after April 15, 2011, which is the date these financial statements were available to be issued. The company has no responsibility to update these financial statements for events and circumstances occurring after this date.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

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J. COMPONENT UNITS (cont.)

*Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC* (cont.)

b. Restricted Cash

Restricted cash is comprised of the following:

Tenants' security deposits	\$ <u>25,802</u>
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**Replacement Reserve**

Commencing on completion of the rehabilitation of the project, the operating agreement and R&O Agreement require the company to make monthly deposits to the replacement reserve initially equal to \$300 per unit per year, and increasing annually by 3%. Disbursements are restricted to capital improvements and repairs of the project. Disbursements in excess of \$5,000 or 10% of the balance in the reserve at such time will require written approval of the investor members. Any funds remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement.

**Operating Reserve**

The R&O Agreement and the operating agreement require the company to fund and maintain an operating reserve in the amount of \$100,000 commencing on the placed in service date. The operating reserve shall be funded before any payment of fees or other payments to the managing member and its affiliates. To the extent funds in the reserve fall below the initial deposit, the management member must replenish the reserve from available cash flow as defined in the operating agreement. Disbursements in excess of \$10,000 or 10% of the then balance of the reserve require written approval from the investor members.

**Rent-up Reserve**

The operating agreement requires the managing member to establish a rent-up reserve in the amount of \$45,000. The funds shall be used to pay for costs incurred during the initial lease-up period. Any funds remaining after the initial lease up period is completed shall be deposited in the operating reserve.

c. Rental Property, Net

Rental property, net is comprised of the following:

Land and buildings under capital lease	\$ 1,950,000
Building improvements	2,076,288
Land improvements	92,478
Furnishings and equipment	44,751
Construction in progress	<u>812,008</u>
	4,975,525
Less: Accumulated depreciation	<u>(5,880)</u>
Total	<u>\$ 4,969,645</u>

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

**J. COMPONENT UNITS (cont.)**

**Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC (cont.)**

d. Mortgage Notes Payable

Mortgage notes payable consists of the following:

M&I Bank (construction loan); interest at a variable rate based on the LIBOR Rate plus 4.0%, but no less than 5.5%; interest rate was 5.5% as of December 31, 2010; due March 22, 2012; guaranteed by the CDA; collateralized by assignment of interest under the capital lease agreement. \$ 79,262

CDA, managing member; non-recourse mortgage note payable under the capital lease described in Note J.e.; due in one installment on September 21, 2050, together with interest at 4.47% compounded annually; collateralized by a mortgage on the project's rental property and may be prepaid at anytime; interest expense totaled \$25,216 for the period ended December 31, 2010; accrued interest was \$25,216 as of December 31, 2010. 1,950,000

CDA; non-recourse mortgage note in the original amount of \$500,000; non-interest bearing; due in one installment on September 21, 2040; collateralized by a mortgage on the project's rental property and may be prepaid at any time. 201,487

CDA; non-recourse mortgage note in the original amount of \$619,253; non-interest bearing; due in one installment on September 21, 2040; collateralized by a mortgage on the project's rental property and may be prepaid at any time; the mortgage note was not funded as of December 31, 2010. -

CDA; non-recourse mortgage note in the original amount of \$350,000; due in one installment on September 23, 2040, together with interest at 4.0% compounded annually; collateralized by a security interest on the project's rental property and may be prepaid at any time; the mortgage note was not funded as of December 31, 2010. -

City of Beloit; non-recourse mortgage note in the original amount of \$170,639; non-interest bearing; principal due in one installment on September 21, 2040; collateralized by a mortgage on the project's rental property and may be prepaid at any time; the mortgage note was not funded as of December 31, 2010. -

Total \$ 2,230,749

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

**J. COMPONENT UNITS (cont.)**

***Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC (cont.)***

d. Mortgage Notes Payable (cont.)

Repayment of principal on the mortgage notes payable as of December 31, 2010, is as follows:

Year Ending December 31,

2011	\$	-
2012		79,262
2013		-
2014		-
2015		-
Thereafter		<u>2,151,487</u>
Total		<u>\$ 2,230,749</u>

e. Capital Lease

The company has entered into a capital lease agreement with the CDA dated September 22, 2010, to operate and manage the project during the term of the capital lease in accordance with all applicable public housing requirements. Rental property recorded under this non-cancellable capital lease consists of:

Land	\$	409,500
Buildings		<u>1,540,500</u>
Total		<u>\$ 1,950,000</u>

In accordance with accounting principles generally accepted in the United States of America, the land and building are capitalized as a single unit and amortized over the lease term of 98 years. Accumulated depreciation on the land and building under the capital lease was \$4,975 as of December 31, 2010.

Base rent under the lease was payable in a single installment of \$1,950,000 on September 22, 2010. The balance of unpaid base rent accrues interest at 4.47%, compounded annually (see Note J.d. in this section). Payments made by the company shall be applied first to accrued interest and then against the unpaid base rent amount. The base rent and all accrued interest thereon is due September 21, 2050. The capital lease obligation is secured by a mortgage note as described in Note J.d. The lease expires September 21, 2108.

In addition to the base rent and related interest payments, the company is obligated to make an annual payment in lieu of taxes (PILOT) to the City of Beloit (see Note J.h. in this section).

## CITY OF BELOIT

### NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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##### J. COMPONENT UNITS (cont.)

###### **Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC (cont.)**

###### f. Members' Capital Contributions

The company has one managing member, the CDA, which has a .01% interest, and three investor members, M&I Community Development Corporation (M&I), First National Bank and Trust Company (FNB), and Blackhawk State Bank (BSB) which have 19.998%, 39.996%, and 39.996% interests, respectively.

The CDA is required to make capital contributions of \$100,000. Of this amount, there have been no contributions made as of December 31, 2010. The investor members are required to make capital contributions totaling \$6,479,342. Of this amount, \$956,901 has been contributed and \$5,422,441 remains receivable as of December 31, 2010.

###### g. Related Party Transactions

###### **Development Fee**

The company has entered into a development agreement with the CDA (developer). The agreement provides for the payment of a development fee of \$1,046,500. It is anticipated that the development fee will be paid from proceeds of mortgage notes and capital contributions. As of December 31, 2010, \$355,810 has been earned and was capitalized into building costs. There was no development fee payable as of December 31, 2010.

###### **Accounts Payable**

Included in accounts payable are amounts owed to the CDA for reimbursement of operating expenses totaling \$8,198 as of December 31, 2010.

###### **Property Management Agreement**

The company has entered into a property management agreement with the CDA under which the company is obligated to pay a property management fee equal to 5% of gross residential rents on a monthly basis. The agreement is automatically renewed from year to year unless otherwise terminated. Property management fees totaled \$4,404 for the period ended December 31, 2010. Accrued property management fees included in accrued expenses were \$1,374 as of December 31, 2010.

###### **Asset Management Fee**

Commencing in 2011, the company is obligated to pay M&I an annual asset management fee of \$3,250. The fee is payable solely from cash flow as defined in the operating agreement, is cumulative, and accrues interest at the Prime Rate plus 3%.

## CITY OF BELOIT

### NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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##### J. COMPONENT UNITS (cont.)

###### **Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC (cont.)**

##### g. Related Party Transactions (cont.)

###### **Operating Deficit Guaranty**

The managing member is obligated, after all funds in the operating reserve account have been depleted, to fund operating deficits during the operating deficit guaranty period. The operating deficit guaranty period is defined as the period beginning with the date of achievement of breakeven operations and ending on the later of the third anniversary of the date of achievement of breakeven operations or when the period has maintained the operating reserve target amount of \$100,000 during the compliance period and the project has made all required deposits to the replacement reserve. The obligation to fund operating deficits shall be limited to \$145,000. Such loans are non-interest bearing and repayable solely from available cash flow as defined in the operating agreement. There was no operating deficit loan payable as of December 31, 2010.

###### **Development Completion Guaranty**

Under terms of the operating agreement, the managing member is obligated to complete the required rehabilitation of the project. In the event the company lacks sufficient funds from the member capital contributions and proceeds from the construction and permanent mortgages to pay for the rehabilitation costs, the managing member is obligated to provide such funds to the company in the form of capital contributions or an unsecured loan. Any loans under this agreement shall not bear interest and shall be payable in accordance with the operating agreement.

###### **R&O Agreement**

The company has entered into an R&O Agreement with the CDA. Provisions of the agreement require the company to maintain all units as public housing units. The CDA is to pay operating subsidies to the company equal to the project expenses less project income. The agreement will expire upon the earliest to occur of the expiration of 40 years from the date of first occupancy (December 2050) or at the option of the project at the close of the first project year of which the CDA ceases to pay operating subsidies. Operating subsidies totaling \$17,014 were earned during the period ended December 31, 2010. Included in accounts payable are operating subsidies payable totaling \$65,123 as of December 31, 2010.

##### h. Commitments and Contingencies

###### **Land Use Restriction Agreement (LURA)**

The company has entered into a LURA with the Wisconsin Housing and Economic Development Authority (WHEDA) as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, the company must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If the company fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor member. The company is obligated to certify tenant eligibility.



## CITY OF BELOIT

### NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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##### J. COMPONENT UNITS (cont.)

###### **Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC (cont.)**

##### h. Commitments and Contingencies (cont.)

###### **Tax Credit Exchange Program (TCEP)**

The company has entered into a TCEP Subaward Agreement (Subaward Agreement) with WHEDA. Under the Subaward Agreement, the company was awarded grant funds totaling \$1,345,125 and received \$1,225,174 as of December 31, 2010, pursuant to Section 1602 of the American Recovery and Reinvestment Act of 2009. If the company fails to continuously comply with the guidelines of the Subaward Agreement, it may be required to refund up to the full amount of the grant funds received and reimburse WHEDA for the costs and fees incurred in connection with the recapture event. As a condition to making the Subaward Agreement, WHEDA required the owner to enter into a corporate guarantee. The Subaward Agreement terminates at the expiration of the low-income housing tax credit compliance period.

###### **PILOT**

The company and the CDA entered into a PILOT agreement with the City of Beloit, Wisconsin, in which the company will make the payment to the City for each calendar year beginning in 2010 and ending in the final calendar year of the project's compliance period (2025). The company shall make the payment equal to 10% of the difference between the annual tenant's portion of the collected rents for all of the residential rental units in the buildings and the annual utility bills incurred by the company with respect to the project. The payment is required for as long as the land and building under capital lease constitutes property of the CDA that is exempt from taxation under the Wisconsin Statutes.

##### i. Subsequent Events

In 2011, the construction loan increased by a net of \$343,502; the company received the remaining TCEP funds in the amount of \$119,951; and the company received equity proceeds in the amount of \$1,594,836.

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

*J. 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	\$ 151,788	\$ 157,238	Custodial credit risk
Total Cash and Investments	\$ 151,788	\$ 157,238	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 151,788		

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, 2010, none of the BID's total bank balances was exposed to custodial credit risk.

CITY OF БЕЛОIT

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

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**J. COMPONENT UNITS (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>12-31-10</u>
Library building fund	<u>\$ 5,404</u>

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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

**J. 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:

	2010	
	Market	Cost
Mutual Funds	\$ 324,317	\$ 273,627
Fixed Income	170,707	164,403
Stocks	576	734
Totals	\$ 495,600	\$ 438,764

Current unrealized losses of \$42,206 have been reflected in the Statement of Activities for 2010. Cumulative unrealized losses amounted to \$56,836 as of December 31, 2010.

Interest and dividends earned on the above investments amounted to \$14,680 for 2010. Investments are exposed to potential risks including interest rate risk, credit risk, and overall market volatility. Accordingly, it is reasonably possible that changes in the value of investments will occur in the near term and such changes could be material in amount.

f. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2010 are as follows:

<u>December 31, 2010</u>	Fair Value Measurements at Reporting Date Using	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Short-term investments	\$ 495,600	\$ 495,600

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 БЕЛОIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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#### J. 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.

The Foundation has adopted the provisions of FASB Interpretation No. 48, Accounting for Income Taxes. As required by the uncertain tax position guidance in FASB Interpretation No. 48, the Foundation recognizes the financial statement benefit only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority. As a result of the implementation of the uncertain guidance in FASB Interpretation No. 48, there were no positions taken which resulted in the recognition of unrecognized tax benefits as of December 31, 2010.

The Foundation recognizes interest accrued related to unrecognized benefits in interest expense and recognizes penalties in management and general expenses for all periods presented. During the year ended December 31, 2010, the Foundation did not recognize any interest or penalties associated with income taxes in the accompanying financial statements.

#### 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, 2010, an advance payment in the amount of \$3,370 has been recorded for amounts paid in advance of pledge collections.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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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 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% for Protective Occupations with Social Security, and 3.9% for Protective Occupations without Social Security) to the plan. Employers 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, 2010 was \$20,844,743; the employer's total payroll was \$21,628,664. The total required contribution for the year ended December 31, 2010 was \$3,314,512 or 16% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2009 and 2008 were \$3,222,511 and \$3,195,616, 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 2010 was \$56,251.

#### **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, 2010

**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 \$5,782,582.

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, 2010. The estimated liability for self insured losses for this program consisted of the following at December 31, 2010:

Reported and Known Claims	\$ 938,890
Incurred but not Reported Claims	<u>1,319,380</u>
Total	<u>\$ 2,258,270</u>

Changes in the claims payable follow:

	<u>Balance January 1</u>	<u>Incurred Claims</u>	<u>Claims Paid</u>	<u>Balance December 31</u>
2009	\$ 1,908,436	\$ 7,160,513	\$ 7,393,355	\$ 1,675,594
2010	1,675,594	8,325,921	7,743,245	2,258,270

***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, 2010

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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, 2010. A total liability of approximately \$143,109 at December 31, 2010 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, 2010

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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 2010 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 \$88,154 at year end and is included in reserve for encumbrances.

# CITY OF BELOIT

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

#### 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, 2010, 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 2010, the City contributed \$2,054,862 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. The City offered an early retirement incentive program to employees who were age 60 or over and had 20 or more years of service with the City, effective July 2010. These employees had to retire on or before December 31, 2009. The City pays 100% of the premium for pre-Medicare coverage for these retirees. All others pay 100% of their premiums. For fiscal year 2010, 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	\$ 6,720,919
Interest on net OPEB obligation	233,490
Adjustment to annual required contribution	<u>(208,477)</u>
Annual OPEB cost	6,745,932
Contributions made	<u>(2,054,862)</u>
Increase in Net OPEB Obligation	4,691,070
Net OPEB Obligation – Beginning of Year	<u>5,837,255</u>
Net OPEB Obligation – End of Year	<u><u>\$ 10,528,325</u></u>

## CITY OF BELOIT

### NOTES TO FINANCIAL STATEMENTS December 31, 2010

#### 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 2010, 2009 and 2008 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/10	\$ 6,745,932	30%	\$ 10,528,326
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, 2010, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 100,219,009
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 100,219,009</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 20,844,743
UAAL as a percentage of covered payroll	480.78%

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 9.30% initially, reduced by decrements to an ultimate rate of 4.70% after seventy-two 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 amortization period at December 31, 2010 was 30 years.

**CITY OF BELOIT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

**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, 2010:

	Water – 2010	
	<u>Customers</u>	<u>CCF</u>
Residential	13,725	723,852
Commercial	1,546	369,115
Industrial	14	397,345
Public Authority	<u>8</u>	<u>54,089</u>
Totals	<u><u>15,293</u></u>	<u><u>1,544,401</u></u>

***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 and storm water utilities the corresponding principal and interest.

	<u>Water – 2010</u>	<u>Storm Water – 2010</u>
Operating revenues	\$ 5,029,628	\$ 942,022
Investment income	197,535	41,776
Operating expenses excluding depreciation	<u>(1,853,338)</u>	<u>(737,653)</u>
Defined Earnings	<u><u>\$ 3,373,825</u></u>	<u><u>\$ 246,145</u></u>
Annual debt service on revenue bonds	\$ 2,299,849	\$ 41,424
Coverage factor	<u>x 1.25</u>	<u>x 1.25</u>
Required Net Earnings	<u><u>\$ 2,874,811</u></u>	<u><u>\$ 51,780</u></u>

## CITY OF BELOIT

### NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

On April 18, 2011, the City approved the issuance of Sewerage System Revenue Bonds in the amount up to \$3,481,777 with an interest rate of 2.400%. The amount will be used to provide for the payment of the cost of constructing improvements to the Sewerage System.

On April 18, 2011, the City approved an application for a \$1,500,000 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 3.75%. The loan will be used for projects contained in the 2011 Capital Improvement Budget for public works projects, property acquisition, public safety and communication equipment, and street improvements.

On June 6, 2011, the City approved the Issuance and Sale of \$3,175,000 Redevelopment Lease Bonds, Series 2011A and Series 2011A Municipal Revenue Obligation, and authorized a Public Property Lease and Contribution Agreement. The bonds will be used to fund several street reconstruction and repaving projects in TID#5.

On June 6, 2011, the City approved the Issuance and Sale of \$1,165,000 Redevelopment Lease Bonds, Series 2011B and Series 2011B Municipal Revenue Obligation, and authorized a Public Property Lease and Contribution Agreement. The bonds will be used in TID#13 to fund the reconstruction and widening of Cranston Road from the vicinity of the Aldi market south to the railroad crossing.

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

The Governmental Accounting Standards Board (GASB) has approved Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Application of these standards may restate portions of these financial statements.