City of
BELOIT, Wisconsin

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the year ended December 31, 2011

CITY OF BELOIT

Beloit, Wisconsin

COMPREHENSIVE ANNUAL FINANCIAL REPORT

As of and for the Year Ended
December 31, 2011

Prepared By:

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES
Paul E. York, Director
Laureen Presny, Director of Accounting and Purchasing

CITY OF BELOIT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2011

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City of
BELOIT, Wisconsin

CITY HALL • 100 STATE STREET • BELOIT, WI 53511
Equal Opportunity Employer
www.ci.beloit.wi.us

June 29, 2012

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, 2011. 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). The system of internal control has been designed to provide reasonable assurance that the financial statements will be free from material misstatement. 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. To the best of our knowledge and belief, the presented financial information is complete and reliable in all material aspects and is reported in a manner that presents fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial position have been included in this CAFR.

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. They have concluded, based upon 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, that the City's financial statements for the year ended December 31, 2011, are fairly presented in all material respects in accordance with GAAP. Their report is located at the beginning of the financial section of this CAFR.

Finance Department	City Attorney	City Clerk	Housing Services	Human Resources
608/364-6685	608/364-6623	608/364-6600	608/364-6650	608/364-6685
Fax 364-6642	Fax 364-6718	Fax 364-6649	Fax 364-6609	Fax 364-6759

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 complements this letter of transmittal and should be read in conjunction with it.

PROFILE of the CITY OF BELOIT

Beloit is located in Rock County Wisconsin 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. The most recent estimate indicates the City is home to 36,945 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 and financial services, police, fire, public works, sanitation, parks and recreation, planning and economic development, transit system and water and sewer utilities.

This report includes all of the funds and component units of the City of Beloit. The criteria used in determining the reporting entity is consistent with criteria established by the 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 has been recognized by the National Trust for Historic Presentation as a Great American Main Street Award recipient.

The annual budget provides the foundation for the City's financial planning and control. The budget is prepared by fund, function and department. Departmental budgets are prepared by department heads and are submitted each year in July for examination. After review by the Manager and budget committee, the proposed budget is prepared and submitted to the Council for consideration by their first meeting in October. Workshops and a public hearing are held by the Council in October. The Council normally adopts the budget by their first meeting in November for the ensuing fiscal year. Once adopted, transfers among departments or supplemental appropriations require approval of the Council; the Manager is authorized to make adjustments within departments. Budget to actual comparisons are provided in this CAFR for each governmental fund for which an annual budget has been adopted. This information can be found in the Required Supplementary Information and Supplementary Information sections of the CAFR beginning on page 94.

ECONOMIC CONDITION / MAJOR INITIATIVES

The local economy continues to be impacted by the nationwide recession. In late 2008, the General Motors assembly plant in Janesville, Wisconsin, closed leaving a significant void in our local economy, which has yet to be filled. This closing negatively affected the City and its businesses and the City's unemployment rate at 11% in April is the second highest in the State of Wisconsin. This is a significant improvement over a recession high of over 18% in 2009. This compares to an unemployment rate of 6.7% for the State of Wisconsin and 8.1% 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. During the past year, 17 projects were completed that provided over $307 million in new investment, 647,000 square feet of building space and 390 new jobs. Additional economic and demographic data can be found in the MD&A and Statistical Sections of this report.

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 No. 10 continues to be its major economic development driver. In 2009, the City realized some very positive improvements to its local economy with the opening of Kerry Ingredients and Flavours America's headquarters. They recently completed a 29,000 square foot expansion to this facility bringing their total investment in the City in excess of $50 million and 600 employees. Kettle Foods also recently completed an expansion project doubling their production capacity with a $38 million investment and creation of 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 providing 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

Each year the City prepares, as part of the budget process, a formal five year capital improvement plan for upgrades and replacement of public infrastructure and the management of related costs. This plan includes a funding methodology for each project utilizing the City's ability to borrow and other sources primarily operating budgets and Federal and State grants. For budgetary and planning purposes the City has policy guidelines establishing the appropriate levels and uses of unassigned general fund balance (15% of operating revenues or three months average expenditures whichever is greater). The City budgeted $590,577 of its unassigned general fund balance as a funding source for the budget for the year ended 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. The general obligation rating was affirmed by Standard and Poor's on June 1, 2012.

To the City Council and
Citizens of the City of Beloit, Wisconsin
June 29, 2012

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 CAFR for the fiscal year ended December 31, 2010. This was the ninth 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 CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR 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 also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning January 1, 2012. 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 fourteenth 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, Eric Miller Finance and Budget Coordinator, and Jessica Tison Budget Analyst. 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, 2010

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.

Linda C. Davidson

President

Jeffrey R. Esser

Executive Director

City of Beloit, Wisconsin
List of Elected and Appointed Officials
December 31, 2011

CITY COUNCIL MEMBERS

Kevin D. Leavy - President
James E. Van De Bogart– Vice-President
Mark Spreitzer
David F. Luebke
Sheila De Forest
Charles Haynes
Eric Newnham

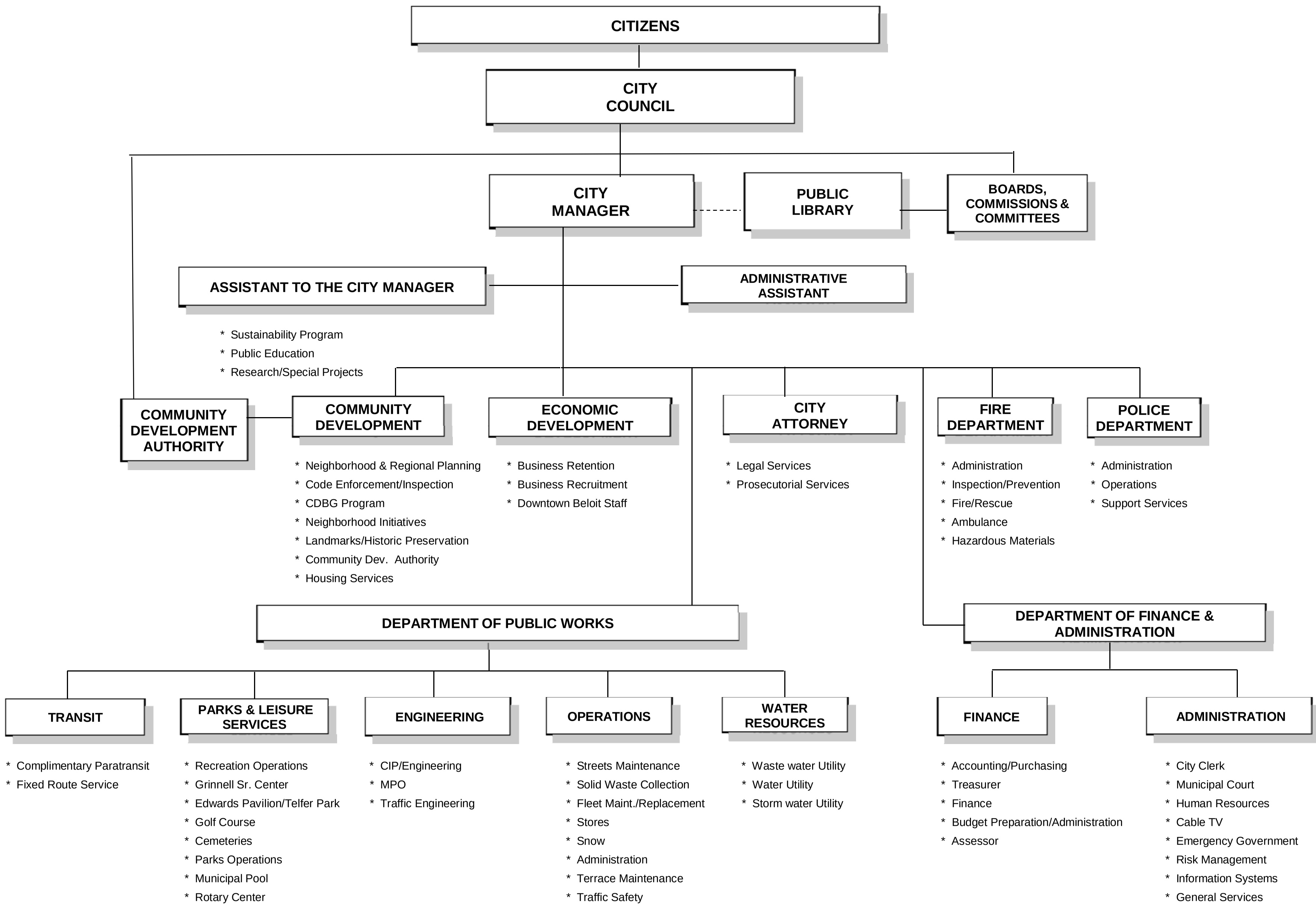
CITY MANAGER

Larry N. Arft

DEPARTMENT DIRECTORS

Beth Jacobsen – Assistant to the City Manager
Vacant – Public Works Director
Julie Christensen – Community Development Director
Thomas R. Casper – City Attorney
Andrew Janke – Economic Development Director
Bradley J. Liggett – Fire Chief
Norm Jacobs – Police Chief
Paul E. York – Finance & Administrative Services Director

CITY OF BELOIT, WISCONSIN
ORGANIZATIONAL CHART
2011



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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Beloit
Beloit, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Beloit, Wisconsin, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Beloit's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Beloit Public Library Foundation, Inc., or the limited liability corporations (LLCs) presented as a component units of the City of Beloit Community Development Authority (CDA). The Beloit Public Library Foundation Inc. represents 1%, 4%, and 3%, of the assets, net assets, and revenues of the discretely presented component units. The LLCs of the CDA represents 32%, 46%, and 2%, 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 LLCs 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 LLCs 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 previously 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, 2011, 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.

As described in Note I, the City adopted the provision of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective January 1, 2011.

To the City Council
City of Beloit
Beloit, Wisconsin

In accordance with *Government Auditing Standards,* we have also issued our report dated June 29, 2012 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.

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

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 Combining Statements and Schedules, Budget and Actual Schedules, Detailed Schedule of Revenues and Expenses to WisDOT and Federal Recognized Revenues and Expenses and the Computation of the Deficit Distribution Among the Subsidiary Grantors 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 accompanying schedule of expenditures of federal and state awards is presented for additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and the "State Single Audit Guidelines," and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the City Council
City of Beloit
Beloit, Wisconsin

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 "Letter of Transmittal" 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
June 29, 2012

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, 2011. 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).

FINANCIAL HIGHLIGHTS

- The assets of the City of Beloit exceeded its liabilities as of December 31, 2011, by $117,577,682 (*net assets*). Of this amount, $8,837,654 is unrestricted and may be used to meet the city's ongoing obligations to its citizens and creditors.
- The city's total net assets decreased $680,598 largely due to increased expenses in the city's governmental activities primarily from increased claims incurred in the city's self-insured health plan.
- As of December 31, 2011, the city's governmental funds reported combined ending fund balances of $32,868,258, an increase of $5,198,524 from the prior year. Of this amount, $3,854,717 or 12% is unassigned and is available for spending at the government's discretion.
- As of December 31, 2011, the unassigned fund balance for the general fund was $8,408,569 or 28.4% of total general fund expenditures and other financing uses.
- The business-type activities total net assets at December 31, 2011, were $75,210,873, which represents an increase of $414,283 from the prior year. Of this amount, $63,001,736 represents the business-type activities investment in capital assets, net of related debt.
- Total liabilities as of December 31, 2011, were $158,595,135, which is an increase of $10,854,835 from the prior year, and of this amount, $131,275,492 is for long-term liabilities. This increase in liabilities is related to the issuance of long term debt and capital leases to component unit and an increase in net other post-employment benefit obligation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the city's basic financial statements. The city's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This CAFR also includes supplementary information intended to provide additional detail to support the basic financial statements themselves.

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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 include the water and sewer utilities, which are considered major funds.

The government wide statements include not only the city itself (known as the primary government), but also three discretely presented component units that are separate legal entities for which the city 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 balances left at year end that are available for future spending. These funds are reported

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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.

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 23 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, equipment replacement 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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 93 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 94 to 102 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 103 to 108 of this CAFR.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

An analysis of the city's financial position begins with a review of the Statement of Net Assets and the Statement of Activities. 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 the city's financial position. In the case of the City of Beloit, assets exceeded liabilities by $117,577,682 as of December 31, 2011. This is a slight decrease of $680,598 over the previous year. This decrease is largely attributed increased expenses in the city's governmental activities primarily from increased claims incurred in the city's self-insured health plan.

The largest portion of the City of Beloit's net assets (approximately 77%) 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

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

	Governmental Activities		Business-Type Activities		Total	
	2010	**2011**	**2010**	**2011**	**2010**	**2011**
Current and other assets	$ 62.7	$ 68.1	$ 21.7	$ 19.1	$ 84.4	$ 87.2
Capital assets	90.0	93.0	91.6	96.0	181.6	189.0
Total Assets	152.7	161.1	113.3	115.1	266.0	276.2
Long-term liabilities	84.5	93.2	36.6	38.1	121.1	131.3
Other liabilities	24.8	25.5	1.9	1.8	26.7	27.3
Total Liabilities	109.3	118.7	38.5	39.9	147.8	158.6
Net assets:						
Invested in capital assets, Net of related debt	32.4	32.7	62.9	63.0	89.6	90.0
Restricted	8.7	15.7	3.1	3.2	11.8	18.8
Unrestricted	2.4	(6.0)	8.8	9.0	16.9	8.8
Total Net Assets	$ 43.5	$ 42.4	$ 74.8	$ 75.2	$ 118.3	$ 117.6

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 16%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $8,837,654, 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, 2011. Governmental activities decreased the city's net assets by $1,094,881 and business-type activities increased the city's net assets by $414,283.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

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

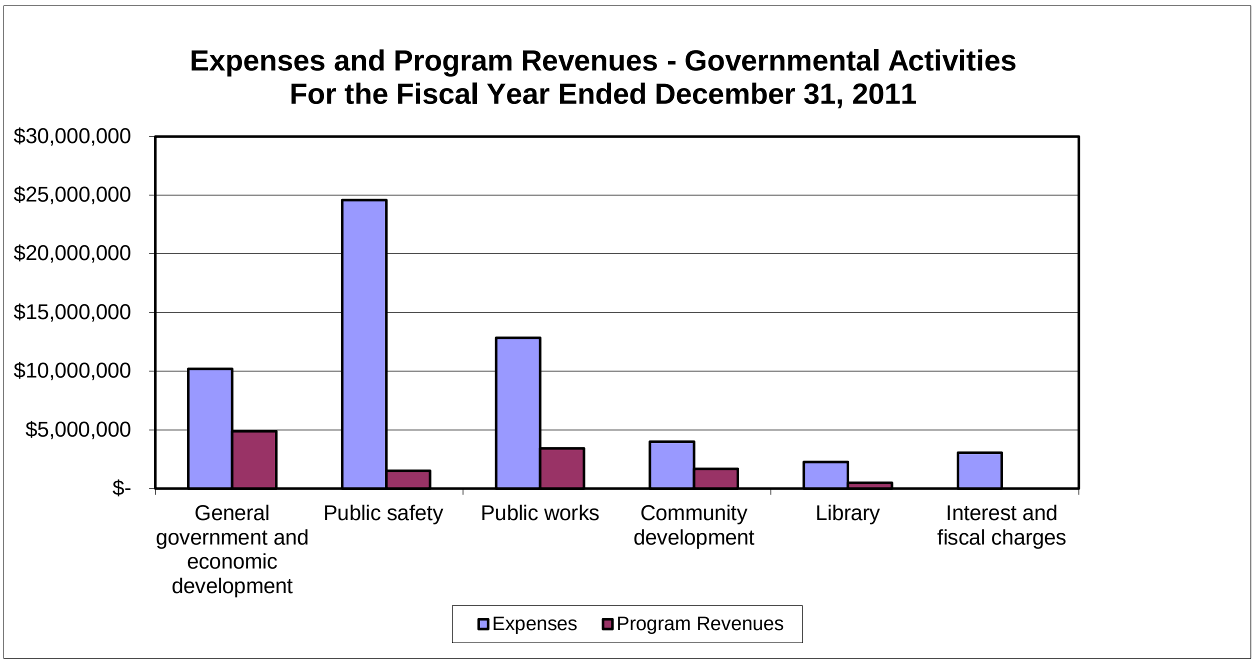
	Governmental Activities		Business-Type Activities		Total Primary Government	
REVENUES	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**
Program Revenues:						
Charges for services	$ 8.0	$ 8.8	$ 14.9	$ 14.9	$ 22.9	$ 23.7
Operating grants & contributions	2.0	2.6	-	-	2.0	2.6
Capital grants & contributions	0.2	0.5	-	-	0.2	0.5
General Revenues:						
Property taxes	18.9	19.3	0.5	0.6	19.4	19.9
Other taxes	0.6	0.6	-	-	0.6	0.6
Intergovernmental	21.2	22.0	1.2	1.2	22.4	23.2
Investment income	-	1.0	0.4	0.5	0.4	1.5
Gain on the sale of property	0.2	-	-	-	0.2	-
Miscellaneous	1.6	1.6	-	-	1.6	1.6
Total Revenues	52.7	56.4	17.0	17.2	69.7	73.6
EXPENSES						
General government	0.7	0.8	-	-	0.7	0.8
Finance and Administration	7.9	9.0	-	-	7.9	9.0
Community development	3.6	4.0	-	-	3.6	4.0
Economic development	0.3	0.3	-	-	0.3	0.3
Police services	14.4	14.8	-	-	14.4	14.8
Fire services	9.5	9.8	-	-	9.5	9.8
Public works	13.9	12.8	-	-	13.9	12.8
Library	2.2	2.3	-	-	2.2	2.3
Interest & fiscal charges	3.2	3.0	-	-	3.2	3.0
Water utility	-	-	4.5	4.5	4.5	4.5
Sewer utility	-	-	7.9	8.0	7.9	8.0
Other non-major proprietary funds	-	-	5.0	5.0	5.0	5.0
Total Expenses	55.7	56.9	17.4	17.5	73.1	74.3
Change in net assets before transfers	(3.0)	(0.5)	(0.4)	(0.3)	(3.4)	(0.7)
Transfers	(0.8)	(0.7)	0.8	0.7	-	-
Change in net assets	(3.8)	(1.1)	0.4	0.4	(3.4)	(0.7)
Net Assets - January 1	47.3	43.5	74.4	74.8	121.7	118.3
Net Assets - December 31	$ 43.5	$ 42.4	$ 74.8	$ 75.2	$ 118.3	$ 117.6

Columns may not total due to rounding.

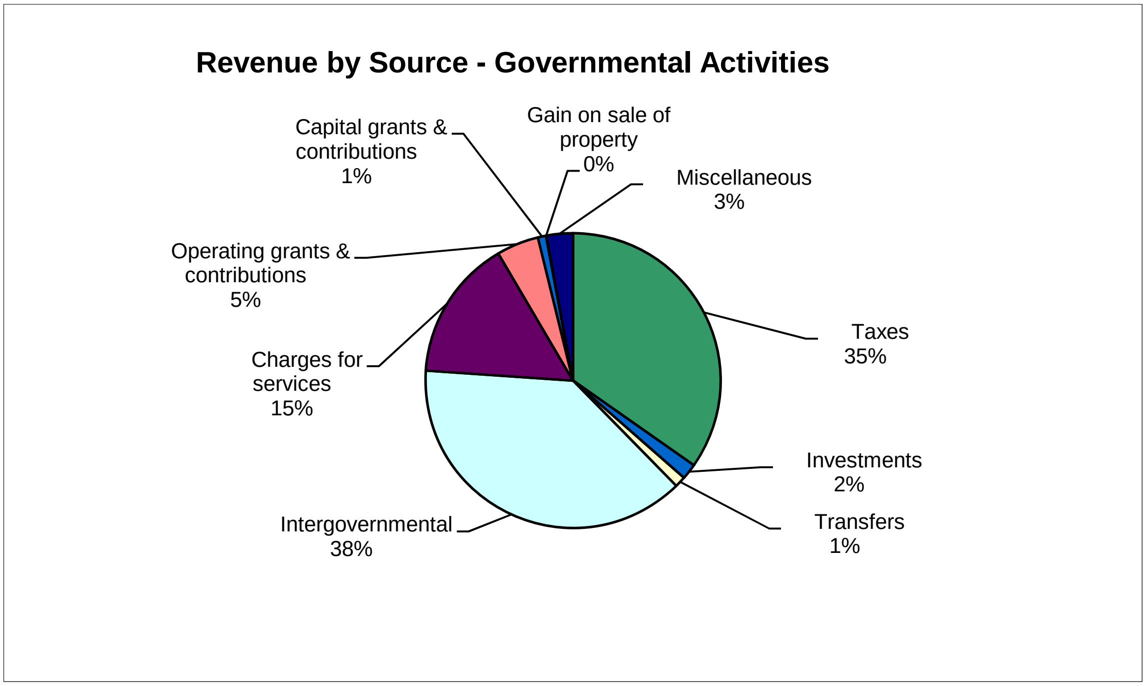
GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

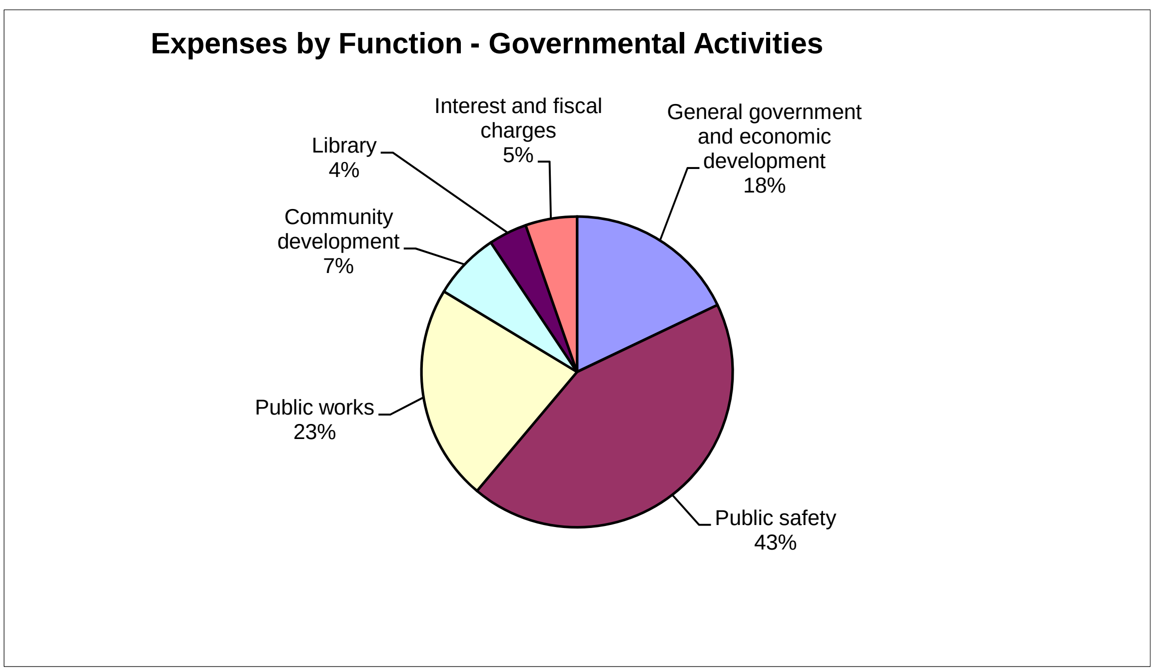
For 2011, revenues increased $4,077,370 over the prior year. The city's property tax levy increased $496,000 in 2011, largely because of increased debt service costs and levy used for general purposes in the city's general fund. A water user fee rate increase was effective December 1, 2010 resulting in additional revenues of $398,648 for the water utility. There was also an increase in intergovernmental revenues of $748,456 which were primarily from funds the city receives from the State of Wisconsin in the form of transportation aids, shared revenue payments and grants.

Expenses increased $1,339,020 over the prior year largely due to claims incurred by the city's self-insured health plan. Incurred claims increased $1,144,878 in 2011.

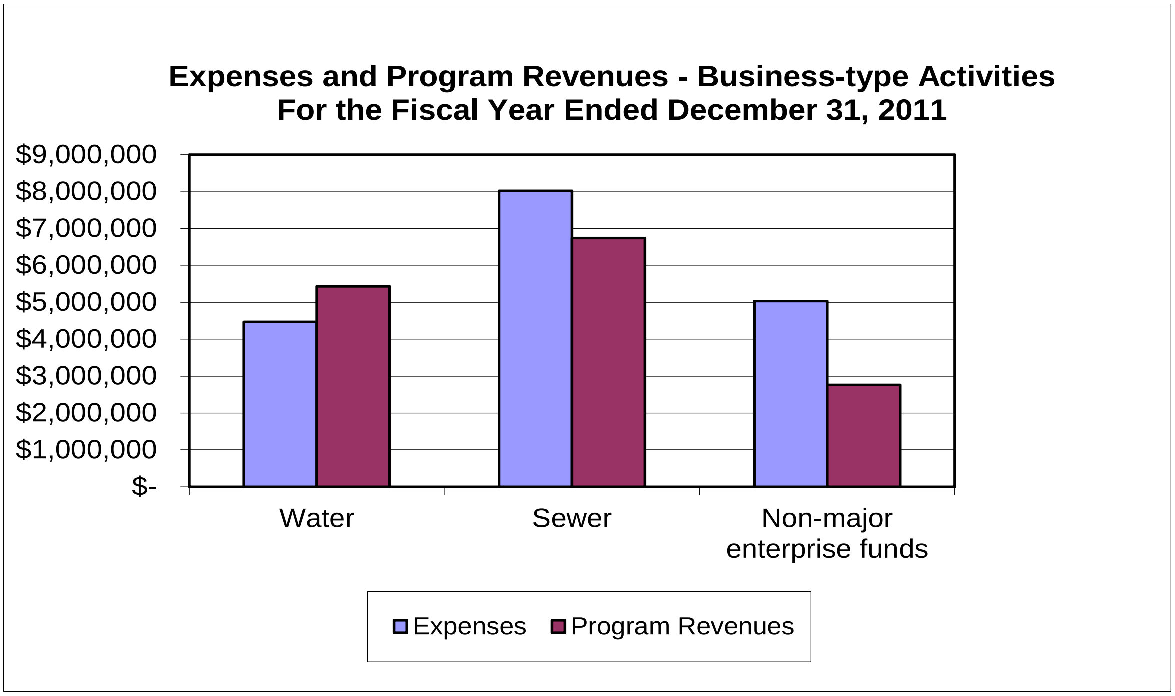


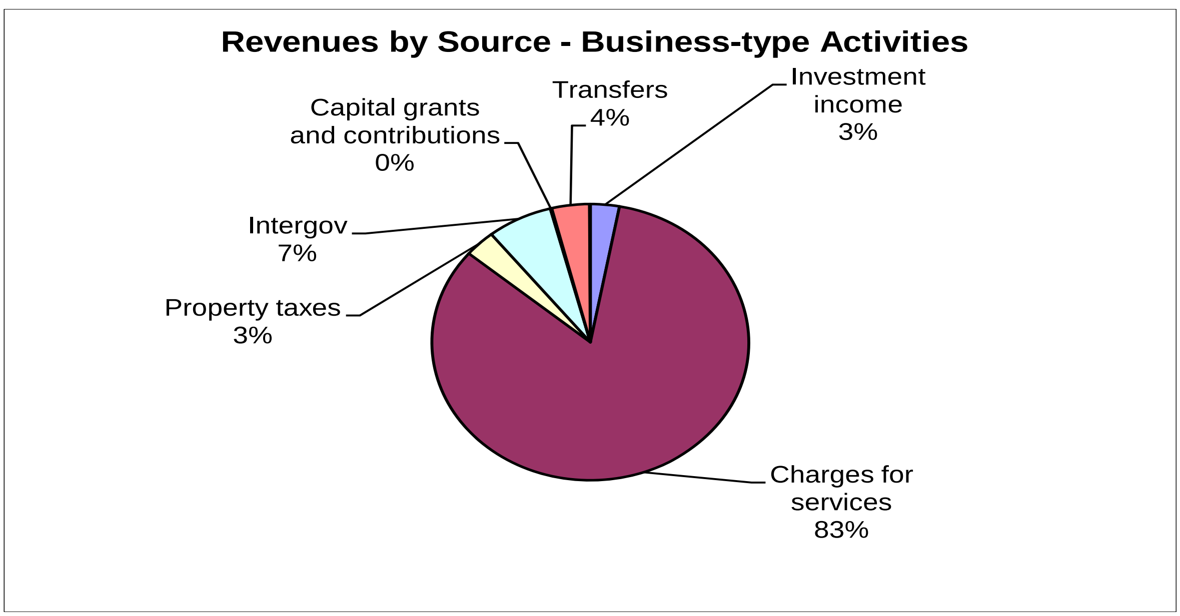
GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)





GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)





FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As was noted previously, 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

On January 1, 2011 the city implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* As of December 31, 2011, the City of Beloit's governmental funds reported combined ending fund balances of $32,868,258. This is an increase of $5,198,824 from the previous year. Approximately 11% of this total or $3,854,717 constitutes unassigned fund balance, which is available for spending at the government's discretion. This increase is largely a result of refunding debt transactions that occurred last year increasing the fund balance of the Debt Service Fund and increased tax increment and reduced capital outlay in Tax Increment District No. 10.

The remainder of fund balance is restricted, assigned or non-spendable. Restricted fund balance totals $15,502,709 and can be used for only those purposes established by parties outside the government. The largest single component being $6,942,920 restricted for debt service. Assigned fund balance totals $11,674,453 and reflects the governments intended use of fund balances with such uses established by the City Council. This primarily includes funds assigned for capital projects and capital equipment replacement. The non-spendable portion of fund balance totals $1,836,379 and is comprised primarily of prepaids and supply inventories and due to the inherent nature of these resources, they are considered non-spendable in their current form.

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 unrestricted fund balance will be either 15% of operating revenues or 3 months of estimated General Fund expenditures whichever is greater. As of December 31, 2011, the total fund balance of the general fund was $10,775,269, of which $9,013,890 was unrestricted (*assigned and unassigned*). This unrestricted fund balance represents 30.4% of general fund expenditures. The city's total general fund balance decreased very slightly $24,917, from the prior year due to a budgeted deficit of $590,577 not realized as public works and public safety expenditures were under budget by $434,865 and $151,671, respectively. This can be attributed to staff vacancies that occurred during the year and reduced snow/ice removal costs due to the relatively mild winter of 2010/2011.

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 includes the Gateway Business Park, a mixed-use joint project with MLG Development comprising over 450 acres of land. Since its inception in 2000, the TID has accounted for

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

over 1,200 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 2010 and expanded this year with a new 29,000 sq. ft. addition representing a tax base investment in excess of $8 million and 47 new jobs. The district has a fund balance of $2,587,159 and is scheduled to close in 2024.

Any remaining fund balance after that date will be distributed proportionately to the overlying taxing districts and the city's general fund. Decreased spending on capital projects and increased tax increment increased the fund balance $822,376.

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 $6,262,974 all of which is restricted for the payment of principal and interest on outstanding debt. The fund balance increased $4,201,606 as a result of refunding debt transactions that occurred last year.

Equipment Replacement Fund: The equipment replacement fund is used to accumulate resources for the purpose of replacing fleet vehicles and heavy equipment once their useful lives have been met. A depreciation schedule for each piece of equipment has been established and the user department makes an annual contribution to the fund for the future replacement of the equipment based on the annual depreciation contribution. For the past several years, due to limited budget resources, we have been unable to make contributions to this fund from the city's general fund. Contributions have continued to be made by the special revenue and enterprise funds. The fund balance as of December 31, 2011, was $6,896,995 a decrease of $260,241 from the prior year. The reason for this decrease is due to the lack of contributions from the general fund.

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, 2011 is $5,318,182 all of which is programmed to be used for capital projects and public infrastructure improvements. The city spent $3.4 million on capital improvement projects last year including several major road, highway, 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 $1,027,679, a decrease of $646,522 from last year. There are several tax increment districts that have deficit fund balances as of December 31, 2011, and TID No. 9 which had a deficit balance of $3,124,748, was formerly classified as a major governmental fund.

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

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 $1,166,569 in 2011 compared to a loss of $831,996 for 2010. This loss is largely the result of increased operating and maintenance costs and depreciation expense on plant and equipment. Operating revenues also decreased $204,129 in 2011. There was no change in the user fees assessed for sanitary sewer services. The rates for sewer services have not changed since 2003. Net assets decreased $537,365 last year due to reduced operating revenues and increased operating and depreciation expenses. Cash flow remains positive for the sewer utility with an increase in cash and cash equivalents of $1,447,304 from the prior year. The city serves 13,621 sewer customers with a wastewater treatment facility that has the capacity to treat 11 MGD of flow. The city maintains approximately 170 miles of sanitary sewer mains.

Water Utility: The water utility realized operating income of $2,492,663 in 2011 compared to $2,090,964 in 2010. This $401,699 increase is due to a 12% user fee rate increase approved by the Public Service Commission of Wisconsin effective December 1, 2010. The change in net assets in 2011 was an increase of $802,873. Most of this increase can be attributed to the increase in operating revenues. The city serves 15,343 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, 2011 were $75,211,857. The water and sewer utility's net assets accounted for $60,854,137 or 81% of this total.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund final amended budget appropriations, which include expenditures and transfers out, totaled $30,123,124. The final actual expenditures and transfers out of $29,640,456 were $482,668 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 due to the unusually mild winter of 2010-11.

The actual revenues and transfers in were $29,615,539, which was $82,992 more than the final budgeted amount. Investment earnings in 2011 were $321,171 of this amount, $165,697 was for the mark to market adjustment recorded for the underlying securities, and the remaining $155,474 were interest earnings. Interest rates continue to remain at all-time historic lows without any sign of improvement in the near future. The city issued eleven building permits for new construction in 2011 with a total construction value of $8.3 million. Permit fee revenues increased $5,276 from the prior year. At $6,170,168, the property tax levy is the largest local source revenue in the general fund. Property taxes exceeded the final budget by $11,915. 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 2011, these payments totaled $19,943,619. This

GENERAL FUND BUDGETARY HIGHLIGHTS (cont.)

represents 67% of total general fund revenues and other financing sources and is consistent with prior year's totals. Revenues and transfers in were $24,917 less than expenditures and transfers out, which is the net change in fund balance for 2011. As was previously mentioned, a deficit of $590,577 was budgeted for the general fund in 2011. This deficit was not realized as expenditures in the public works and public safety departments were under budget by $434,865 and $151,671 for the year.

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

- General government expenditures were $182,333 less than budget largely related to personnel vacancies in the Assessor's department and the contingency reserve not being fully used in the Finance and Administrative Services department.
- Actual expenditures for the Public Safety departments were $151,671 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 $434,865 less than budgeted amounts due to staff vacancies and reduced snow removal and parks maintenance costs.
- Overall, general fund expenditures and other financing uses were $482,668 less than final budgeted amounts.
- Tax revenues were slightly higher than budget primarily due to additional tax collections and payment in lieu of taxes received from the Beloit Housing Authority.
- The city's largest source of revenue for its general fund comes from funding it receives from the State of Wisconsin. In 2011 the city received $19,943,619 in intergovernmental aid from the State to support municipal services and transportation. This amounts to 67% of total general fund revenue.
- License and permit revenues increased from the prior year and were within budget projections showing some positive signs of recovery from the recession.
- Fines, forfeitures and penalties were $63,236 less than budget largely due to decreased fines collected for non-traffic related offenses and parking violations.
- Fees and charges departments make for services provided were down $57,227 largely due to a reduction in cable TV access fees resulting from the loss of local franchising authority and the effects of the economy.
- Investment earnings of $321,171 are higher than the prior year as a result of the mark to market adjustment made to the underlying securities. Interest rates continue to remain at historic lows.

CAPITAL ASSETS

The City of Beloit's investment in capital assets for its governmental and business-type activities as of December 31, 2011, was $188,955,535 (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 $7,379,661 from last year. This increase is the result of the city's investment in public infrastructure improvements within its tax increment districts and utility enterprise funds.

CAPITAL ASSETS (cont.)

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

- Several street and highway construction projects totaling over $4.7 million were either completed or started last year. Some of the more significant projects included the reconstruction of State Street and the Gantry project in tax increment district No.5 and Cranston Road in tax increment district No. 13.

- Another notable project that was the addition of solar panels to city hall as part of the city's eco-municipality and sustainability efforts. It is estimated they will reduce the city's electric bill by 5%.

- The city is in the process of replacing its public safety radio network with new low band digital radios at a cost in excess of $1.5 million.

- The city added over $3.3 million of various machinery, equipment and vehicles to its operations.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Land	$ 4.9	$ 5.0	$ 3.6	$ 3.6	$ 8.6	$ 8.6
Construction in progress	0.0	0.0	3.1	7.8	3.1	7.8
Land improvements	0.0	0.0	0.1	0.1	0.1	0.1
Buildings	16.5	15.8	7.4	6.9	23.9	22.7
Machinery & equipment	9.8	11.1	3.5	3.4	13.3	14.5
Other improvements	3.1	2.9	-	-	3.1	2.9
Streets	46.6	48.4	-	-	46.6	48.4
Street lights	3.9	4.4	-	-	3.9	4.4
Traffic signals	1.1	1.1	-	-	1.1	1.1
Bridges	4.0	3.9	-	-	4.0	3.9
Intangibles	-	-	-	4.0	-	4.0
Storm sewer infrastructure	-	-	8.6	9.8	8.6	9.8
Water plant & equipment	-	-	26.6	23.2	26.6	23.2
Sewer plant & equipment	-	-	38.7	37.1	38.7	37.1
Totals	$ 90.0	$ 93.0	$ 91.6	$ 95.9	$ 181.6	$ 188.9

Columns may not total due to rounding.

Additional information on the city's capital assets can be found in note IV.D. on pages 39-42 of this CAFR.

LONG-TERM OBLIGATIONS

In 2011, the city issued $16,860,000 in bonds, refunding bonds and notes and retired debt of $16,890,201 resulting in $90,523,052 in outstanding general obligation and revenue bonds and notes payable at the end of 2011. The per capita net general obligation debt ratio was $1,489 at the end of 2011. Of the general obligation and revenue bonded debt, $55,450,472 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 total debt applicable to the statutory limit is $61,028,052, which is 78% of the maximum allowed of $77,935,920. 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 2011.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	**2011**	**2010**	**2011**	**2010**	**2011**
General obligation bonds	$ 54.0	$ 55.5	$ 5.9	$ 5.6	$ 59.9	$ 61.1
Revenue bonds	-	-	30.6	32.4	30.6	32.4
Debt Outstanding	$ 54.0	$ 55.5	$ 36.5	$ 38.0	$ 90.5	$ 93.5

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 46-54 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, General Motors closed their assembly plant in Janesville, Wisconsin, leaving a significant void in the local economy, which has yet to be completely filled. There have been recent improvements to the local economy but full recovery has not been realized and this closing continues to have an effect on the city and its businesses. The city's unemployment rate in April 2012 was 11%, second highest in the State of Wisconsin. In April 2009, the city's unemployment rate was 18.3%, which was the highest in the State. Although this trend is positive and has continued to improve, the local economy in particular, job creation and unemployment continues to lag behind both State and National levels.

There is, however; reason for optimism. Due to the city's proximity to metropolitan Chicago to the southeast and 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 Unites States as a center for industry and manufacturing. This fact has become obvious from the economic development activity and growth being realized in the city's Tax Increment District No.10 which is located at the intersection of these highways. Since its inception in 2000, TID No.10 has realized an additional tax base value in excess of $140 million with over 1,200 new jobs. We are optimistic that this linkage will further enhance the development potential of TID #10 and provide additional economic development opportunities for the city.

Another project that may have a profound impact on the city's economy is the potential for an Indian gaming casino in the city. Earlier this year, the Ho Chunk Nation entered into an Inter-governmental Agreement with the city and Rock County to construct and operate a gaming casino in the city. They have since submitted an application to the United States Department of the Interior Bureau of Indian affairs seeking approval to operate a casino in Beloit. If approved, the tribe plans to construct a 700,000 sq. ft. facility for a full class III gaming casino with a 300 room hotel, conference and convention facilities and a total investment approaching $200 million. The facility is expected to provide approximately 2,000 new jobs in the city. The city will receive impact fee payments amounting to several million dollars to cover the costs of new infrastructure improvements to serve the facility as well as a share of net gaming proceeds. It is estimated the net gaming proceeds could total $5 to $7 million per year.

In 2011, the city's tax base decreased $52,171,400 or 3.2% to $1,558,718,400. Most of this decrease occurred in residential property value. This trend is expected to continue in 2012 as property values have not completely stabilized from the recession. There has been very little new development in Beloit the last two years to offset declining market values.

REQUESTS FOR INFORMATION

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

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

CITY OF BELOIT

STATEMENT OF NET ASSETS
As of December 31, 2011

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
ASSETS				
Cash and investments	$ 31,846,064	$ 6,428,828	$ 38,274,892	$ 2,460,348
Receivables (net of allowance for uncollectibles)				
Taxes	20,507,929	537,256	21,045,185	-
Delinquent personal property taxes	111,255	-	111,255	-
Accounts	1,446,585	3,816,523	5,263,108	46,387
Special assessments	1,940,300	-	1,940,300	124,118
Loans	3,484,608	-	3,484,608	-
Accrued interest	91,538	-	91,538	167
Other	89,503	349,273	438,776	-
Due from other governmental units	197,957	232,798	430,755	5,562
Internal balances - interfunds	107,275	(107,275)	-	-
Internal balances - advances	764,000	(764,000)	-	-
Due from component unit	188,980	-	188,980	-
Inventories	650,104	138,152	788,256	-
Financing costs	-	-	-	14,623
Tax credit fees	-	-	-	231,395
Prepaid items	330,279	-	330,279	2,937
Lease receivable from primary government	-	-	-	20,442,853
Deferred debits	-	3,871	3,871	-
Restricted Assets				
Temporarily Restricted				
Cash and investments	617	8,229,921	8,230,538	3,246,116
Deposit with risk pool	1,575,475	-	1,575,475	-
Other assets	613,471	271,615	885,086	-
Land held for resale	4,134,380	-	4,134,380	-
Capital Assets				
Land	4,971,936	3,634,032	8,605,968	414,539
Construction in progress	-	7,760,993	7,760,993	1,928,664
Capital assets net of depreciation	88,029,594	84,558,980	172,588,574	10,299,684
Total Assets	161,081,850	115,090,967	276,172,817	39,217,393
LIABILITIES				
Cash deficit	66,857	-	66,857	-
Accounts payable	1,746,568	939,029	2,685,597	936,768
Accrued liabilities	470,815	253,833	724,648	1,001,762
Claims payable	2,722,577	-	2,722,577	-
Due to primary government	-	-	-	188,980
Other liabilities	-	37,797	37,797	-
Unearned revenues	20,544,911	537,256	21,082,167	1,544,440
Deposits	-	-	-	51,911
Noncurrent liabilities				
Due within one year	12,604,489	1,948,389	14,552,878	1,965,000
Due in more than one year	80,558,824	36,163,790	116,722,614	23,256,903
Total Liabilities	118,715,041	39,880,094	158,595,135	28,945,764
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt (deficit)	32,741,870	63,001,736	89,992,940	1,072,491
Members' equity	-	-	-	3,378,385
Restricted for debt service	6,031,219	425,763	6,456,982	-
Restricted for library operations	515,567	-	515,567	-
Restricted for replacement	-	2,731,400	2,731,400	-
Restricted for economic development	2,606,298	-	2,606,298	
Restricted for grant programs	4,191,483	-	4,191,483	5,343,539
Restricted for solid waste	139,172	-	139,172	
Restricted for cemetery perpetual care	2,042,981	-	2,042,981	-
Restricted for park activities	63,205	-	63,205	-
Unrestricted (deficit)	(5,964,986)	9,051,974	8,837,654	477,214
TOTAL NET ASSETS	$ 42,366,809	$ 75,210,873	$ 117,577,682	$ 10,271,629

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government				
City Council, Manager, Attorney	$ 820,889	$ 31,670	$ -	$ -
Finance and Administrative Services	9,029,097	4,529,164	318,803	-
Community Development	3,978,299	180,125	1,500,926	-
Economic Development	336,540	-	-	-
Public Safety				
Police Services	14,780,278	1,429,097	28,959	-
Fire Services	9,797,889	1,310	63,123	-
Public works	12,828,126	2,477,014	445,928	507,677
Library	2,272,383	199,207	282,884	-
Interest and fiscal charges	3,042,878	-	-	-
Total Governmental Activities	56,886,379	8,847,587	2,640,623	507,677
Business-type Activities				
Water	4,467,294	5,428,312	-	-
Sewer	8,019,535	6,742,228	-	-
Golf course	532,776	317,058	-	-
Cemeteries	316,287	203,317	-	-
Ambulance	1,011,347	1,055,072	-	-
Storm sewer	904,392	945,989	-	27,386
Transit	2,265,776	216,441	-	-
Total Business-type Activities	17,517,407	14,908,417	-	27,386
Total Primary Government	$ 74,403,786	$ 23,756,004	$ 2,640,623	$ 535,063
Component Units - Business-type Activities				
Community Development Authority	$ 5,985,653	$ 210,646	$ 4,151,378	$ 5,017,313
Business Improvement District	202,207	125,486	84,763	-
Beloit Public Library Foundation, Inc.	32,546	812	142,762	-
Total Component Units	$ 6,220,406	$ 336,944	$ 4,378,903	$ 5,017,313

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
$ (789,219)	$ -	$ (789,219)	$ -
(4,181,130)	-	(4,181,130)	-
(2,297,248)	-	(2,297,248)	-
(336,540)	-	(336,540)	-
(13,322,222)	-	(13,322,222)	-
(9,733,456)	-	(9,733,456)	-
(9,397,507)	-	(9,397,507)	-
(1,790,292)	-	(1,790,292)	-
(3,042,878)	-	(3,042,878)	-
(44,890,492)	-	(44,890,492)	-
-	961,018	961,018	-
-	(1,277,307)	(1,277,307)	-
-	(215,718)	(215,718)	-
-	(112,970)	(112,970)	-
-	43,725	43,725	-
-	68,983	68,983	-
-	(2,049,335)	(2,049,335)	-
-	(2,581,604)	(2,581,604)	-
(44,890,492)	(2,581,604)	(47,472,096)	-
-	-	-	3,393,684
-	-	-	8,042
-	-	-	111,028
			3,512,754
6,170,168	567,256	6,737,424	-
4,573,523	-	4,573,523	-
6,600,095	-	6,600,095	-
1,955,132	-	1,955,132	-
561,291	-	561,291	-
21,957,459	1,194,315	23,151,774	-
986,271	529,770	1,516,041	1,277,882
20,672	-	20,672	-
1,661,285	14,261	1,675,546	41,288
(690,285)	690,285	-	-
43,795,611	2,995,887	46,791,498	1,319,170
(1,094,881)	414,283	(680,598)	4,831,924
43,461,690	74,796,590	118,258,280	5,439,705
$ 42,366,809	$ 75,210,873	$ 117,577,682	$ 10,271,629

See accompanying notes to financial statements.

CITY OF BELOIT

BALANCE SHEET - GOVERNMENTAL FUNDS
As of December 31, 2011

	General	TIF District No. 10	General Debt Service	Capital Improvements	Equipment Replacement	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	$ 8,379,770	$ 2,539,603	$ 4,976,209	$ 2,974,352	$ 6,857,729	$ 5,614,282	$ 31,341,945
Receivables							
Taxes	6,330,284	4,084,522	4,873,523	156,747	-	5,062,853	20,507,929
Delinquent personal property taxes	51,996	-	-	54,241	-	5,018	111,255
Accounts (net)	640,620	-	5,100	25,125	-	735,095	1,405,940
Special assessments	-	-	-	1,940,300	-	-	1,940,300
Loans	-	-	-	-	-	3,484,608	3,484,608
Accrued interest	34,644	-	-	-	39,266	17,628	91,538
Other	89,503	-	-	-	-	-	89,503
Due from other governmental units	-	-	-	-	-	197,957	197,957
Due from other funds	1,633,998	-	-	-	-	-	1,633,998
Due from component units	-	-	-	-	-	188,980	188,980
Inventories	650,104	-	-	-	-	-	650,104
Prepaid items	255,279	75,000	-	-	-	-	330,279
Advances to other funds	804,000	-	1,281,665	2,951,069	-	-	5,036,734
TOTAL ASSETS	$ 18,870,198	$ 6,699,125	$ 11,136,497	$ 8,101,834	$ 6,896,995	$ 15,306,421	$ 67,011,070
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	$ 1,255,328	$ 28,442	$ -	$ 74,191	$ -	$ 349,455	$ 1,707,416
Due to other funds	-	-	-	558,174	-	919,485	1,477,659
Deferred revenue	6,839,601	4,083,524	4,873,523	2,151,287	-	8,737,068	26,685,003
Advances from other funds	-	-	-	-	-	4,272,734	4,272,734
Total Liabilities	8,094,929	4,111,966	4,873,523	2,783,652	-	14,278,742	34,142,812
Fund Balances							
Nonspendable	1,761,379	75,000	-	-	-	-	1,836,379
Restricted	-	2,512,159	6,262,974	1,630,357	-	5,097,219	15,502,709
Assigned	605,321	-	-	3,687,825	6,896,995	484,312	11,674,453
Unassigned (Deficit)	8,408,569	-	-	-	-	(4,553,852)	3,854,717
Total Fund Balances	10,775,269	2,587,159	6,262,974	5,318,182	6,896,995	1,027,679	32,868,258
TOTAL LIABILITIES AND FUND BALANCES	$ 18,870,198	$ 6,699,125	$ 11,136,497	$ 8,101,834	$ 6,896,995	$ 15,306,421	

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.	92,983,649
Land held for resale is not reported in the funds	4,134,380
Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are are recognized as revenue when earned in the government-wide statements. See Note IV.B.	6,140,092
Internal service funds are reported in the statement of net assets as governmental funds	(738,913)
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.	(93,020,657)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 42,366,809

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	General	TIF District No. 10	General Debt Service
REVENUES			
Taxes	$ 6,243,809	$ 3,883,810	$ 4,573,523
Intergovernmental	19,943,619	122,971	128,639
Licenses and permits	587,626	-	-
Fines, forfeitures and penalties	1,195,854	-	-
Fees and service charges	605,074	-	-
Rent	56	-	-
Special assessments	-	-	-
Investment income (loss)	321,171	38,948	(1,500)
Public charges for services	-	-	-
Other	40,715	-	263,350
Total Revenues	28,937,924	4,045,729	4,964,012
EXPENDITURES			
Current			
General government	3,922,701	-	-
Community development	1,267,772	-	-
Public safety	18,540,518	-	-
Public works	5,629,465	-	-
Parks, recreation, and education		-	-
Capital Outlay	-	1,056,883	-
Debt Service			
Principal retirement	10,000	1,100,778	4,717,982
Interest and fiscal charges	-	813,339	2,086,701
Total Expenditures	29,370,456	2,971,000	6,804,683
Excess (deficiency) of revenues over (under) expenditures	(432,532)	1,074,729	(1,840,671)
OTHER FINANCING SOURCES (USES)			
Debt issued	-	-	-
Debt issued - refunding	-	-	14,006,168
Capital lease	-	-	-
Sale of city property	19,982	7,662	-
Payment into escrow	-	-	(9,759,095)
Transfers in	657,633	-	1,795,204
Transfers out	(270,000)	(260,015)	-
Total Other Financing Sources (Uses)	407,615	(252,353)	6,042,277
Net Change in Fund Balances	(24,917)	822,376	4,201,606
FUND BALANCES - Beginning	10,800,186	1,764,783	2,061,368
FUND BALANCES - ENDING	$ 10,775,269	$ 2,587,159	$ 6,262,974

Capital Improvements	Equipment Replacement	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ 4,671,502	$ 19,372,644
478,365	-	3,290,398	23,963,992
-	-	2,509	590,135
22,030	-	-	1,217,884
-	-	50,890	655,964
-	-	-	56
225,047	-	-	225,047
14,487	362,899	291,791	1,027,796
-	-	2,520,878	2,520,878
949,584	879,012	524,649	2,657,310
1,689,513	1,241,911	11,352,617	52,231,706
-	-	12,779	3,935,480
-	-	2,648,835	3,916,607
-	-	572,840	19,113,358
-	-	2,564,854	8,194,319
-	-	2,045,247	2,045,247
3,379,335	1,764,941	4,874,485	11,075,644
-	-	94,881	5,923,641
-	-	281,430	3,181,470
3,379,335	1,764,941	13,095,351	57,385,766
(1,689,822)	(523,030)	(1,742,734)	(5,154,060)
1,500,000	-	-	1,500,000
-	-	-	14,006,168
-	-	3,915,445	3,915,445
-	262,789	12,000	302,433
-	-	-	(9,759,095)
30,000	-	27,000	2,509,837
(27,000)	-	(1,565,189)	(2,122,204)
1,503,000	262,789	2,389,256	10,352,584
(186,822)	(260,241)	646,522	5,198,524
5,505,004	7,157,236	381,157	27,669,734
$ 5,318,182	$ 6,896,995	$ 1,027,679	$ 32,868,258

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, 2011

Net change in fund balances - total governmental funds	$	5,198,524
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of net assets the cost of these assets is capitalized and they are depreciated over their estimated useful lives with depreciation expense reported in the statement of activities.		
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		11,075,644
Less: Some items are reported as capital outlay but not capitalized		(4,489,420)
Depreciation is reported in the government-wide statements		(2,832,204)
Change in land held for resale		(51,510)
Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net assets.		(700,879)
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.		84,658
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 ($15,506,168 G.O. debt and $3,915,445 capital leases) were more than payments/defeasances ($14,058,837 G.O. debt, $10,000 other debt, and $1,294,278 capital leases).		(4,058,498)
Other post-employment benefit liability		(4,864,504)
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.		520,032
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		(129,308)
Accrued interest on debt		1,291
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.		(848,707)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	(1,094,881)

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
As of December 31, 2011

	Business-type Activities - Enterprise Funds				
	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
ASSETS					
Current Assets					
Cash and investments	$ 899,519	$ 4,697,596	$ 831,713	$ 6,428,828	$ 504,736
Receivables					
Taxes	-	-	537,256	537,256	-
Accounts	904,726	2,427,225	484,572	3,816,523	40,645
Other	44,836	298,138	6,299	349,273	-
Due from other governmental units	-	-	232,798	232,798	-
Current portion of advance	-	201,835	-	201,835	-
Inventories	14,693	-	123,459	138,152	-
Restricted Assets					
Bond redemption account	383,039	-	44,466	427,505	-
Total Current Assets	2,246,813	7,624,794	2,260,563	12,132,170	545,381
Non-Current Assets					
Restricted Assets					
Bond reserve account	2,303,430	98,481	126,444	2,528,355	-
Construction account	2,203,199	-	339,462	2,542,661	-
Replacement account	-	2,731,400	-	2,731,400	-
Deposit with risk pool	-	-	-	-	1,575,475
Total Restricted Assets	4,506,629	2,829,881	465,906	7,802,416	1,575,475
Capital Assets					
Land	977,751	1,386,281	1,270,000	3,634,032	-
Construction in progress	3,346,814	4,414,179	-	7,760,993	-
Land improvements	-	-	702,418	702,418	-
Buildings	4,087,669	66,387,017	4,833,464	75,308,150	-
Machinery, equipment, and vehicles	1,951,084	1,537,968	4,244,450	7,733,502	67,165
Infrastructure	32,499,504	16,620,317	12,158,603	61,278,424	-
Intangibles	5,900,453	-	-	5,900,453	-
Less: Accumulated depreciation	(13,085,782)	(46,885,365)	(6,392,820)	(66,363,967)	(49,284)
Total Capital Assets, Net	35,677,493	43,460,397	16,816,115	95,954,005	17,881
Other Assets					
Advances to other funds	-	435,176	-	435,176	-
Unamortized debt issuance costs	220,796	8,204	42,615	271,615	-
Total Other Assets	220,796	443,380	42,615	706,791	-
Total Non-Current Assets	40,404,918	46,733,658	17,324,636	104,463,212	1,593,356
Total Assets	42,651,731	54,358,452	19,585,199	116,595,382	2,138,737

	Business-type Activities - Enterprise Funds				
	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
LIABILITIES					
Current Liabilities					
Cash deficit	$ -	$ -	$ -	$ -	$ 66,857
Accounts payable	209,922	576,459	152,648	939,029	39,152
Accrued liabilities	12,485	5,795	8,886	27,166	-
Claims payable	-	-	-	-	2,722,577
Due to other funds	-	-	106,291	106,291	50,048
Compensated absences	22,620	120,412	116,774	259,806	-
Current maturities of general obligation debt	135,831	82,540	186,882	405,253	-
Current portion of advances	201,835	-	-	201,835	-
Unearned revenue	-	-	537,256	537,256	-
Other current liabilities	-	-	16,001	16,001	-
Current Liabilities Payable From Restricted Assets					
Current maturities of revenue debt	1,115,000	113,330	55,000	1,283,330	-
Accrued interest	197,205	11,464	17,998	226,667	-
Total Current Liabilities	1,894,898	910,000	1,197,736	4,002,634	2,878,634
Noncurrent Liabilities					
General obligation debt, less current maturities	2,278,158	1,149,960	1,744,209	5,172,327	-
Compensated absences	13,987	99,550	55,620	169,157	-
Other post-employment benefits	26,141	115,455	104,785	246,381	-
Revenue debt, less current maturities	26,960,000	2,752,682	1,365,000	31,077,682	-
Unamortized discount	(242,171)	-	-	(242,171)	-
Unamortized loss on advance refunding	(259,586)	-	(3,871)	(263,457)	-
Deferred credits	21,796	-	-	21,796	-
Advances from other funds	435,176	-	764,000	1,199,176	-
Total Noncurrent Liabilities	29,233,501	4,117,647	4,029,743	37,380,891	-
Total Liabilities	31,128,399	5,027,647	5,227,479	41,383,525	2,878,634
NET ASSETS (DEFICIT)					
Invested in capital assets, net of related debt	9,780,675	39,370,089	13,850,972	63,001,736	17,881
Restricted for debt service	185,834	87,017	152,912	425,763	-
Restricted for replacement	-	2,731,400	-	2,731,400	-
Unrestricted (Deficit)	1,556,823	7,142,299	353,836	9,052,958	(757,778)
TOTAL NET ASSETS (DEFICIT)	$ 11,523,332	$ 49,330,805	$ 14,357,720	$ 75,211,857	$ (739,897)

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	(984)
NET ASSETS OF BUSINESS-TYPE ACTIVITIES	$ 75,210,873

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
NET ASSETS - PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds				Governmental
	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	Activities - Internal Service Funds
OPERATING REVENUES					
Charges for services	$ 4,887,445	$ 6,387,026	$ 2,697,597	$ 13,972,068	$ 12,127,336
Other	540,867	355,202	40,280	936,349	-
Total Operating Revenues	5,428,312	6,742,228	2,737,877	14,908,417	12,127,336
OPERATING EXPENSES					
Operation and maintenance	1,435,271	4,490,961	4,025,122	9,951,354	12,364,040
Contractual services	388,295	980,475	291,563	1,660,333	984,825
Depreciation	1,112,083	2,437,361	502,128	4,051,572	2,941
Total Operating Expenses	2,935,649	7,908,797	4,818,813	15,663,259	13,351,806
Operating Income (Loss)	2,492,663	(1,166,569)	(2,080,936)	(754,842)	(1,224,470)
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	-	1,194,315	1,194,315	-
Investment income	44,099	125,233	108,285	277,617	-
Interest charged to construction	197,922	25,284	28,947	252,153	-
Interest expense	(1,353,311)	(74,027)	(155,040)	(1,582,378)	-
Amortization of debt issuance costs and premiums	(162,194)	-	(3,813)	(166,007)	-
General property taxes	-	-	567,256	567,256	-
Interest subsidy received on Build America Bonds	-	-	27,386	27,386	-
Miscellaneous	-	14,261	-	14,261	-
Total Nonoperating Revenues (Expenses)	(1,273,484)	90,751	1,767,336	584,603	-
Income (loss) before contributions and transfers	1,219,179	(1,075,818)	(313,600)	(170,239)	(1,224,470)
Capital contributions	241,327	538,453	568,138	1,347,918	-
Transfers in	-	-	-	-	270,000
Transfers out	(657,633)	-	-	(657,633)	-
Change in Net Assets	802,873	(537,365)	254,538	520,046	(954,470)
TOTAL NET ASSETS - Beginning	10,720,459	49,868,170	14,103,182		214,573
TOTAL NET ASSETS (DEFICIT) - ENDING	$ 11,523,332	$ 49,330,805	$ 14,357,720		$ (739,897)
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				(105,763)	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES				$ 414,283	

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds				Governmental
	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	$ 5,565,826	$ 7,135,828	$ 2,775,968	$ 15,477,622	$ 12,535,106
Paid to suppliers for goods and services	(1,172,082)	(3,913,766)	(2,160,549)	(7,246,397)	(12,440,882)
Payments to employees for services	(580,353)	(1,615,726)	(2,177,710)	(4,373,789)	(538,685)
Net Cash Flows from Operating Activities	3,813,391	1,606,336	(1,562,291)	3,857,436	(444,461)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants received	-	-	1,279,251	1,279,251	-
Transfers in (out)	(657,633)	-	-	(657,633)	270,000
Property taxes received	-	-	567,256	567,256	-
Advances to other funds	-	192,011	-	192,011	-
Non-capital advance (and repayment)	-	-	195,251	195,251	-
Net Cash Flows from Noncapital Financing Activities	(657,633)	192,011	2,041,758	1,576,136	270,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Debt retired	(1,204,228)	(77,011)	(231,489)	(1,512,728)	-
Interest paid	(1,367,644)	(65,974)	(155,068)	(1,588,686)	-
Interest subsidy received on BABs	-	-	25,330	25,330	-
Proceeds from issuance of new debt	-	2,866,012	-	2,866,012	-
Acquisition and construction of capital assets	(3,020,273)	(3,586,167)	(1,185,467)	(7,791,907)	-
Construction grants received	-	-	350,000	350,000	-
Contributions received for construction	-	386,864	-	386,864	-
Cost of removal of property retired	(2,322)	-	-	(2,322)	-
Capital paid from(to) city	(192,010)	-	-	(192,010)	-
Net Cash Flows from Capital and Related Financing Activities	(5,786,477)	(476,276)	(1,196,694)	(7,459,447)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	44,099	125,233	108,285	277,617	-
Net Cash Flows from Investing Activities	44,099	125,233	108,285	277,617	-
Net Increase (Decrease) in Cash and Cash Equivalents	(2,586,620)	1,447,304	(608,942)	(1,748,258)	(174,461)
CASH AND CASH EQUIVALENTS - Beginning	8,375,807	6,080,173	1,951,027	16,407,007	612,340
CASH AND CASH EQUIVALENTS - ENDING	$ 5,789,187	$ 7,527,477	$ 1,342,085	$ 14,658,749	$ 437,879

	Business-type Activities - Enterprise Funds				
	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (Loss)	$ 2,492,663	$ (1,166,569)	$ (2,080,936)	$ (754,842)	$ (1,224,470)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities					
Nonoperating income	-	14,258	-	14,258	-
Depreciation charged to other funds	121,235	-	-	121,235	-
Depreciation expense	1,112,083	2,437,361	502,128	4,051,572	2,941
Changes in Assets and Liabilities					
Accounts receivable	(8,721)	241,499	38,090	270,868	407,770
Taxes accrued	-	-	30,000	30,000	-
Inventories	11,520	-	(1,237)	10,283	-
Accounts payable	45,499	(69,144)	1,462	(22,183)	249
Due to/from other funds	-	137,843	-	137,843	-
Accrued compensated absences	-	706	-	706	-
Other post-employment benefits	1,390	6,142	5,677	13,209	-
Payable to other funds	-	-	(36,133)	(36,133)	47,851
Compensated absences	15,926	-	6,344	22,270	-
Other current liabilities	-	4,240	2,314	6,554	-
Unearned revenues	21,796		(30,000)	(8,204)	-
Claims payable	-	-	-	-	321,198
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 3,813,391	$ 1,606,336	$ (1,562,291)	$ 3,857,436	$ (444,461)

	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS					
Cash and investments - statement of net assets	$ 899,519	$ 4,697,596	$ 831,713	$ 6,428,828	$ 504,736
Cash deficit - statement of net assets	-	-	-	-	(66,857)
Restricted cash and investments - statement of net assets:					
Bond redemption account	383,039	-	44,466	427,505	-
Replacement account	-	2,731,400	-	2,731,400	-
Construction account	2,203,199	-	339,462	2,542,661	-
Bond reserve account	2,303,430	98,481	126,444	2,528,355	-
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,789,187	$ 7,527,477	$ 1,342,085	$ 14,658,749	$ 437,879

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During 2011, $241,327 of water capital assets were contributed by the City.

During 2011, $197,922 of water interest was capitalized.

During 2011, $819,544 of water refunding bonds were issued to advance refund $798,031 of debt and finance $21,514 of issuance costs.

During 2011, $151,589 of sewer capital assets were contributed by the City.

During 2011, $25,284 of sewer interest was capitalized.

During 2011, $312,539 of sewer refunding bonds were issued to advance refund $304,334 of debt.

During 2011, $9,103 of cemetary refunding bonds were issued to advance refund $8,911 of debt.

During 2011, $164,244 of storm capital assets were contributed by the City.

During 2011, $28,947 of storm interest was capitalized.

During 2011, $53,894 of transit capital grants were accrued.

During 2011, $212,646 of transit refunding bonds were issued to advance refund $207,360 of debt.

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
As of December 31, 2011

	Agency Fund
	Tax Collection Fund
ASSETS	
Cash and investments	$ 5,428,740
Property taxes receivable	17,820,717
TOTAL ASSETS	$ 23,249,457
LIABILITIES	
Due to other taxing units	$ 23,249,457
TOTAL LIABILITIES	$ 23,249,457

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF NET ASSETS - COMPONENT UNITS
As of December 31, 2011

	Major Community Development Authority	Non-Major	Totals
ASSETS			
Current Assets			
Cash and investments	$ 1,704,066	$ 756,282	$ 2,460,348
Receivables			
Accounts	46,387	-	46,387
Special assessments	-	124,118	124,118
Accrued interest	-	167	167
Lease receivable from primary government	1,915,000	-	1,915,000
Due from other governmental units	5,562	-	5,562
Financing costs	14,623	-	14,623
Tax credit fees	231,395	-	231,395
Prepaid items	2,937	-	2,937
Total Current Assets	3,919,970	880,567	4,800,537
Non-Current Assets			
Restricted Assets			
Cash and investments	3,246,116	-	3,246,116
Capital Assets			
Land	414,539	-	414,539
Land improvements	168,111	-	168,111
Construction in progress	1,928,664	-	1,928,664
Buildings	2,082,321	-	2,082,321
Building improvements	8,244,008	-	8,244,008
Machinery, equipment, furnishings and vehicles	876,408	-	876,408
Less: Accumulated depreciation	(1,071,164)	-	(1,071,164)
Total Capital Assets, Net	12,642,887	-	12,642,887
Other Assets			
Lease receivable from primary government	18,527,853	-	18,527,853
Total Non-Current Assets	34,416,856	-	34,416,856
Total Assets	38,336,826	880,567	39,217,393
LIABILITIES			
Current Liabilities			
Accounts payable	20,051	18,309	38,360
Construction payables	895,108	-	895,108
Accrued liabilities	1,001,762	-	1,001,762
Due to primary government	86,766	105,514	192,280
Unearned revenues	1,420,322	124,118	1,544,440
Deposits	51,911	-	51,911
Lease revenue bonds payable	1,915,000	-	1,915,000
Library campaign pledge	-	50,000	50,000
Total Current Liabilities	5,390,920	297,941	5,688,861
Noncurrent Liabilities			
Compensated absences	20,295	-	20,295
Mortgage notes payable	1,651,608	-	1,651,608
Lease revenue bonds payable	21,485,000	-	21,485,000
Library campaign pledge	-	100,000	100,000
Total Noncurrent Liabilities	23,156,903	100,000	23,256,903
Total Liabilities	28,547,823	397,941	28,945,764
NET ASSETS			
Invested in capital assets, net of related debt (deficit)	1,072,491	-	1,072,491
Members' equity	3,378,385	-	3,378,385
Restricted for grant programs	5,338,127	5,412	5,343,539
Unrestricted	-	477,214	477,214
TOTAL NET ASSETS	$ 9,789,003	$ 482,626	$ 10,271,629

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF ACTIVITIES - COMPONENT UNITS
For the Year Ended December 31, 2011

	Major Community Development Authority	Non-major	Totals
EXPENSES			
Community development	$ 4,508,252	$ -	$ 4,508,252
Economic development	-	202,207	202,207
Library services	-	32,546	32,546
Total Expenses	4,508,252	234,753	4,743,005
PROGRAM REVENUES			
Charges for services	210,646	126,298	336,944
Operating grants and contributions	4,151,378	227,525	4,378,903
Other revenue	41,288	-	41,288
Total Program Revenues	4,403,312	353,823	4,757,135
Net Revenues (Expenses)	(104,940)	119,070	14,130
GENERAL REVENUES (EXPENSES)			
Investment income	1,277,243	639	1,277,882
Interest and amortization	(1,422,188)	-	(1,422,188)
Miscellaneous	(55,213)	-	(55,213)
Total General Revenues (Expenses)	(200,158)	639	(199,519)
Revenues (Expenses) Before Contributions	(305,098)	119,709	(185,389)
CAPITAL CONTRIBUTIONS	5,017,313	-	5,017,313
Change in Net Assets	4,712,215	119,709	4,831,924
TOTAL NET ASSETS - Beginning	5,076,788	362,917	5,439,705
TOTAL NET ASSETS - ENDING	$ 9,789,003	$ 482,626	$ 10,271,629

See accompanying notes to financial statements

CITY OF BELOIT

INDEX TO NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.I.). 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 two limited liability companies which are used to promote redevelopment of CDA properties. The information presented is for the fiscal year ended December 31, 2011. The CDA does not issue separate financial statements. Additional information may be obtained from the CDA's office.

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

A. REPORTING ENTITY (cont.)

City of Beloit Business Improvement District (the "district")

The district was created under the provisions of Wisconsin Statute Section 66.608. The district, created in 1989, is a legally separate entity with a separate thirteen member board appointed and approved by the city council. Wisconsin Statutes provide circumstances whereby the City can impose its will on the district, and also create a potential financial benefit to or burden on the City. The members serve staggered terms as designated by the city council. A majority of the members own or occupy real property in the district. The district has its own budgetary authority and assessment capabilities (see Note IV.I.). As a component unit, the district's financial statements are shown as a discrete column (proprietary) in the financial statements. The information presented is for the fiscal year ended December 31, 2011. 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, 2011 (see Note IV.I.). Separately issued financial statements of the Foundation may be obtained from the Foundation's office.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the use of resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

The City made the decision to implement this standard effective January 1, 2011.

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.

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

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. 10 – Special Revenue Fund – used to account for and report financial resources that are legally restricted or committed to supporting expenditures of the district.

General Debt Service – used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of principal and interest on long-term debt other than TIF or enterprise fund debt.

Capital Improvements – Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures to be used for capital improvement projects.

Equipment Replacement – Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures to be used for replacement of equipment, including computers and vehicles.

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

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

Fund Financial Statements (cont.)

The City reports the following 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Rental Rehab (WRRP/HOME)
Community Development Block Grant
TIF District No. 5
TIF District No. 6
TIF District No. 8
TIF District No. 9
TIF District No. 11
TIF District No. 12
TIF District No. 13
TIF District No. 14
Fire Multi-Year Grants
DPW Multi-Year Grants
Community Development
Library
Police
Solid Waste
Perpetual Care

Capital Projects Funds – used to account for financial resources that are restricted, committed, or assigned to be used for the acquisition or construction of equipment and/or major capital facilities.

Computer Replacement

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

Golf Course
Cemeteries
Ambulance
Storm Sewer
Transit System

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

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

Fund Financial Statements (cont.)

In addition, the City reports the following fund types:

Internal service funds 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.

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 to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues. At December 31, 2011, there were $1,030,170 of unrecorded deferred assessments which are not recorded as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

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.

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

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.

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

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, 2011, 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.

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

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 – 2011 tax roll:

Lien date and levy date	December 2011
Tax bills mailed	December 2011
Payment in full, or	January 31, 2012
First installment due	January 31, 2012
Second installment due	March 31, 2012
Third installment due	May 31, 2012
Fourth installment due	July 31, 2012
Personal property taxes in full	January 31, 2012
Tax sale – 2011 delinquent real estate taxes	October 2014

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 nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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

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 $6,273.

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 restricted 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 accordance with the consumption method 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.

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

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. $252,153 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.

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.

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

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, 2011 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 $382,984, 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.

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

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 $5,750,666.

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. In accordance with Governmental Accounting Standards Board Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

a. Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

b. Restricted – Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

c. Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (ordinance, resolution, motion) of the City. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City that originally created the commitment.

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

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

10. Equity Classifications (cont.)

Fund Statements (cont.)

d. Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The city council may take official action to assign amounts, 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.

e. Unassigned – Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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

It is the desire of the City to maintain adequate General Fund fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. The City has adopted a financial standard to maintain a General Fund minimum unrestricted fund balance of the 15% of operating revenue or three months of General Fund operating expenditures, whichever is greater.

See Note IV. H. for further information.

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.

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	$ 4,971,936
Land improvements	67,854
Buildings and improvements	20,605,571
Machinery and equipment	21,347,029
Other improvements	5,335,614
Infrastructure	72,594,907
Less: Accumulated depreciation	(31,921,381)
Less: Internal service fund capital assets, net of depreciation	(17,881)
Capital Assets	$ 92,983,649

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 $93,020,657 difference in liabilities are as follows:

Bonds and notes payable	$ 55,450,472
Unamortized debt premium/discount/cost of issuance/loss on advance refunding	(1,334,931)
Compensated absences	2,237,802
Other post-employment benefit liabilities	15,159,658
Other debt	90,000
Capital leases	20,946,841
Accrued interest	470,815*
Net Adjustment to Reduce Fund Balance – Total Governmental Funds to Arrive at Net Assets – Governmental Activities	$ 93,020,657

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

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 – the Rental Rehab (WRRP/HOME) Fund and the Cemetery Perpetual Care Fund.

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 are as originally adopted by the City Council. 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.

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, 2011:

	Excess
TIF District No. 10 (major fund)	$ 405,165
General Debt Service (major fund)	249,676
Equipment Replacement (major fund)	635,941
Community Development Block Grant (nonmajor fund)	473,663
TIF District No. 5 (nonmajor fund)	2,955,807
TIF District No. 6 (nonmajor fund)	19,791
TIF District No. 11 (nonmajor fund)	13,546
TIF District No. 13 (nonmajor fund)	1,628,798
TIF District No. 14 (nonmajor fund)	33,443
Computer Replacement (nonmajor fund)	27,323

C. DEFICIT BALANCES

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

As of December 31, 2011, the following individual funds held a deficit balance:

Fund	Amount	Reason
Special Revenue – TIF District No. 6	$ 390,150	Excess expenditures over revenues
Special Revenue – TIF District No. 8	1,000,000	Excess expenditures over revenues
Special Revenue – TIF District No. 9	3,124,748	Excess expenditures over revenues
Special Revenue – TIF District No. 12	38,954	Excess expenditures over revenues
Internal Service – Health Insurance	2,597,663	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 32 (2011), 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 zero percent for the 2011 levy collected in 2012 and thereafter. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions.

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
Demand deposits	$ 7,837,809	$ 8,031,381	Custodial credit risk
U.S. agencies – explicitly guaranteed	4,642,668	4,642,668	Custodial credit risk, interest rate risk
U.S. agencies – implicitly guaranteed	3,185,195	3,185,195	Custodial credit risk, interest rate risk, credit risk, concentration of credit risk
Municipal bonds	6,131,856	6,131,856	Custodial credit risk, interest rate risk, credit risk, concentration of credit risk
Corporate bonds	6,828,616	6,828,616	Credit risk, custodial credit risk, concentration of credit risk, interest rate risk
LGIP	14,080,141	14,080,141	Credit risk, interest rate risk
CLASS	9,164,844	9,164,844	Credit risk, interest rate risk
Petty cash	8,684	-	N/A
Total Cash and Investments	$ 51,867,313	$ 52,052,201	

Reconciliation to financial statements	
Per statement of net assets	
Unrestricted cash and investments	$ 38,274,892
Restricted cash and investments	8,230,538
Cash deficit	(66,857)
Per statement of net assets – Fiduciary Funds	
Agency	5,428,740
Total Cash and Investments	$ 51,867,313

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts (including NOW accounts), $250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction 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.

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

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, 2011, the banks had pledged various government securities in the amount of $5,372,928 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, 2011, the City had no bank balances exposed to custodial credit risk.

As of the December 31, 2011, 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.

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, 2011, the City's investments were rated as follows:

Investment Type	Standard & Poor's	Fitch Ratings	Moody's Investor Service
U.S. agencies	AA+	N/A	AAA
Municipal bonds	AA- to AA+	N/A	AA1 to AA3
Corporate bonds	A- to AAA	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.

As of the December 31, 2011, the City had no investments exposed to concentration of credit risk.

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

A. DEPOSITS AND INVESTMENTS (cont.)

Concentration of Credit Risk (cont.)

Concentration of Credit Risk (by Dealer):

Dealer	Fair Value	Percentage of Portfolio
Multi-Bank Securities, Inc.	$ 5,891,389	13%
Vining Sparks	7,179,459	16
Coastal Securities	5,712,314	13
Total Concentrated Investments	$ 18,783,162	42%

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, 2011, the City's investments were as follows:

			Maturity			
Investment Type	Fair Value	Percentage of Portfolio	Less than 1 Yr.	1 to 5 Yrs.	6 to 10 Yrs.	More Than 10
Federal Agency Coupon Securities	$ 7,599,698	17%	$ -	$ 3,511,890	$ 3,010,125	$ 1,077,683
Pass Through Securities	228,165	1	-	228,165	-	-
Municipal Bonds	6,131,856	15	-	254,192	386,906	5,490,758
Corporate Bonds	6,828,616	14	1,169,656	2,579,650	2,206,230	873,080
LGIP	14,080,141	32	14,080,141	-	-	-
CLASS	9,164,844	21	9,164,844	-	-	-
Totals	$ 44,033,320		$ 24,414,641	$ 6,573,897	$ 5,603,261	$ 7,441,521

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

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	$ 51,996
General Fund – accounts receivable	214,000
Capital Projects – capital improvement – special assessments	1,940,300
Nonmajor Governmental Funds – loans	3,126,271
Total Amount Not Expected to be Collected Within One Year	$ 5,332,567

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

	Total	Current Period
Governmental Fund Types – municipal court receivable	$ 425,178	$ (425,178)
Governmental Fund Types – economic development loans	6,273	-
Business Type – ambulance receivables	90,613	(90,613)
Total Uncollectibles	$ 522,064	$ (515,791)

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

	Unavailable	Unearned	Totals
Property taxes receivable for subsequent year	$ -	$ 20,478,109	$ 20,478,109
Loans receivable	3,484,332	-	3,484,332
Accounts receivable – noncurrent	643,592	-	643,592
Investment income – noncurrent	17,628	-	17,628
Special assessments	1,994,540	-	1,994,540
Government grants	-	66,802	66,802
Total Deferred/Unearned Revenue for Governmental Funds	$ 6,140,092	$ 20,544,911	$ 26,685,003

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.

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, 2011:

	Water	Sewer	Storm
Bond redemption account	$ 383,039	$ -	$ 44,466
Equipment replacement account	-	2,731,400	-
Construction account	2,203,199	-	339,462
Bond reserve account	2,303,430	98,481	126,444
Total Enterprise Fund Restricted Assets	$ 4,889,668	$ 2,829,881	$ 510,372

Impact Fee Account

In 2011 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, 2011 the City had accumulated a total of $63,205 in impact fees.

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	$ 4,853,096	$ 118,840	$ -	$ 4,971,936
Total Capital Assets Not Being Depreciated	4,853,096	118,840	-	4,971,936
Capital assets being depreciated				
Land improvements	67,854	-	-	67,854
Buildings	20,936,285	-	330,714	20,605,571
Machinery, equipment, and vehicles	19,728,500	2,742,358	1,123,829	21,347,029
Other improvements	5,335,614	-	-	5,335,614
Streets	56,417,831	2,764,278	283,494	58,898,615
Structures	-	345,804	-	345,804
Street lights	4,622,994	614,944	-	5,237,938
Traffic signals	2,562,159	-	-	2,562,159
Bridges	5,550,391	-	-	5,550,391
Total Capital Assets Being Depreciated	115,221,628	6,467,384	1,738,037	119,950,975

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

D. CAPITAL ASSETS (cont.)

Governmental Activities (cont.)	Beginning Balance	Additions	Deletions	Ending Balance
Less: Accumulated depreciation for				
Land improvements	$ (54,960)	$ (3,056)	$ -	$ (58,016)
Buildings	(4,449,503)	(384,290)	(25,796)	(4,807,997)
Machinery, equipment, and vehicles	(9,917,705)	(1,206,531)	(922,130)	(10,202,106)
Other improvements	(2,191,869)	(159,201)	-	(2,351,070)
Streets	(9,791,476)	(806,111)	(89,232)	(10,508,355)
Structures	-	(3,450)	-	(3,450)
Street lights	(741,074)	(93,363)	-	(834,437)
Traffic signals	(1,416,840)	(93,893)	-	(1,510,733)
Bridges	(1,559,968)	(85,249)	-	(1,645,217)
Total Accumulated Depreciation	(30,123,395)	(2,835,144)	(1,037,158)	(31,921,381)
Net Capital Assets Being Depreciated	85,098,233	3,632,240	700,879	88,029,594
Total Governmental Activities – Capital Assets, Net of Depreciation	$ 89,951,329			$ 93,001,530

Depreciation expense was charged to functions as follows:

Governmental Activities	
Finance and administrative services	$ 166,816
Finance and administrative services (internal service)	2,940
Community development	1,770
Public safety – police	202,710
Public safety – fire	247,471
Public works, which includes the depreciation of infrastructure	2,075,482
Library	137,955
Total Governmental Activities Depreciation Expense	$ 2,835,144

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

D. CAPITAL ASSETS (cont.)

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	$ 3,570,582	$ 63,450	$ -	$ 3,634,032
Construction in progress	3,071,164	5,498,879	809,050	7,760,993
Total Capital Assets Not Being Depreciated	6,641,746	5,562,329	809,050	11,395,025
Other capital assets				
Land improvements	702,418	-	-	702,418
Buildings	8,935,015	-	13,882	8,921,133
Machinery, equipment, and vehicles	7,624,574	582,586	473,658	7,733,502
Sewer mains	16,073,860	546,457	-	16,620,317
Sewer treatment facility	66,142,116	266,016	21,115	66,387,017
Water mains	31,577,059	962,450	40,005	32,499,504
Storm infrastructure	10,772,259	1,390,363	4,019	12,158,603
Intangibles	5,900,453	-	-	5,900,453
Total Capital Assets Being Depreciated	147,727,754	3,747,872	552,679	150,922,947
Less: Accumulated depreciation for				
Land improvements	(600,326)	(22,861)	-	(623,187)
Buildings	(1,811,286)	(221,351)	(54,381)	(1,978,256)
Machinery, equipment, and vehicles	(4,357,282)	(429,988)	(433,159)	(4,354,111)
Sewer mains	(3,782,427)	(151,515)	-	(3,933,942)
Sewer treatment facility	(39,762,394)	(2,215,463)	(21,114)	(41,956,743)
Water mains	(8,558,070)	(760,869)	(42,326)	(9,276,613)
Storm infrastructure	(2,221,044)	(135,643)	(3,716)	(2,352,971)
Intangibles	(1,652,126)	(236,018)	-	(1,888,144)
Total Accumulated Depreciation	(62,744,955)	(4,173,708)	(554,696)	(66,363,967)
Business-type Capital Assets, Net of Depreciation	84,982,799	(425,836)	(2,017)	84,558,980
Total Business-type Capital Assets, Net of Depreciation	$ 91,624,545			$ 95,954,005

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities	
Water	$ 1,112,083
Sewer	2,437,361
Storm	135,945
Transit	335,033
Golf Course	28,127
Cemetery	3,023
Total Business-type Activities Depreciation Expense	$ 4,051,572

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:

Receivable Fund	Payable Fund	Amount
General	Internal Service – Health Insurance	$ 47,096
General	Internal Service – Retiree Health Insurance	2,952
General	Enterprise – Golf	4,338
General	Enterprise – Cemetery	13,049
General	Enterprise – Transit System	88,904
General	Capital Projects – Capital Improvements	558,174
General	Special Revenue – Fire	3,977
General	Special Revenue – Community Development	187,147
General	Special Revenue – TIF District No. 8	452,000
General	Special Revenue – Solid Waste	276,361
Sub-total – Fund financial statements		1,633,998
Less: Allocation of internal service funds		984
Less: Fund eliminations		(1,527,707)
Total – Government-Wide Statement of Net Assets		$ 107,275

All amounts are due within one year.

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. The sewer utility is also advancing funds to the water utility. A repayment schedule has been included for the sewer utility's advance to the water utility. No other repayment schedules have been established for these advances.

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

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Totals	Amount Not Due in One Year
General	Special Revenue – TIF District No. 12	$ 40,000	$ 40,000
General	Enterprise – Golf course fund	764,000	764,000
General debt service	Special revenue – TIF District No. 8	550,000	550,000
General debt service	Special Revenue – TIF District No. 9	731,665	731,665
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	637,011	435,176
Sub-Totals		5,673,745	5,471,910
Less: Fund eliminations		(4,909,745)	(4,707,910)
Totals		$ 764,000	$ 764,000

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

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

Advances (cont.)

Governmental Activities – Business-type activities	$	764,000
Less: Business-type activities – Governmental activities		-
Total Government-wide Statement of Net Assets	$	764,000

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 1-1-11	Increases	Decreases	Balance 12-31-11
Advance from sewer utility	$ 829,022	$ -	$ 192,011	$ 637,011
Totals	$ 829,022	$ -	$ 192,011	$ 637,011

Advance repayment requirements to maturity are as follows:

Years	Principal	Interest
2012	$ 201,835	$ 27,267
2013	212,161	16,941
2014	223,015	6,086
Totals	$ 637,011	$ 50,294

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	$ 657,633	Payment in lieu of tax
Debt Service – General Debt Service	Special Revenue – TIF District No. 5	515,939	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 6	523,690	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 8	262,389	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 9	15,000	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 10	260,015	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 11	63,755	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 12	62,078	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 13	92,338	Debt service
Total Debt Service – General		1,795,204	
Capital Projects – Capital Improvement Program	Special Revenue – DPW Multi-year Grants	30,000	Capital projects funding
Special Revenue – Solid Waste	Capital Projects – Capital Improvement Program	27,000	Re-allocation of excess funds
Internal Service – General Liability Insurance	General	270,000	Belcoat settlement funding
Sub-Total – Fund Financial Statements		2,779,837	
Less: Capital contributions from Governmental Activities to Business-type Activities		(1,347,918)	
Less: Fund eliminations		(2,122,204)	
Total – Government-wide Statement of Activities		$ (690,285)	

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, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable					
General Obligation Debt					
General	$ 54,003,141	$ 15,506,168	$ 14,058,837	$ 55,450,472	$ 9,202,470
Add/(Subtract) Deferred Amounts For:					
(Discounts)	(256,544)	(65,100)	(100,281)	(221,363)	-
Premiums	35,623	-	35,623	-	-
Loss on advance refunding	(57,436)	(507,639)	(64,978)	(500,097)	-
Sub-totals	53,724,784	14,933,429	13,929,201	54,729,012	9,202,470
Other Liabilities					
Compensated Absences					
Sick leave	793,404	257,658	116,470	934,592	136,811
Vacation	1,315,090	1,303,210	1,315,090	1,303,210	1,303,210
Other post-employment benefit liability	10,295,154	4,864,504	-	15,159,658	-
Other Debt					
Town of Turtle	100,000	-	10,000	90,000	10,000
Capital Leases					
Payable to component unit	17,723,067	3,915,445	1,195,659	20,442,853	1,915,000
Other capital leases	602,607	-	98,619	503,988	36,998
Total Other Liabilities	30,829,322	10,340,817	2,735,838	38,434,301	3,402,019
Total Governmental Activities Long-Term Liabilities	$ 84,554,106	$ 25,274,246	$ 16,665,039	$ 93,163,313	$ 12,604,489

The liabilities for compensated absences and the other post employment benefit liability will be liquidated primarily from the General Fund.

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

F. LONG-TERM OBLIGATIONS (cont.)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable					
General obligation debt	$ 5,925,112	$ 1,353,832	$ 1,701,364	$ 5,577,580	$ 405,253
Revenue bonds	30,625,000	-	1,130,000	29,495,000	1,170,000
CWFL revenue bond	-	2,866,012	-	2,866,012	113,330
Add/(Subtract) Deferred Amounts For					
Refundings (Losses)	(365,290)	(26,055)	(131,759)	(259,586)	-
(Discounts)	(261,586)	-	(19,415)	(242,171)	-
Sub-total	35,923,236	4,193,789	2,680,190	37,436,835	1,688,583
Other Liabilities					
Compensated absences	397,665	193,633	162,335	428,963	259,806
Other post-employment benefit liability	233,171	13,210	-	246,381	-
Sub-total	630,836	206,843	162,335	675,344	259,806
Total Business-type Activities Long-Term Liabilities	$ 36,554,072	$ 4,400,632	$ 2,842,525	$ 38,112,179	$ 1,948,389

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, 2011, was $77,935,920. Total general obligation debt outstanding at year end was $61,028,052.

	Date of Issue	Due Date	Interest Rates	Original Indebted-ness	Balance 12-31-11
Governmental Activities – General Obligation Debt					
General obligation corporate purpose bonds Series 2003A	4-1-03	4-1-12	3.00-4.60	$ 3,150,000	$ 200,000
General obligation promissory notes Series 2003B	4-1-03	4-1-11	2.00-3.80	2,753,366	259,595
Taxable general obligation refunding bonds Series 2003C	2-1-03	3-1-12	4.00-4.750	3,770,000	2,475,000

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 12-31-11
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	$ 545,733
General obligation corporate purpose bonds Series 2004B	3-1-04	3-1-24	2.00-4.35	3,845,000	360,000
General obligation corporate purpose bonds Series 2005A	5-1-05	5-1-25	3.25-4.25	6,194,486	140,368
General obligation promissory notes Series 2005B	5-1-05	5-1-15	3.25-3.80	916,970	125,000
General obligation community development bonds Series 2005C	5-1-05	5-1-21	4.80-5.25	1,295,000	1,050,000
2005 state trust fund loan	11-23-05	3-15-15	4.25	405,000	201,298
General obligation corporate purpose bonds Series 2006A	5-1-06	5-1-26	4.00-4.375	7,587,545	6,255,780
General obligation promissory notes Series 2006B	5-1-06	5-1-16	4.00	639,754	354,843
General obligation corporate purpose bonds Series 2007A	6-1-07	6-1-27	4.00-4.75	11,249,589	9,930,768
General obligation promissory notes Series 2007B	6-1-07	6-1-17	3.60-4.00	3,259,405	2,329,901
2007 state trust fund loan	1-26-07	3-15-26	5.5	688,000	599,048
General obligation corporate purpose bonds Series 2008	6-19-08	6-1-28	3.75-4.10	2,260,670	1,995,182
2008 state trust fund loan	6-30-08	3-15-25	4.75	1,177,520	1,017,520
General obligation corporate purpose bonds Series 2009	5-28-09	5-1-29	1.10-4.60	7,057,000	4,800,000
2009 state trust fund loan	7-8-09	3-15-19	4.50	1,645,000	1,352,580
2009 state trust fund loan	7-8-09	3-15-19	4.50	915,000	752,347
General obligation refunding bonds Series 2009	11-5-09	12-1-15	2.00-3.25	1,325,363	911,495
General obligation corporate purpose bonds Series 2010	4-22-10	4-1-30	1.20-6.00	3,862,587	3,747,587
2010 state trust fund loan	8-30-10	3-15-20	4.25	600,000	540,259
General obligation refunding bonds Series 2011A	10-21-11	4-1-25	2.45	9,726,168	9,726,168
General obligation refunding bonds Series 2011B	12-8-11	3-1-25	1.00-4.10	4,280,000	4,280,000
2011 state trust fund loan	8-1-11	3-15-21	3.75	1,500,000	1,500,000
Total Governmental Activities – General Obligation Debt					$ 55,450,472

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 12-31-11
Business-type Activities – General Obligation Debt					
General obligation promissory notes Series 2003B	4-1-03	4-1-11	2.00-3.80	$ 109,634	$ 10,405
General obligation promissory notes Series 2004A	3-1-04	3-1-12	2.25-3.00	70,209	9,267
General obligation corporate purpose bonds Series 2005A	5-1-05	5-1-25	3.25-4.25	1,417,752	59,632
General obligation corporate purpose bonds Series 2006A	5-1-06	5-1-26	4.00-4.375	342,455	284,220
General obligation promissory notes Series 2006B	5-1-06	5-1-16	4.00	595,247	330,157
General obligation corporate purpose bonds Series 2007A	6-1-07	6-1-27	4.00-4.75	820,411	724,232
General obligation promissory notes Series 2007B	6-1-07	6-1-17	3.60-4.00	720,595	515,099
General obligation corporate purpose bonds Series 2008	6-19-08	6-1-28	3.75-4.10	1,954,330	1,724,818
General obligation corporate purpose bonds Series 2009	5-28-09	5-1-29	1.10-4.60	333,000	270,000
General obligation refunding bonds Series 2009	11-5-09	12-1-15	2.00-3.25	19,637	13,505
General obligation corporate purpose bond Series 2010	4-22-10	4-1-30	1.20-6.00	302,413	282,413
General obligation refunding bonds Series 2011A	10-21-11	4-1-25	2.45	1,353,832	1,353,832
Total Business-type Activities – General Obligation Debt					$ 5,577,580

Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
Years	Principal	Interest	Principal	Interest
2012	$ 9,202,470	$ 1,822,846	$ 405,253	$ 193,147
2013	4,405,132	1,609,611	416,460	179,866
2014	4,564,137	1,473,691	445,099	165,112
2015	4,280,826	1,333,237	471,806	149,254
2016	4,077,079	1,189,194	454,458	132,822
2017 – 2021	16,343,521	4,007,877	1,536,810	481,405
2022 – 2026	10,218,120	1,594,422	1,441,880	225,645
2027 – 2031	2,359,187	164,054	405,814	23,422
Totals	$ 55,450,472	$ 13,194,932	$ 5,577,580	$ 1,550,673

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

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

General Obligation Debt (cont.)

During the year, the City issued $11,080,000 in General Obligation Refunding Bonds Series 2011A with an average interest rate of 2.45% to advance refund $1,925,000 of outstanding 2003A Series bonds with an average interest rate of 4.20%, $2,370,000 of outstanding 2004B Series bonds with an average interest rate of 2.50%, $5,935,000 of outstanding 2005A Series bonds with an average interest rate of 3.75%, and $465,000 of outstanding 2005B Series bonds with an average interest rate of 3.40%. The net proceeds of $11,207,439 (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2003A, 2004B, 2005A, and 2005B Series bonds. As a result, the 2003A, 2004B, 2005A, and 2005B Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

The City advance refunded the 2003A, 2004B, 2005A, and 2005B Series bonds to reduce its total debt service payments over the next 14 years by $893,930. This transaction resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $745,577.

During the year, the City issued $4,280,000 in General Obligation Refunding Bonds Series 2011B with an average interest rate of 2.93% to current refund $2,475,000 of outstanding 2003C Series bonds with an average interest rate of 4.25%, $201,298 of outstanding 2005 STF loans with an average interest rate of 4.25%, $688,000 of outstanding 2007 STF loans with an average interest rate of 5.50%, and $1,017,520 of outstanding 2008 STF loans with an average interest rate of 4.75%. The net proceeds of $4,240,276 were deposited in the General Debt Service Fund to provide for all future debt service payments on the 2003C bonds and the 2005, 2007 and 2008 STF loans when they are due on January 12, 2012. As a result, the 2003C bonds and the 2005, 2007 and 2008 STF loans are not yet considered to be defeased and the liability for those bonds has not been removed from the Statement of Net Assets.

The City refunded the 2003C bonds and the 2005, 2007 and 2008 STF loans to reduce its total debt service payments over the next 14 years by $437,828. This transaction resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $357,112.

Capital Leases

Refer to Note IV.G.

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

F. LONG-TERM OBLIGATIONS (cont.)

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 1-1-11	Increases	Decreases	Balance 12-31-11
Town of Turtle	$ 100,000	$ -	$ 10,000	$ 90,000
Total Other Debt	$ 100,000	$ -	$ 10,000	$ 90,000

Debt service requirements to maturity are as follows:

	Governmental Activities – Other Debt	
Years	Principal	Interest
2012	$ 10,000	$ -
2013	10,000	-
2014	10,000	-
2015	10,000	-
2016	10,000	-
2017 – 2020	40,000	-
Totals	$ 90,000	$ -

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 $40,819,454. Principal and interest paid for the current year and total customer net revenues were $2,300,495 and $3,648,845, 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 $2,283,360. Principal and interest paid for the current year and total customer net revenues were $122,369 and $315,606, respectively.

	Date of Issue	Due Date	Interest Rates	Original Indebted-Ness	Balance 12-31-11
Water Utility					
Revenue bonds	11-12-03	11-1-28	2.00-5.00%	$ 25,210,000	$ 7,205,000
Refunding revenue bonds	1-24-07	11-1-16	4.00-4.50	13,975,000	13,640,000
Revenue bonds	5-28-09	11-1-29	3.50-5.00	3,910,000	3,650,000
Revenue bonds	4-6-10	11-1-30	2.00-4.50	4,025,000	3,580,000
Total Water Utility Revenue Debt					28,075,000
Stormwater Utility					
Revenue bonds	4-6-10	5-1-30	1.50-6.25	1,470,000	1,420,000
Total Stormwater Utility Revenue Debt					1,420,000
Total Revenue Bonds					$ 29,495,000

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	Business-type Activities – Revenue Debt Interest
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	1,350,000	1,071,549
2017 – 2021	7,610,000	4,472,366
2022 – 2026	9,345,000	2,703,755
2027 – 2031	6,265,000	601,606
Totals	$ 29,495,000	$ 13,607,814

Clean Water Fund Loan Revenue Bond

The sewer utility has entered into a loan agreement with the Wisconsin Department of Natural Resources for a loan up to and not exceeding $3,481,777 at a fixed rate of 2.40% to fund the cost of constructing improvements to the City's sewerage system. The loan is payable from sewer revenues and are payable through 2031. As of December 31, 2011, the City has received $2,866,012 in loan proceeds and paid $13,820 in interest. No principal payments were made in 2011.

	Fund Retired By	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
CWFP Loan (No. 4139-05)	Sewer	$ -	$ 2,866,012	$ -	$ 2,866,012	$ 113,330

Annual debt service requirements to maturity for the revenue bond are as follows:

Year Ending	Principal	Interest	Business-Type Activities
2012	$ 113,330	$ 67,424	$ 180,754
2013	116,050	64,672	180,722
2014	118,835	61,853	180,688
2015	121,687	58,967	180,654
2016	124,608	56,011	180,619
2017 – 2021	669,358	233,181	902,539
2022 – 2026	753,631	147,897	901,528
2027 – 2031	848,513	51,877	900,390
Totals	$ 2,866,012	$ 741,882	$ 3,607,894

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

F. LONG-TERM OBLIGATIONS (cont.)

Prior-Year Defeasance of Debt

In prior years, the water utility defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2011, $12,950,000 of bonds outstanding are considered defeased. The bonds are callable on November 1, 2013.

In the current year, the City defeased certain general obligation 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, 2011, $10,695,000 of bonds outstanding are considered defeased. The bonds are callable on April 1, 2012, May 1, 2012 and March 1, 2013.

G. LEASE DISCLOSURES

	Balance 1-1-11	Increases	Decreases	Balance 12-31-11
Capital Leases				
Governmental Activities (to Note IV.F.)				
Payable to component unit	$ 17,723,067	$ 3,915,445	$ 1,195,659	$ 20,442,853
Other capital leases	602,607	-	98,619	503,988
Totals	$ 18,325,674	$ 3,915,445	$ 1,294,278	$ 20,946,841

Lessee – Community Development Authority

The City, through TIF District No. 13, TIF District No. 10, TIF District No. 6, and TIF District No. 5, 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.

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. 13, tax incremental district No. 10, tax incremental district No. 6, and tax incremental district No. 5; (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. 13, tax incremental district No. 10, tax incremental district No. 6, and tax incremental district No. 5 (the “Rental Payments”).

The future minimum lease payments are required as follows:

Calendar Year	TIF No. 13	TIF No. 10	TIF No. 6	TIF No. 5
2012	$ 101,258	$ 2,036,141	$ 216,795	$ 487,003
2013	100,510	2,133,414	235,251	492,050
2014	99,551	2,096,700	252,608	490,592
2015	98,365	2,157,812	244,358	492,462
2016	101,928	2,127,317	260,483	482,900
2017	100,213	2,108,124	250,976	496,544
2018	103,141	2,075,193	256,035	507,625
2019	100,816	2,033,865	255,436	-
2020	103,295	1,989,800	-	-
2021	105,382	758,663	-	-
2022	107,055	736,194	-	-
2023	103,433	717,312	-	-
2024	99,675	706,512	-	-
2025	95,872	689,069	-	-
2026	91,980	-	-	-
Sub-Totals	1,512,474	22,366,116	1,971,942	3,449,176
Less: Reserve funds to be applied to final principal payment	(107,078)	(2,365,986)	(166,515)	(317,568)
Less: Amount representing interest	(347,474)	(4,971,116)	(306,942)	(274,176)
Present Value of Minimum Lease Payments	$ 1,057,922	$ 15,029,014	$ 1,498,485	$ 2,857,432
Total TIF No. 13, TIF No. 10, TIF No. 6, and TIF No. 5				$20,442,853

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

G. LEASE DISCLOSURES (cont.)

Lessee – Other Capital Leases

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
Asset	
Building improvements	$ 394,912
Less: Accumulated depreciation	(167,838)
Total	$ 227,074

The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2011, are as follows:

	Principal	Interest	Governmental Activities
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	43,605	14,526	58,131
2017 – 2021	247,030	43,621	290,651
2022 – 2023	55,790	2,339	58,129
	$ 503,988	$ 135,444	639,432
Less: Amount representing interest			(135,444)
Present Value of Minimum Lease Payments			$ 503,988

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, 2011 includes the following:

Governmental Activities

Invested in capital assets, net of related debt	
Land	$ 4,971,936
Other capital assets, net of accumulated depreciation	88,029,594
Less: Related long-term debt outstanding	(46,098,070)
Less: Capital leases – payable to component unit	(18,089,443)
Add: Unamortized debt discount/premium and loss on advance refunding	721,460
Add: Unspent capital bond proceeds	3,206,393
Total Invested in Capital Assets, Net of Related Debt	32,741,870
Restricted	
General debt service	5,792,159
TIF District No. 5 – special revenue fund	239,060
TIF District No. 10 – special revenue fund	2,224,458
TIF District No. 11 – special revenue fund	207,824
TIF District No. 13 – special revenue fund	108,588
TIF District No. 14 – special revenue fund	65,428
Rental rehab (WRRP/HOME)	1,199,552
Community Development Block Grant	2,539,806
Fire – multi-year grants	34,083
DPW – multi-year grants	197,619
Community development	149,429
Library operations	515,567
Police	70,994
Cemetery perpetual care	2,042,981
Solid waste	139,172
Park activities	63,205
Total Restricted	15,589,925
Unrestricted	(5,964,986)
Total Governmental Activities Net Assets	$ 42,366,809

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

H. NET ASSETS/FUND BALANCES (cont.)

Governmental Activities (cont.)

Governmental fund balances reported on the fund financial statements at December 31, 2011 include the following:

	General	TIF District No. 10	General Debt Service	Capital Improvements	Equipment Replacement	Non-Major Governmental Funds	Total Governmental Funds
Fund Balances							
Nonspendable:							
Delinquent property taxes	$ 51,996	$ -	$ -	$ -	$ -	$ -	$ 51,996
Inventories	650,104	-	-	-	-	-	650,104
Prepaid items	255,279	75,000	-	-	-	-	330,279
Advances to other funds	804,000	-	-	-	-	-	804,000
Total Nonspendable	1,761,379	75,000	-	-	-	-	1,836,379
Restricted for:							
Debt service	-	-	6,262,974	-	-	679,946	6,942,920
Capital projects	-	-	-	1,567,152	-	-	1,567,152
Economic development	-	2,512,159	-	-	-	1,030,032	3,542,191
Grant programs	-	-	-	-	-	707,150	707,150
Library operations	-	-	-	-	-	515,566	515,566
Solid waste	-	-	-	-	-	139,172	139,172
Cemetery perpetual care	-	-	-	-	-	2,025,353	2,025,353
Park activities	-	-	-	63,205	-	-	63,205
Total Restricted	-	2,512,159	6,262,974	1,630,357	-	5,097,219	15,502,709
Assigned to:							
Capital projects	-	-	-	3,687,825	6,896,995	484,312	11,069,132
Applied to subsequent year's expenditures	605,321	-	-	-	-	-	605,321
Total Assigned	605,321	-	-	3,687,825	6,896,995	484,312	11,674,453
Unassigned (deficit):	8,408,569	-	-	-	-	(4,553,852)	3,854,717
Total Fund Balances	$ 10,775,269	$ 2,587,159	$ 6,262,974	$ 5,318,182	$ 6,896,995	$ 1,027,679	$ 32,868,258

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	$ 977,751	$ 1,386,281	$ 1,270,000	$ 3,634,032
Construction in progress	3,346,814	4,414,179	-	7,760,993
Other capital assets, net of accumulated depreciation	31,352,928	37,659,937	15,546,115	84,558,980
Less: Related long-term debt outstanding (excluding unspent capital related debt proceeds)	(25,896,818)	(4,090,308)	(2,965,143)	(32,952,269)
Total Invested in Capital Assets, Net of Related Debt	9,780,675	39,370,089	13,850,972	63,001,736
Construction account	2,203,199	-	339,462	2,542,661
Redemption account	383,039	-	170,910	553,949
Replacement account	-	2,731,400	-	2,731,400
Reserve account	2,303,430	98,481	-	2,401,911
Less: Restricted assets not funded by revenues	(4,506,629)	(11,464)	(339,462)	(4,857,555)
Less: Current liabilities payable from restricted assets	(197,205)	-	(17,998)	(215,203)
Total Restricted Net Assets	185,834	2,818,417	152,912	3,157,163
Unrestricted	1,556,823	7,142,299	353,836	9,052,958
Total Enterprise Funds Net Assets	$ 11,523,332	$ 49,330,805	$ 14,357,720	
Add: Portion of internal service funds Net assets allocated to business-type activities				(984)
Total Business-type Activities Net Assets				$ 75,210,873

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

I. COMPONENT UNITS

This report contains the City of Beloit Community Development Authority (“CDA”), the Beloit Apartments Redevelopment – Phase 1 and 2, LLC’s, component units 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/Measurement Focus

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

b. Cash and Investments

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

	Carrying Value	Statement Balance	Associated Risks
Demand deposits	$ 1,678,905	$ 1,730,533	Custodial credit risk
Mutual fund (U.S. agencies)	2,957,147	2,957,147	Credit risk, interest rate risk
Total Cash and Investments	$ 4,636,052	$ 4,687,680	

Reconciliation to financial statements	
Per statement of net assets	
Unrestricted cash and investments	$ 1,678,905
Restricted cash and investments	2,957,147
Total Cash and Investments	$ 4,636,052

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts (including NOW accounts), $250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction 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.

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

I. COMPONENT UNITS (cont.)

Community Development Authority – Primary Government (cont.)

b. Cash and Investments (cont.)

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, 2011, $1,178,892 of the CDA's total bank balances of $1,730,533 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 1,178,892

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, 2011, 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, 2011, the CDA's investments were as follows:

Investment Type	Fair Value	Maturity (In months) Less than 1 month
Mutual Fund – U.S. Agencies	$ 2,957,147	$ 2,957,147

c. Restricted Assets

Restricted assets at December 31, 2011, consist of the following:

Cash and cash equivalents – bond redemption and construction accounts	$ 2,957,147

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

I. 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 2011 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	$ 414,539	$ -	$ -	$ 414,539
Construction in progress	1,498	-	1,498	-
Total Capital Assets Not Being Depreciated	416,037	-	1,498	414,539
Capital assets being depreciated				
Buildings	3,578,016	10,000	2,718,325	869,691
Furniture, equipment, and machinery-dwellings	105,809	-	54,092	51,717
Furniture, equipment, and machine-administrative	100,665	92,077	-	192,742
Building and land improvements	7,700	2,300	-	10,000
Leasehold improvements	361,231	-	-	361,231
Total Capital Assets Being Depreciated	4,153,421	104,377	2,772,417	1,485,381
Less: Accumulated Depreciation	(3,084,568)	(172,620)	2,429,758	(827,429)
Total Capital Assets, Net of Depreciation	$ 1,484,890			$ 1,072,491

e. Long-Term Obligations

Lease Revenue Bonds

The CDA has pledged future revenues from the City of Beloit resulting from TIF increments to repay $23.4 million in lease revenue bonds issued between 2002-2011. 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 2026. 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 $29,299,709. Principal and interest paid for the current year and total pledged revenues were both $2,578,740.

The following is a summary of the lease revenue bond transactions for the year ended December 31, 2011.

	Balance 1-1-11	Increases	Decreases	Balance 12-31-11
Lease revenue bonds	$ 20,365,000	$ 4,340,000	$ 1,305,000	$ 23,400,000

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

I. COMPONENT UNITS (cont.)

Community Development Authority – Primary Government (cont.)

e. Long-Term Obligations (cont.)

Lease Revenue Bonds (cont.)

Title of Issue	Date of Issue	Due Date	Interest Rates	Original Indebted-Ness	Balance 12-31-11
2002A Lease Revenue Bonds	07-15-02	03-01-20	4.90-5.60%	$ 7,345,000	$ 225,000
2007A Lease Revenue Refunding Bonds	02-21-07	03-01-20	3.50-4.20%	8,915,000	8,205,000
2007B Lease Revenue Bonds	07-12-07	06-01-19	3.70-4.35%	2,015,000	1,665,000
2008A Lease Revenue Refunding Bonds	06-19-08	03-01-25	4.00-6.75%	2,640,000	2,515,000
2008B Lease Revenue Refunding Bonds	08-29-08	03-01-14	4.15-5.30%	3,010,000	1,535,000
2009A Lease Revenue Bonds	07-01-09	03-01-25	1.30-5.00%	5,340,000	4,915,000
2011A Lease Revenue Bonds	06-27-11	06-01-18	1.00-3.05%	3,175,000	3,175,000
2011B Lease Revenue Bonds	06-27-11	06-01-26	2.90-4.40%	1,165,000	1,165,000
Totals					$ 23,400,000

Debt service requirements to maturity are as follows:

Calendar Year	Principal	Interest	Totals
2012	$ 1,915,000	$ 926,196	$ 2,841,196
2013	2,105,000	856,225	2,961,225
2014	2,160,000	779,451	2,939,451
2015	2,295,000	697,998	2,992,998
2016	2,360,000	612,628	2,972,628
2017	2,435,000	520,856	2,955,856
2018	2,520,000	421,994	2,941,994
2019	2,065,000	325,119	2,390,119
2020	1,855,000	238,095	2,093,095
2021	685,000	179,045	864,045
2022	700,000	143,249	843,249
2023	715,000	105,745	820,745
2024	740,000	66,187	806,187
2025	760,000	24,941	784,941
2026	90,000	1,980	91,980
Totals	$ 23,400,000	$ 5,899,709	$ 29,299,709

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

I. 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, 2011 $6,480,000 outstanding are considered defeased. The bonds are callable on March 1, 2012.

There were no current or advance refundings in 2011.

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, 2011 includes the following:

Invested in capital assets	
Land	$ 414,539
Other capital assets, net of accumulated depreciation	657,952
Total Invested in Capital	1,072,491
Restricted	
Section 8 Rental Voucher Program	750,807
Low Rent Public Housing	4,587,320
Total Restricted	5,338,127
Total Net Assets	$ 6,410,618

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

I. 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 1, 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 1 (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 amended and restated 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, 2011.

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.

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

I. 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 company 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:

	Years
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.

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

I. 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 $114,034. The company is amortizing these fees over the related tax credit compliance period of 15 years using the straight-line method.

Financing Costs
Financing costs incurred by the company totaled $15,000. The company is amortizing these costs into interest expense on the straight-line method over 39 years and 9 months, the life of the loans. The use of the straight-line method rather than the effective interest method has no material effect on the financial statements.

Amortized costs included in interest expense amounted to $377 for the period ended December 31, 2011.

Deferred Revenue
Governmental agencies have provided grant funding to the company to encourage the development of affordable housing. The company received funds under the Tax Credit Exchange Program (TCEP) (See Note I.h. in this section). The deferred revenue relating to this grant is recognized as other revenue in the statement of operations (shown as amortization of deferred revenue) 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 March 15, 2012, 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.

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

I. 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	$	31,531

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. The replacement reserve has not been funded as of December 31, 2011.

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. The operating reserve has not been funded as of December 31, 2011.

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. The rent-up reserve has not been funded as of December 31, 2011.

c. Rental Property, Net

Rental property, net is comprised of the following:

Land and buildings under capital lease	$	1,957,650
Building improvements		8,244,008
Land improvements		168,111
Furnishings and equipment		260,718
Construction in progress		-
		10,630,487
Less: Accumulated depreciation		240,138
Total	$	10,390,349

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

I. 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; a Branch of BMO Harris Bank NA (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, 2011; due March 22, 2012; guaranteed by the CDA; collateralized by assignment of interest under the capital lease agreement.	$ 1,651,608
CDA; managing member; non-recourse mortgage note payable under the capital lease described in Note I.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; interest expense totaled $88,292 for the period ended December 31, 2011; accrued interest was $7,822 as of December 31, 2011.	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.	493,937
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; the mortgage note was not funded as of December 31, 2011.	-
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; the mortgage note was not funded as of December 31, 2011.	-
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; the mortgage note was not funded as of December 31, 2011.	-
Total	$ 4,095,545

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

I. 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, 2011, is as follows:

Year Ending December 31,	
2012	$ 1,651,608
2013	-
2014	-
2015	-
2016	-
Thereafter	2,443,937
Total	$ 4,095,545

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	1,540,500
Total	$ 1,950,000

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 buildings under the capital lease was $24,873 as of December 31, 2011.

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 I.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 I.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 I.h. in this section).

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

I. 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, 2011. The investor members are required to make capital contributions totaling $6,379,342. Of this amount, $4,146,572 has been contributed as of December 31, 2011. Subscriptions receivable were $2,332,770 as of December 31, 2011.

g. Related Party Transactions

Accounts Receivable
Included in accounts receivable are amounts due from the CDA related to Focus on Energy rebates received by the project in the amount of $58,200 as of December 31, 2011.

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 $1,026,632. It is anticipated that the development fee will be paid from proceeds of mortgage notes and capital contributions. Development fee earned and capitalized into building costs totaled $1,026,632 as of December 31, 2011. Development fee payable was $670,822 as of December 31, 2011.

Accounts Payable
Included in accounts payable are amounts owed to the CDA for reimbursement of operating expenses totaling $8,413 as of December 31, 2011.

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 $3,641 for the period ended December 31, 2011. Accrued property management fees included in accrued expenses were $784 as of December 31, 2011.

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%. Asset management fees totaled $3,250 for the period ended December 31, 2011.

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

I. 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 project 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 loans as of December 31, 2011.

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. There were no development completion loans as of December 31, 2011.

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 $50,843 were earned during the period ended December 31, 2011. Included in accounts receivable are operating subsidies of $450 as of December 31, 2011.

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.

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

I. 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 and received grant funds totaling $1,345,125, pursuant to Section 1602 of the American Recovery and Reinvestment Act of 2009. Of the amount, $119,951 was received during the period ended December 31, 2011. 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 (the City), under which the company will make an annual PILOT payment to the City beginning in 2010 and ending in the final calendar year of the project's compliance period (2025). The PILOT shall be 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 PILOT 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.

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC

a. Nature of Business and Significant Accounting Policies

Nature of Business

Beloit Apartments Redevelopment – Phase 2, LLC (the company) was organized on March 5, 2010, as a limited liability company (LLC) formed under the Wisconsin Limited Liability Company Act (the Act). The company was formed to acquire, rehabilitate, develop, and operate a 66-unit project comprised of 41 elderly and 25 family residential units, located on scattered sites in Beloit, Wisconsin, called Beloit Apartments Redevelopment – Phase 2, LLC (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 October 14, 2011, and placed in service October 14 ,2011. The new construction portion of the project was under construction as of December 31, 2011, and will be placed in service in 2012. The reminder of the project is being rehabilitated around existing tenants. The rehabilitation will be completed in 2012.

The company consists of one managing member and one investor member, with rights, preferences and privileges as described in the Amended and Restated Operating Agreement (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.

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

a. Nature of Business and significant accounting policies (cont.)

Nature of Business (cont.)

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 recoded for the period ended December 31, 2011.

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.

Cash and Cash Equivalents
For purposes of reporting cash flows, the company 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.

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

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

Significant Accounting Policies (cont.)

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:

	Years
Land and buildings under capital lease	98

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.

Tax Credit Fees
In connection with obtaining an allocation of low-income housing tax credits, the company paid fees totaling $124,963. The company will begin to amortize these fees on the straight-line basis over the related tax credit compliance period of 15 years commencing in 2012.

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.

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

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

Significant Accounting Policies (cont.)

Subsequent Events
These financial statements have not been updated for subsequent events occurring after March 26, 2012, 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.

b. Restricted Cash

Restricted cash is comprised of the following:

Tenants' security deposits	$	9,401
Construction cash		248,037
Total	$	257,438

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 in the aggregate in any given month will require written approval of the managing member and the asset manager. 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 $190,000 upon receipt of the investor member's third installment of project equity. Any excess amount remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement, subject to consent by any lender or the United States Department of Housing and Urban Development (HUD). If the balance in the operating reserve falls below $190,000, the company is obligated to replenish the operating reserve from cash flow or the proceeds of sales or refinancing. Disbursements require the approval of the managing member and the asset manager.

Annual Contributions Contract (ACC) Reserve
The operating agreement and R & O Agreement require the company to fund an ACC reserve equal to $280,000 upon the receipt of the investor member's third installment of project equity. Disbursements are to be used to pay operating and debt service deficits that directly result from the reduction or loss of or a reduction in the projected HUD mixed finance subsidies. Funds may only be withdrawn with the approval of the managing member and asset manager. Any funds remaining at the end of the compliance period shall, subject to any required lender or HUD consent, be distributed to the members as provided for in the operating agreement.

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

c. Rental Property, Net

Rental property, net is comprised of the following:

Land and buildings under capital lease	$ 1,410,000
Construction in progress	1,928,664
	3,338,664
Less: Accumulated depreciation	3,597
Total	$ 3,335,067

d. Mortgage Notes Payable

Mortgage notes payable consists of the following:

Wisconsin Community Bank (construction loan); interest at a variable rate based on the Prime Rate plus 1.0%, but no less than 5.25%; due October 14, 2012; guaranteed by the CDA; collateralized by a mortgage under the capital lease agreement; subject to a prepayment penalty if repayment is financed through another financial institution; the construction loan was not funded as of December 31, 2011.	$ -
CDA; managing member; non-recourse mortgage note payable under the capital lease described in Note I.e.; due in one installment on October 13, 2051, together with interest at 4.19% compounded annually; collateralized by a mortgage on the project's rental property; interest expense totaled $12,625 for the period ended December 31, 2011; accrued interest was $12,625 as of December 31, 2011.	1,410,000
CDA; non-recourse mortgage note in the original amount of $230,074; due in one installment on October 13, 2051, together with interest at 0.50%; collateralized by a mortgage on the project's rental property; the mortgage note was not funded as of December 31, 2011.	
CDA; non-recourse mortgage note in the original amount of $256,500; due in one installment on October 13, 2051, together with interest at 0.50%; collateralized by a mortgage on the project's rental property; the mortgage note was not funded as of December 31, 2011.	
CDA; non-recourse mortgage note in the original amount of $540,000; non-interest bearing; due in one installment on October 13, 2051, collateralized by a mortgage on the project's rental property; the mortgage note was not funded as of December 31, 2011.	-

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

d. Mortgage Notes Payable (cont.)

Balance brought forward	$ 1,410,000
CDA; non-recourse mortgage note in the original amount of $600,000; principal due in one installment on October 13, 2051, together with interest at 0.50%; collateralized by a mortgage on the project's rental property; the mortgage note was not funded as of December 31, 2011.	-
Total	$ 1,410,000

Repayment of principal on the mortgage notes payable as of December 31, 2011, is as follows:

Year Ending December 31,	
2012	$ -
2013	-
2014	-
2015	-
Thereafter	1,410,000
Total	$ 1,410,000

e. Capital Lease

The company has entered into a capital lease agreement with the CDA dated October 14, 2011, 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	$ 770,000
Buildings	640,000
Total	$ 1,410,000

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 $3,597 as of December 31, 2011.

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

e. Capital Lease (cont.)

Base rent under the lease was payable in a single installment of $1,410,000 on October 14, 2011. The balance of unpaid base rent accrues interest at 4.19%, compounded annually (see Note I.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 October 13, 2051. The capital lease obligation is secured by a mortgage note as described in Note I.d. The lease expires October 13, 2109.

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 I.h. in this section).

f. Members' Capital Contributions

The company has one managing member, the CDA, which has a .01% interest, and three investor members, NEF Assignment Corporation (NEF), as nominee, which has a 99.99% interest. The CDA is required to make capital contributions of $100. Of this amount, no contributions were made as of December 31, 2011. NEF is required to make capital contributions totaling $9,436,984. Of this amount, $1,827,642 was contributed and $7,609,342 remains receivable as of December 31, 2011.

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 $1,140,900. It is anticipated that the development fee will be paid from proceeds of mortgage notes and capital contributions. As of December 31, 2011, $524,580 of development fee was earned and capitalized into the cost of the buildings. Development fee payable was $136,980 as of December 31, 2011.

Accounts Payable
Included in accounts payable are amounts owed to the CDA for reimbursement of operating expenses totaling $2,561 as of December 31, 2011.

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 $947 for the period ended December 31, 2011.

Asset Management Fee
Commencing in 2012, the company is obligated to pay an affiliate of the investor member, NEF Community Investments, Inc., an annual asset management fee of $6,600. 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%.

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

g. Related Party Transactions (cont.)

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. The managing member is also required to fund any operating deficits until the project achieves stabilized occupancy. Any loans under this agreement shall not bear interest and shall be payable in accordance with the operating agreement. There was no development completion guaranty loan as of December 31, 2011.

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 stabilized occupancy and ending on after achievement of 36 consecutive months with an expense coverage ratio of 1.00 or better commencing on or after the second anniversary of the later of the achievement of stabilized occupancy or repayment in full of the construction loan. The obligation to fund operating deficits shall be limited to $190,000. Such loans are non-interest bearing and repayable solely from available cash flow as defined in the operating agreement. There was not operating deficit guaranty loan as of December 31, 2011.

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 or at the option the project at the close of the first project year of which the CDA ceases to pay operating subsidies. There were no operating subsidies earned for the period ended December 31, 2011

h. Company Profits and Losses and Distributions

All profits and losses are allocated .01% to the managing member and 99.99% to the investor member.

Distributable cash flow, as defined by the operating agreement, is allocated .01% to the managing member and 99.99% to the investor member.

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

h. Company Profits and Losses and Distributions (cont.)

Gain, if any, from a sale or exchange or other disposition of the property owned by the company is allocable as follows:

1. To all members having negative balances in their capital accounts prior to the distribution of any sale or refinancing proceeds, an amount of such gain to increase their negative balance to zero.

2. To all members until their capital account balances are equal to net projected tax liabilities as defined in the company agreement.

3. The remainder of such gain, if any, 99.99% to the investor member and .01% to the managing member.

i. Commitments and Contingencies

Land Use Restriction Agreement (LURA)
The company anticipates entering into a LURA with the Wisconsin Housing and Economic Development Authority 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 section 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 embers 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.

PILOT
The company and the CDA entered into a PILOT agreement with the City of Beloit, Wisconsin (the City), in which the company will make an annual PILOT payment to the City beginning in 2011 and ending in the final calendar year of the project's compliance period (2026). The PILOT shall be 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 PILOT 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.

Affordable Housing Program (AHP)
On October 14, 2011, the CDA, on behalf of Beloit Apartments Redevelopment – Phase 2, LLC, entered into an AHP Agreement with The First National Bank and Trust Company (the bank) in the original amount of $256,500. In connection with the AHP agreement, the CDA and the company entered into a Retention/Recapture Agreement with the bank. As a condition of receiving these funds, the CDA and the company have agreed to make 40 units, 25 units, and 1 unit of the project affordable for and occupied by households whose income does not exceed 50%, 60%, and 80%, respectively, of the county median income (CMI) of Rock County, Wisconsin. The compliance period will terminate 15 years from the date of project completion.

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

I. COMPONENT UNITS (cont.)

City of Beloit Business Improvement District

a. Basis of Accounting/Measurement Focus

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

b. Deposits and Investments

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

	Carrying Value	Statement Balance	Associated Risks
Demand deposits	$ 171,713	$ 170,681	Custodial credit risk
Total Cash and Investments	$ 171,713	$ 170,681	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	$ 171,713		

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts (including NOW accounts), $250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction 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, 2011, none of the BID's total bank balances was exposed to custodial credit risk.

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

I. 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 in accordance with generally accepted accounting principles (GAAP). 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:

	12-31-11
Library building fund	$ 5,412

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

I. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc. (cont.)

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:

	2011	
	Market	Cost
Mutual Funds	$ 338,852	$ 317,237
Fixed Income	202,775	201,179
Stocks	424	734
Totals	$ 542,051	$ 519,150

Current unrealized losses of $33,934 have been reflected in the Statement of Activities for 2011. Cumulative unrealized gains amounted to $22,901 as of December 31, 2011.

Interest and dividends earned on the above investments amounted to $11,510 for 2011. 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, 2011 are as follows:

	Fair Value Measurements at Reporting Date Using	
December 31, 2011	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Short-term investments	$ 542,051	$ 542,051

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).

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

I. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc. (cont.)

g. Income Taxes

The Foundation is a nonprofit organization and 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.

Management of the Foundation has evaluated for uncertain tax positions and has determined that there are no uncertain tax positions as of December 31, 2011. The Foundation is subject to income taxes in the United States federal jurisdiction and the state of Wisconsin. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. Tax returns remain open for federal examination for the past three years and state examination for the past four years.

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, 2011, a contribution in the amount of $7,130 are recorded as an accounts payable to be transferred to the City of Beloit.

NOTE V – OTHER INFORMATION

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 (1,200 hours for employees hired on or after July 1, 2011) are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan through June 28, 2011. Beginning June 29, 2011, and thereafter, covered employees in the General category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% for Protective Occupations without Social Security). Employers generally make these contributions to the plan on behalf of employees through June 28, 2011. Thereafter, employees are required to fund their contribution, subject to terms of employment contracts and which employee group they are a member of. 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, 2011 was $21,392,270; the employer's total payroll was $21,805,558. The total required contribution for the year ended December 31, 2011 was $3,493,443 or 16% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2010 and 2009 were $3,314,512 and $3,222,511, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, or beginning participation on or after July 1, 2011, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and between April 24, 1998 and June 30, 2011 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 2011 was $45,759.

NOTE V – OTHER INFORMATION (cont.)

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.

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. Settled claims have exceeded this stop-loss amount per individual in each of the past three years. Total amounts charged back to the various departments during the year were $6,145,170.

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, 2011. The estimated liability for self insured losses for this program consisted of the following at December 31, 2011:

Reported and Known Claims	$ 993,010
Incurred but not Reported Claims	1,500,165
Total	$ 2,493,175

Changes in the claims payable follow:

	Balance January 1	Incurred Claims	Claims Paid	Balance December 31
2010	$ 1,675,594	$ 8,325,921	$ 7,743,245	$ 2,258,270
2011	2,258,270	9,470,799	9,235,894	2,493,175

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.

NOTE V – OTHER INFORMATION (cont.)

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, 2011. A total liability of approximately $229,402 at December 31, 2011 was recorded as claims payable in the internal service fund.

Transit Mutual Insurance Corporation of Wisconsin (TMI)

Transit Mutual Insurance Corporation of Wisconsin (TMi) is a municipal mutual insurance corporation, which insures auto liability and vehicle physical damage for municipally-owned transit systems in Wisconsin. Each insured property is an owner of the mutual insurance corporation. The city insures its transit systems’ auto liability and physical damage with TMi and is an owner of the corporation.

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Public Entity Risk Pool (cont.)

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

In 2011, TMi issued to the City an auto liability insurance policy with a $250,000 per person policy limit and a $7,000,000 per accident policy limit. Of the per accident policy limit, TMi insures $2,000,000 and reinsures $5,000,000 with Genesis Insurance. In addition, the City's policy provides for $100,000 per person and $300,000 per accident in uninsured/underinsured motorist insurance.

The physical damage policy issued by TMi to the City provides collision and comprehensive coverage for the lesser of the agreed value or the cost of repairs minus a $500 per accident deductible for private passenger and service units and a $1,000 per accident deductible for bus units.

Management of TMi 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 corporation beyond its representation on the board of directors.

Premiums are determined in advance of each premium year, which begins on January 1. TMi is an assessable mututal; accordingly, 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 premium year. Members are required by Wisconsin statute and TMi bylaws to fund any deficit attributable to a premium year during which they were a member. TMi was incorporated in 1985 and began issuing insurance policies in 1986; there has never been a member assessment beyond the annual premiums.

The City's share of this corporation is 1.35% for auto liability and 3.32% of physical damage liability. A list of the other members and their share of participation is available in the TMi report which is available from TMi, 2575 S. Memorial Drive, Suite 105, Appleton, WI 54915-1483 or by email from tmi@new.rr.com.

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 2011 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 $57,747 at year end.

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, 2011, no certain obligations have arisen from these agreements.

The City has the following encumbrances outstanding at year end, relating to funds on hand:

Capital Improvements Fund	$ 36,048
Equipment Replacement Fund	172,659
Nonmajor Funds	344,813

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 2011, the City contributed $2,190,692 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 2011, total member contributions were $0.

NOTE V – OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

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

Annual required contribution	$	7,023,291
Interest on net OPEB obligation		421,133
Adjustment to annual required contribution		(376,018)
Annual OPEB cost		7,068,406
Contributions made		(2,190,692)
Increase in Net OPEB Obligation		4,877,714
Net OPEB Obligation – Beginning of Year		10,528,325
Net OPEB Obligation – End of Year	$	15,406,039

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2010 and 2009 were as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
12/31/11	$	7,068,406	31%	$	15,406,039
12/31/10		6,745,932	30%		10,528,326
12/31/09		4,766,356	38%		5,837,255

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		-
Unfunded Actuarial Accrued Liability (UAAL)	$	100,219,009
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%

NOTE V – OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

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, 2011 was 30 years.

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, 2011:

	Water – 2011	
	Customers	CCF
Residential	13,765	673,515
Commercial	1,510	338,606
Industrial	15	360,620
Public Authority	53	55,263
Totals	15,343	1,428,004

NOTE V – OTHER INFORMATION (cont.)

E. BOND COVENANT DISCLOSURES (cont.)

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. The Clean Water Fund revenue bonds require revenue less operating expenses excluding depreciation to exceed 1.10 times in the sewer utility the corresponding principal and interest.

	Water – 2011	Storm Water – 2011	Sewer – 2011
Operating revenues	$ 5,428,312	$ 945,989	$ 6,742,228
Investment income	44,099	4,735	125,233
Operating expenses excluding depreciation	(1,823,566)	(635,318)	(5,471,436)
Defined Earnings	$ 3,648,845	$ 315,406	$ 1,396,025
Annual debt service on revenue bonds	$ 2,300,495	$ 122,369	$ 180,754
Coverage factor	x 1.25	x 1.25	x 1.10
Required Net Earnings	$ 2,875,619	$ 152,961	$ 198,829

F. SUBSEQUENT EVENTS

On June 21, 2012, the City issued General Obligation Corporate Purpose Bonds in the amount of $7,240,000. The amount will be used to pay for the costs of street improvement projects, park and public grounds projects, acquisition and installation of fire department equipment and refunding previously issued debt.

On June 21, 2012, the City issued Redevelopment Lease Revenue Bonds in the amount of $1,665,000. The amount will be used to provide funds for parking lot improvements in various locations within TID No. 5 and for a developer incentive related to the East Grand Avenue Rehab within TID No. 5.

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*. Application of these standards may restate portions of these financial statements.