

CITY OF БЕЛОIT

Beloit, Wisconsin

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended
December 31, 2007

Prepared By:

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES

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CITY OF BELOIT

COMPREHENSIVE ANNUAL FINANCIAL REPORT December 31, 2007

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June 23, 2008

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, 2007. Wisconsin State Statutes, The Wisconsin Administrative Code, and the Municipal Code of the City of Beloit requires that at the end of the fiscal year a full and complete examination of all books and accounts of the City be made by a certified public accountant and that the report be filed with the City Clerk as a matter of public record. This CAFR fulfills these requirements.

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

In compliance with the above statutory requirements, the City has retained the services of Virchow Krause & Company, LLP, Certified Public Accountants, to audit all books and accounts of the City and they have issued an unqualified opinion on the City of Beloit's financial statements for the fiscal year ended December 31, 2007. Their report is located at the beginning of the financial section of this report.

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

The City is required to undergo an annual single audit in accordance with Generally Accepted Auditing Standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

June 23, 2008

Information related to this single audit, including the schedule of federal and state financial assistance, findings and recommendations and auditors' reports on the internal control structures and compliance with applicable laws and regulations are presented in this section of the CAFR.

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

PROFILE of the GOVERNMENT

Beloit is located midway along the Wisconsin/Illinois border west of Interstate Highway 90, which travels south to Chicago and north to the City of Madison, and is directly connected to Milwaukee via Interstate Highway 43. The City covers approximately 17 square miles. It is home to an estimated 37,110 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 the first meeting following each general City election, the Council selects, by majority vote of its members, its president and vice-president for the ensuing Council year. The President acts as the presiding officer of the Council and in his/her absence the Vice-President presides. The Council, in its legislative role, adopts all ordinances and resolutions and establishes the general policies for the City. The Council also sets the tax rate and adopts the annual budget.

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

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

June 23, 2008

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, community enhancement, downtown, the public library, solid waste and recycling. The report also includes the City's enterprise funds that account for the water, storm water, and sanitary sewer utilities, ambulance services, cemeteries, transit, and the municipal golf course. Internal service funds provide information on the operations of the risk management, employee health benefits, and centralized equipment functions.

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

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

ECONOMIC CONDITION / MAJOR INITIATIVES

The condition of the local economy continues to improve because of the aggressive recruitment and retention efforts of the City's economic development department. The City's economy remains reliant on manufacturing and industry while offering a diversified employment base in the areas of metal fabrication, food processing, medical services, biotechnology, retail, and education. The City is home to Beloit College; founded in 1846 it is Wisconsin's oldest college in continuing operation and is internationally renowned for its scholastic excellence. The college's 1,200 students come from nearly every state and 40 nations worldwide.

During the past seven years, the City's unemployment rate has been higher than state and national averages and its economy has grown at a much slower pace than that of surrounding communities. This trend has been improving the last several years. In 2007, the

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

June 23, 2008

City's unemployment rate increased slightly to 7.7%, which is still lower than it has been the last several years. Additional economic and demographic data can be found in the Statistical Section of this report. In 2007, the City realized some very positive improvements to its local economy with four new businesses opening and one major business expansion. These new developments accounted for 190 new jobs, 326,306 square feet of new industrial/commercial space and a total increase to the tax base of \$95 million. This increase in the City's tax base is unprecedented in recent years.

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 ten 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 that provides a direct link northeast to Milwaukee, the City is marketed as a site for becoming one of the major distribution centers of the Midwest.

One of the more significant challenges facing the City in the area of economic development is business retention, expansion, and job creation. In 2000 and 2002, the City purchased over 700 acres of farmland for the purpose of converting it into a business and industrial park. This area is now referred to as the Gateway Business Park. It is a mixed-use development located at the confluence of Interstate 90/39 and Interstate 43. The park has land use designated for industrial, multi-family and single family residential. The Gateway was designed to attract high quality industrial, distribution, and corporate office development. Major project costs to develop the park are being financed through a Tax Increment District (TID) and include land acquisition, site preparation, storm and sanitary sewers, street construction, and extension of water, gas, and electric utilities. In 2007, Kettle Foods opened its new \$16 million; 70,000 square foot LEEDS gold certified snack foods manufacturing facility and Southeastern Container opened its new \$17 million; 200,000 square foot plastic container manufacturing facility in the Gateway. In early 2008, the Kerry Group broke ground on its new Americas regional headquarters and research and development facility in the Gateway TID. This project involves a \$44 million investment with over 250,000 square feet of office/manufacturing space. This project is expected to be completed later this year and will provide over 250 new jobs.

Another project expected to have a profound financial impact on the City is the proposed development of an Indian gaming casino along Interstate Highway 90. The project consists of a proposed 100,000 square foot casino and support area, a 35,000 square foot conference/convention center, several restaurants, a childcare center and a gift shop all to be constructed on 26 acres of tribal trust land. Adjacent to the Tribal land is property in fee simple where it is proposed to construct a 500 room hotel, a 2,000 seat theater, and a 68,000 square foot water park. The Bureau of Indian Affairs is currently evaluating the casino application. If approved by the BIA, the project then moves to the Wisconsin Governor's

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

June 23, 2008

office for final action. Once fully completed, this project has the potential to provide over \$145,000,000 in revenue to the City over a 10-year period.

LONG-TERM FINANCIAL PLANNING

For budgetary and planning purposes the City has policy guidelines establishing the appropriate levels and uses of unreserved, undesignated general fund balance (15% of operating revenues or three months average expenditures whichever is greater). The City used \$540,899 of its unreserved, undesignated general fund balance as a funding source for the budget for the year ended December 31, 2007, 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 recently upgraded the City's bond rating to A+.

AWARDS and ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Beloit for its comprehensive annual financial report for the fiscal year ended December 31, 2006. This was the fifth consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Beloit also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning January 1, 2008. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communication device. This award is also valid for only one year.

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

June 23, 2008

The preparation of the CAFR would not have been possible without the efficient and dedicated service of the entire staff of the Department of Finance and Administrative Services. We would like to express our appreciation to all the members of the department who assisted and contributed to the preparation of this report with particular recognition to Laureen Presny, Director of Accounting/Purchasing and Eric Miller Finance and Budget Coordinator. Credit also must be given to the City Council for their support for 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** to be inserted here

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**City of Beloit, Wisconsin
List of Elected and Appointed Officials
December 31, 2007**

CITY COUNCIL MEMBERS

Terrence T. Monahan – President
James Van De Bogart– Vice-President
Kevin D. Leavy
Martin Densch
Douglas Eddy
Chad Murry
Joel Patch

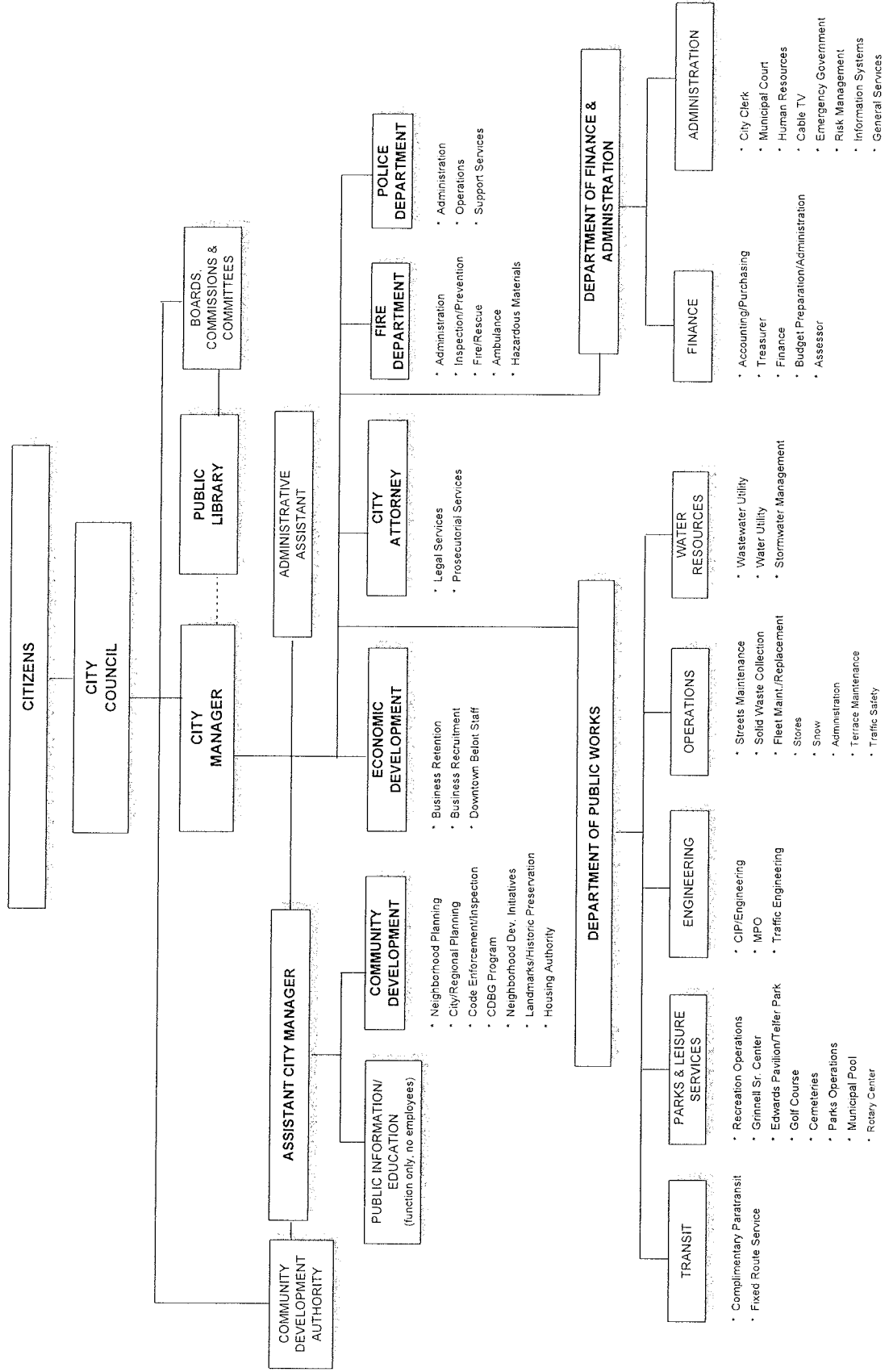
CITY MANAGER

Larry N. Arft

DEPARTMENT DIRECTORS

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

CITY OF БЕЛОIT, WISCONSIN ORGANIZATIONAL CHART 2006





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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Beloit's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Beloit Public Library Foundation, Inc. which represent 2%, 11%, and .2%, of the assets, net assets, and reserves of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Beloit, Wisconsin at December 31, 2007, 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.

The Beloit Public Library Foundation, Inc. is included as a discretely presented component unit for the first time. Transactions previously reported in governmental activities are now reported in the storm sewer nonmajor enterprise fund.

To the City Council
City of Beloit
Beloit, Wisconsin

In accordance with *Government Auditing Standards*, we have issued our report dated June 25, 2008 on our consideration of the City of Beloit's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

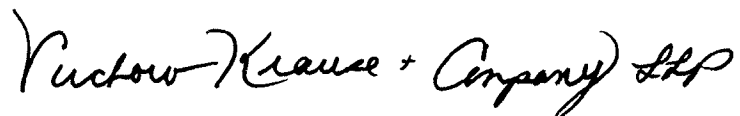
The management's discussion and analysis and budgetary comparison information on pages xii through xxv and 74 through 82 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The accompanying schedules of expenditures of federal and state awards are 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 are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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 of the City of Beloit. The information has not been audited by us and, accordingly, we express no opinion on such information.

Madison, Wisconsin
June 25, 2008



CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS For Year Ended December 31, 2007

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, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, and the basic financial statements and related notes, all of which are contained in this comprehensive annual financial report (CAFR).

FINANCIAL HIGHLIGHTS

- On the government wide basis, the City's total assets at December 31, 2007, were \$255 million. Of this amount, \$158.3 million represents the City's investment in capital assets; net of depreciation and other assets totaled \$96.7 million.
 - The City's total assets exceeded its liabilities at December 31, 2007, by \$126.9 million (total net assets). This is an increase of \$4.1 million or 3.3% from the prior year. Of this amount, \$92.9 million represents the City's investment in capital assets, net of related debt, \$19.8 million is restricted and \$14.2 million is unrestricted and available to meet the City's ongoing obligations to citizens and creditors.
 - The business-type activities net assets at December 31, 2007, totaled \$68.8 million, which represents an increase of \$7.9 million or 12.9% from the prior year. Of this amount, \$51.1 million represents the City's investment in capital assets, net of related debt, \$8.1 million is restricted and \$9.6 million is unrestricted.
 - Total liabilities at December 31, 2007, were \$128.1 million, which is an increase of \$14.7 million from the prior year, and of this amount, \$106.2 million are long-term liabilities.
 - At December 31, 2007, the City's governmental funds reported combined ending fund balances of \$42 million, a decrease of \$11.8 million from the prior year. Of this amount, \$17.7 million or 42.2% is unreserved and undesignated and is available for spending at the government's discretion.
 - At December 31, 2007, the unreserved and undesignated fund balance for the general fund was \$8 million or 27.7% of total general fund expenditures.
 - The City's total bonded debt increased \$13.4 million from the prior year.
-

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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This CAFR also contains other supplementary information in addition to the basic financial statements themselves.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2007

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 of Beloit include the water and sewer utilities which are considered to be major funds.

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. These are explained in more detail as follows:

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

CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

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

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

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

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

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

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

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

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2007

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 73 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 74 to 82 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 83 to 90 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 could also be affected by non-financial factors, including economic conditions, population growth, and new regulations.

As noted earlier, net assets may serve over time as a useful indicator of City's financial position. In the case of the City of Beloit, assets exceeded liabilities by \$126.9 million as of December 31, 2007. This is an increase over the previous year of \$4.1 million or 3.3% and is primarily related to the City's investment in capital assets.

In this regard, the largest portion of the City's net assets, \$92.9 million (approximately 73%), reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2007

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Current and other assets	\$ 65.0	\$ 77.1	\$ 19.5	\$ 19.7	\$ 84.5	\$ 96.8
Capital assets	<u>72.8</u>	<u>73.8</u>	<u>78.9</u>	<u>84.4</u>	<u>151.7</u>	<u>158.2</u>
Total Assets	<u>137.8</u>	<u>150.9</u>	<u>98.4</u>	<u>104.1</u>	<u>236.2</u>	<u>255.0</u>
Long-term liabilities	58.0	72.1	35.9	34.1	93.9	106.2
Other liabilities	<u>18.0</u>	<u>20.7</u>	<u>1.5</u>	<u>1.2</u>	<u>19.5</u>	<u>21.9</u>
Total Liabilities	<u>76.0</u>	<u>92.8</u>	<u>37.4</u>	<u>35.3</u>	<u>113.4</u>	<u>128.1</u>
Net assets:						
Invested in capital assets, Net of related debt	39.6	41.7	43.7	51.1	79.0	92.8
Restricted	13.4	11.8	8.0	8.1	21.5	19.9
Unrestricted	<u>8.8</u>	<u>4.6</u>	<u>9.2</u>	<u>9.6</u>	<u>22.3</u>	<u>14.2</u>
Total Net Assets	<u>\$ 61.8</u>	<u>\$ 58.1</u>	<u>\$ 60.9</u>	<u>\$ 68.8</u>	<u>\$ 122.8</u>	<u>\$ 126.9</u>

An additional portion of the City's net assets \$19.9 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$14.2 million, is available to meet the government's ongoing obligation to citizens and creditors.

At the end of the fiscal year the City is able to report positive balances in all categories of net assets for the government as a whole.

There was an increase in total net assets of \$4.1 million during the year and this increase is primarily related to additions to the City's investment in capital assets. Some of these investments included such projects as improvements to the old Woolworth's building downtown that was recently leased to become a new organic grocery store and a number of street and highway construction improvement projects completed last year, which collectively totaled over \$5.5 million.

CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2007

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	
	2006	2007	2006	2007	2006	2007
REVENUES						
Program Revenues:						
Charges for services	\$ 6.0	\$ 5.7	\$ 13.8	\$ 14.4	\$ 19.8	\$ 20.1
Operating grants & contributions	2.4	1.2	1.1	1.1	3.5	2.3
Capital grants & contributions	0.8	0.2	1.5	1.2	2.3	1.4
General Revenues:						
Property taxes	11.5	12.6	0.8	0.7	12.3	13.3
Other taxes	0.6	0.5	-	-	0.6	0.5
Intergovernmental	21.8	20.7	-	-	21.8	20.7
Investment income	1.8	2.4	0.6	0.6	2.4	3.0
Gain on the sale of property	0.3	0.6	-	-	0.3	0.6
Miscellaneous	0.3	1.7	-	-	0.3	1.7
Total Revenues	<u>45.5</u>	<u>45.6</u>	<u>17.8</u>	<u>18.1</u>	<u>63.4</u>	<u>63.6</u>
EXPENSES						
General government	5.6	7.8	-	-	5.6	7.8
Public safety	17.6	18.3	-	-	17.6	18.3
Public works	13.5	13.4	-	-	13.5	13.4
Public health	0.2	0.0	-	-	0.2	0.0
Community development	3.8	2.7	-	-	3.8	2.7
Library	2.0	2.1	-	-	2.0	2.1
Interest & fiscal charges	2.8	3.5	-	-	2.8	3.5
Water utility	-	-	4.0	4.0	4.0	4.0
Sewer utility	-	-	7.0	7.2	7.0	7.2
Other non-major proprietary funds	-	-	3.5	4.3	3.5	4.3
Total Expenses	<u>45.5</u>	<u>47.8</u>	<u>14.5</u>	<u>15.5</u>	<u>60.0</u>	<u>63.3</u>
Change in net assets before transfers	0.0	(2.2)	3.3	2.5	3.4	0.3
Transfers	0.8	(1.6)	(0.8)	1.6	-	-
Change in net assets	0.8	(3.8)	2.5	4.1	3.4	0.3
Net Assets - January 1 (restated)	<u>61.0</u>	<u>61.8</u>	<u>58.4</u>	<u>64.7</u>	<u>119.4</u>	<u>126.6</u>
Net Assets - December 31	<u>\$ 61.8</u>	<u>\$ 58.0</u>	<u>\$ 60.9</u>	<u>\$ 68.8</u>	<u>\$ 122.8</u>	<u>\$ 126.9</u>

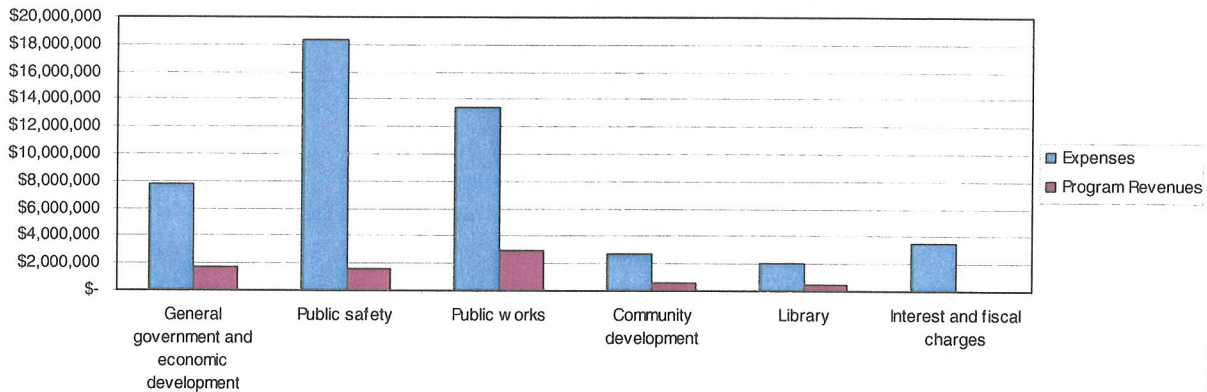
CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2007

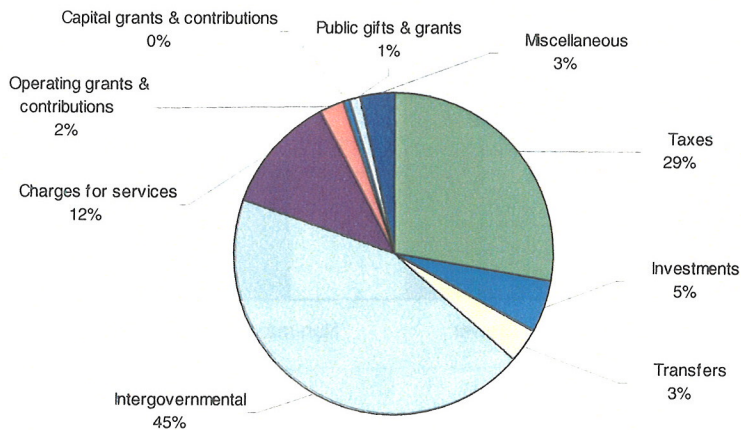
GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

General government includes economic development and public safety includes both police and fire. For 2007, revenues increased \$257,273 over the prior year primarily from increased charges for services and property taxes. Expenses increased \$3.3 million primarily because of increased salary and benefit costs. Business-type activities increased the City's net assets by \$4.1 million accounting for all of the total change in net assets. Most of this increase is due to the creation of a new storm water utility enterprise fund in 2007. A separate storm water utility charge was implemented in 2007 to pay for these services.

Expenses and Program Revenues - Governmental Activities
For the Fiscal Year Ended December 31, 2007



Revenue by Source - Governmental Activities

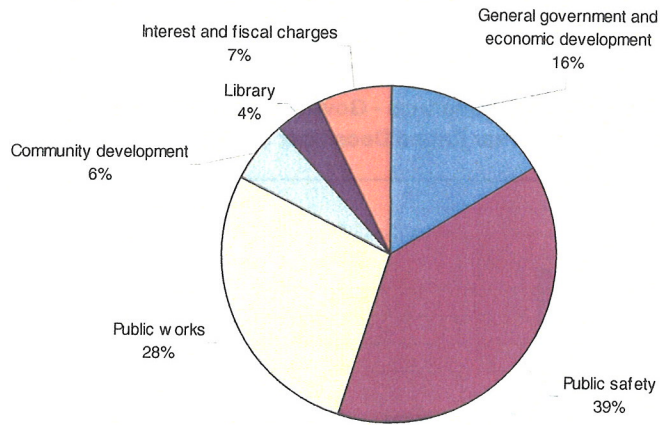


CITY OF БЕЛОIT, WISCONSIN

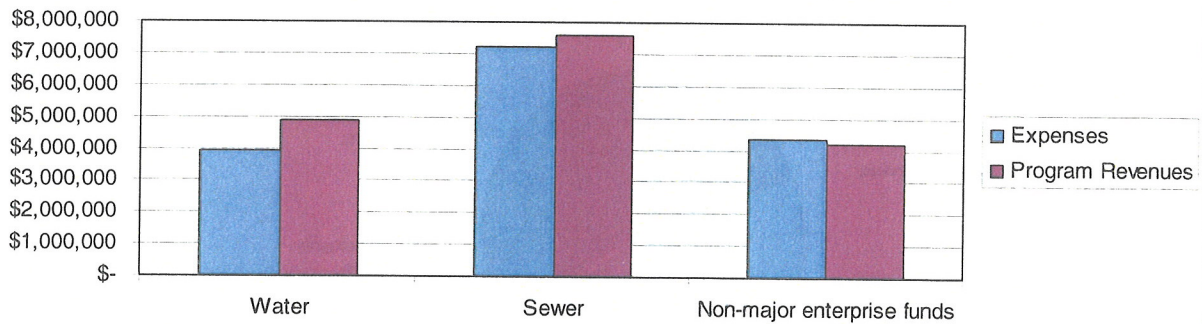
MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2007

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

Expenses by Function - Governmental Activities



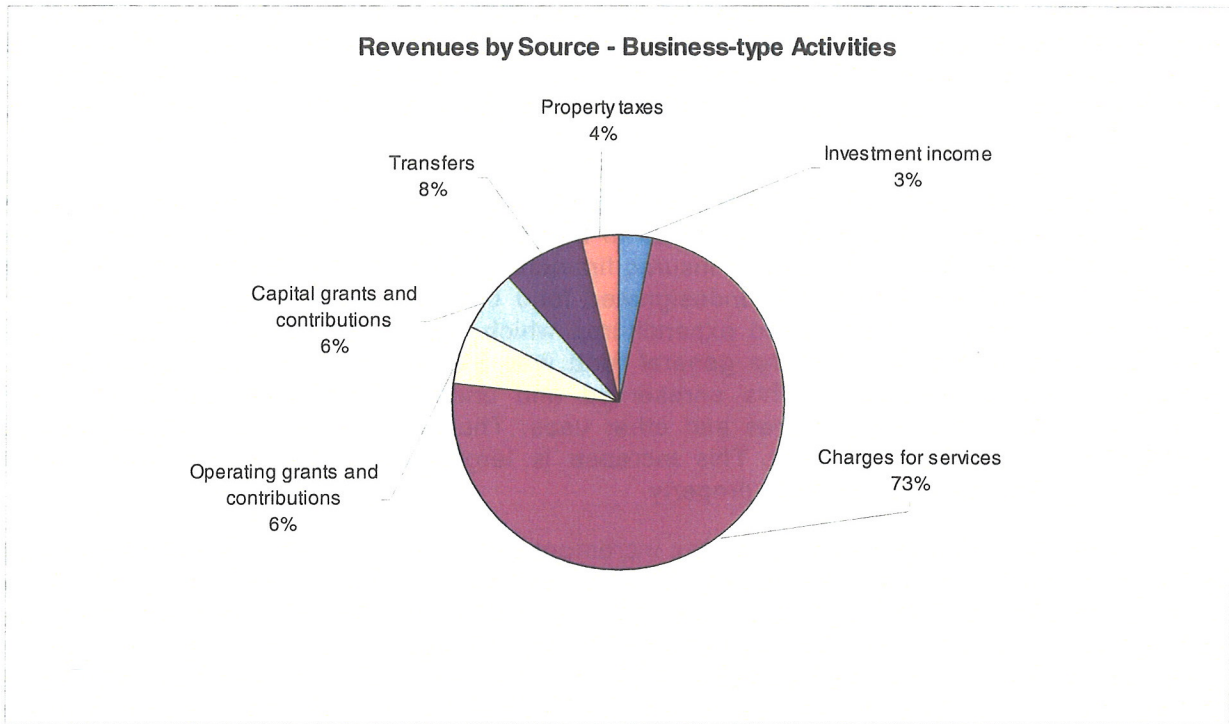
**Expenses and Program Revenues - Business-type Activities
For the Fiscal Year Ended December 31, 2007**



CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
For Year Ended December 31, 2007

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

As of December 31, 2007, the City of Beloit's governmental funds reported combined ending fund balances of \$42 million. This is an increase of \$11.8 million from the previous year. Approximately 42% of this total or \$17.7 million constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. This increase is largely because of an accumulation of unspent bond proceeds in the City's capital projects funds. These accumulated funds are earmarked for use in funding future capital improvement projects.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

For Year Ended December 31, 2007

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

Governmental Funds (cont.)

The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$12.4 million), 2) to pay debt service (\$2.8 million), 3) for non-current receivables/advances (\$7.7 million), and 4) the balance for a variety of other restricted purposes (\$1.4 million).

General Fund: The general fund is the chief operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund has a detailed reserve policy that insures financial stability for the City of Beloit. The policy stipulates that the unreserved and undesignated fund balance will be either 15% of operating revenues or 3 months of estimated expenditures whichever ever is greater. As of December 31, 2007, the total fund balance of the general fund was \$10.6 million, of which \$8 million was unreserved and undesignated. This unreserved and undesignated fund balance represents 27.7% of general fund expenditures and other uses. The increase in total fund balance was \$141,352 from the previous year. This increase is largely the result of increased revenue realized from the sale of City owned property.

Tax Incremental District No. 10: This tax increment district accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing. It is known as the Gateway Business Park it is a mixed-use joint project with MLG Development comprising over 450 acres of land. Since its inception in 2001, the TID has accounted for 365 new jobs and additional tax base valued in excess of \$75 million. The district has a fund balance of \$888,122 and is scheduled to close in 2024. Any remaining fund balance after that date will be distributed proportionately to the overlying taxing districts and the general fund.

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 \$3.4 million all of which is reserved for the payment of principal and interest on outstanding debt.

Tax Incremental District No. 9: The district accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing. This district was formed in 1998 and is the site of the former Beloit Mall. The site is now undergoing a transition with commercial and public reuses and is the site of the new Beloit Public Library facility. The TID has a negative fund balance of \$5,125,700 and is scheduled to close in 2021. Any remaining fund balance after that date will be distributed proportionately to the overlying taxing districts and 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, 2007 is \$20.9 million all of which is expected to be used for capital improvements.

The aggregate other governmental funds column includes various special revenue and debt service funds that are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The cumulative fund balances for these funds is \$11.2 million, an increase of \$186,863 from the previous year.

CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2007

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 operating income of \$780,376 in 2007 compared to \$1,055,066 for 2006. This reduction in operating income is largely the result of increased operating and maintenance costs and a slight reduction in operating revenues. The rates for sewer services have remained stable since 2003. The net assets increased \$515,823 in 2007. The City has 13,537 sewer customers that are served by a wastewater treatment facility with an 11 MGD capacity. The City also maintains 168 miles of sanitary sewer mains.

Water Utility: The City acquired the water utility in November 2003 from Alliant Energy (Wisconsin Power and Light). The water utility realized operating income of \$1,792,065 in 2007 compared to \$1,873,671 in 2006. The Wisconsin Public Service Commission approved new water rates effective April 30, 2008, that will result in an overall rate increase of 6%. The change in net assets in 2007 was \$723,793. The City serves 15,530 water customers and maintains and operates eight wells, three booster-pumping stations, four elevated water towers, 178 miles of water mains, 1,714 fire hydrants, and 15,563 water meters.

The net assets of all the City's Enterprise Funds increased \$4.1 million to \$68.8 million at December 31, 2007. The water and sewer utility's net assets accounted for \$56.7 million or 82% of this total, which is an increase of \$1.2 million from the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended budget appropriations, which include expenditures and transfers out, did not change from the original budget appropriations for the year and totaled \$28,660,473. At \$28,910,862, the final actual expenditures and transfers out were \$250,389 more than the final budget appropriations.

The actual revenues and transfers in were \$29,052,214, which was \$932,640 more than the final budgeted revenues and transfers in. Most of this variance was because of increased investment earnings resulting from improved conditions in the financial marketplace and the adjustment of investment securities to their market value. At \$5,285,224, the property tax levy is the largest local source revenue in the General Fund. Property taxes exceeded the final budget by \$15,059 or 0.3%. 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 2007, these payments totaled \$18,881,201. This represents 68% of total General Fund revenues. Revenues and transfers in exceeded expenditures and transfers out by \$141,352.

CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2007

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

Some of the highlights of comparing the final budget to actual for the fiscal year ended December 31, 2007 include the following:

- Actual expenditures for the Fire, Police, and Public Works Departments exceeded their final budgeted amounts. The Fire and Police Departments exceeded their budgets by \$164,724 and \$60,214 respectively due to increased personnel costs. The Public Works Department exceeded its budget by \$220,551 because of increased snow and ice removal costs associated with the winter of 2006-2007 and the month of December 2007.
- Intergovernmental actual revenues exceeded the budget by \$72,892 because of increased state aids payments for highway maintenance.
- Fines, Forfeitures and Penalties actual revenues exceeded the budget by \$139,151 because of increased collections of parking and traffic fines, court costs, and penalties on past due property taxes.
- Fees and Charges actual revenues exceeded the budget by \$41,368 largely because of increased collections of fire inspection fees and miscellaneous revenues.

CAPITAL ASSETS

As of December 31, 2007, the City had invested a total of \$151.7 million in capital assets (net of accumulated depreciation). This represents an increase in net book value of \$7.2 million from last fiscal year and is largely the result of the City's investment in governmental activities.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Land	\$ 3.4	\$ 4.2	\$ 3.4	\$ 3.4	\$ 6.8	\$ 7.6
Construction in progress	-	0.2	0.1	0.1	0.1	0.3
Land improvements	0.7	0.7	0.2	0.2	0.9	0.9
Buildings	10.9	10.7	3.0	2.9	13.9	13.6
Machinery & equipment	8.8	9.2	3.2	4.0	12.0	13.2
Other improvements	2.0	2.7	-	-	2.0	2.7
Streets	36.8	38.1	-	-	36.8	38.1
Street lights	2.2	2.4	-	-	2.2	2.4
Traffic signals	1.5	1.4	-	-	1.5	1.4
Bridges	4.3	4.3	-	-	4.3	4.3
Storm sewer infrastructure	2.2	-	-	6.4	2.2	6.4
Water plant & equipment	-	-	25.0	25.2	25.0	25.2
Sewer plant & equipment	-	-	44.0	42.2	44.0	42.2
Totals	<u>\$ 72.8</u>	<u>\$ 73.9</u>	<u>\$ 78.9</u>	<u>\$ 84.4</u>	<u>\$ 151.7</u>	<u>\$ 158.3</u>

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) For Year Ended December 31, 2007

CAPITAL ASSETS (cont.)

Additional information on the City's capital assets can be found in note IV.D on pages 39-42 of this CAFR. In 2007, the City created a storm sewer enterprise fund and transferred its storm sewer assets to this fund.

LONG-TERM OBLIGATIONS

In 2007, the City issued \$30,713,000 in bonds and notes and retired debt of \$19,819,706 resulting in \$88,014,706 in outstanding general obligation and revenue bonds and notes payable at the end of 2007. The per capita general obligation debt ratio was \$1,547 at the end of 2007. Of the general obligation and revenue bonded debt, \$53,255,304 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 value of taxable property located within the City. The net amount of debt that is applicable to the statutory limit is \$57,424,706, which is 70% of the maximum allowed of \$81,544,370. The general obligation notes and bonds issued in 2007 received an "A" rating from Standard and Poor's.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
General obligation bonds	\$ 41.3	\$ 53.3	\$ 2.7	\$ 4.2	\$ 44.0	\$ 57.5
Revenue bonds	-	-	33.1	30.6	33.1	30.6
Debt Outstanding	<u>\$ 41.3</u>	<u>\$ 41.3</u>	<u>\$ 35.8</u>	<u>\$ 35.8</u>	<u>\$ 77.1</u>	<u>\$ 88.1</u>

Additional information on the City of Beloit's long-term debt can be found in footnote IV.F on pages 46-52 of this CAFR.

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

The City's proximity to the Chicago metropolitan area to the southeast, the City of Madison to the north via Interstates 90/39, and Milwaukee to the northeast via Interstate 43 provides the City of Beloit with a unique opportunity to serve the Midwestern United States as a center for industry and manufacturing. This fact is becoming obvious as the City's employment and tax bases have both shown recent improvement. The unemployment rate as of December 31, 2007 for the City was 7.7%, which is a slight increase (0.3%) from the prior year. The City of Beloit is in the Janesville MSA, which had an unemployment rate of 5.1%. This compares to an unemployment rate of 4.6% for the State of Wisconsin and 4.8% nationally. The City's tax base increased 11.7% to \$1,664,708,530 in 2007.

CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
For Year Ended December 31, 2007

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, can be found at the City's website, <http://www.ci.beloit.wi.us>.

CITY OF BELOIT

STATEMENT OF NET ASSETS
December 31, 2007

	Primary Government			Component Units - Business- type Activities
	Governmental Activities	Business- type Activities	Totals	
ASSETS				
Cash and investments	\$ 48,022,281	\$ 2,829,506	\$ 50,851,787	\$ 2,107,714
Receivables (net of allowance for uncollectibles)				
Taxes	16,242,307	594,530	16,836,837	-
Delinquent personal property taxes	73,831	-	73,831	-
Accounts	1,797,027	3,792,607	5,589,634	38,770
Special assessments	1,020,991	-	1,020,991	135,702
Loans	3,348,551	-	3,348,551	-
Accrued interest	137,727	33,868	171,595	617
Other	406,283	380,085	786,368	-
Due from other governmental units	111,831	661,830	773,661	1,803
Internal balances - interfunds	(381,551)	381,551	-	-
Internal balances - advances	434,000	(434,000)	-	-
Due from component unit	155,782	-	155,782	-
Inventories	407,821	175,995	583,816	-
Prepaid items	17,356	-	17,356	673
Lease receivable from primary government	-	-	-	16,260,689
Restricted Assets				
Temporarily Restricted				
Cash and investments	-	10,633,098	10,633,098	1,994,565
Deposit with risk pool	1,575,475	-	1,575,475	-
Receivable from mutual insurance company	-	-	-	-
Other assets	329,634	630,952	960,586	-
Land held for resale	3,338,004	-	3,338,004	-
Capital Assets				
Land	4,232,467	3,392,909	7,625,376	414,539
Construction in progress	236,402	154,562	390,964	130,460
Capital assets net of depreciation	69,405,533	80,888,430	150,293,963	2,542,109
Total Assets	<u>150,911,752</u>	<u>104,115,923</u>	<u>255,027,675</u>	<u>23,627,641</u>
LIABILITIES				
Accounts payable	2,070,557	378,657	2,449,214	26,990
Accrued liabilities	401,660	241,141	642,801	39,451
Claims payable	2,031,864	-	2,031,864	-
Due to primary government	-	-	-	155,781
Other liabilities	-	9,370	9,370	-
Unearned revenues	16,211,005	594,530	16,805,535	138,276
Deposits	-	-	-	64,905
Noncurrent liabilities				
Due within one year	5,287,263	3,793,437	9,080,700	-
Due in more than one year	<u>66,852,144</u>	<u>30,262,870</u>	<u>97,115,014</u>	<u>18,270,172</u>
Total Liabilities	<u>92,854,493</u>	<u>35,280,005</u>	<u>128,134,498</u>	<u>18,695,575</u>
NET ASSETS				
Invested in capital assets, net of related debt	41,730,847	51,141,052	92,871,899	3,087,108
Restricted for debt service	5,026,140	3,128,185	8,154,325	-
Restricted for replacement	-	4,982,733	4,982,733	-
Restricted for grant programs	5,092,195	-	5,092,195	1,275,442
Restricted for cemetery perpetual care	1,638,160	-	1,638,160	-
Restricted for park activities	3,705	-	3,705	-
Unrestricted	<u>4,566,212</u>	<u>9,583,948</u>	<u>14,150,160</u>	<u>569,516</u>
TOTAL NET ASSETS	<u>\$ 58,057,259</u>	<u>\$ 68,835,918</u>	<u>\$ 126,893,177</u>	<u>\$ 4,932,066</u>

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government				
City Council, Manager, Attorney	\$ 776,459	\$ 21,402	\$ -	\$ -
Finance and Administrative Services	6,767,790	1,454,134	1,267	-
Community Development	2,743,751	367,089	221,880	-
Economic Development	264,699	-	166,421	-
Public Safety				
Police Services	10,969,806	1,429,750	47,186	-
Fire Services	7,335,343	19,589	49,163	-
Public works	13,366,204	2,259,768	408,166	233,136
Library	2,050,640	140,446	263,084	-
Interest and fiscal charges	3,501,709	-	-	-
Total Governmental Activities	<u>47,776,401</u>	<u>5,692,178</u>	<u>1,157,167</u>	<u>233,136</u>
Business-type Activities				
Water	3,939,599	4,605,675	-	280,775
Sewer	7,189,675	7,479,230	-	94,605
Golf course	492,560	427,914	-	-
Cemeteries	279,784	162,750	-	-
Ambulance	838,281	864,368	-	-
Storm sewer	561,126	619,303	-	40,286
Transit	2,173,781	227,733	1,107,569	757,405
Total Business-type Activities	<u>15,474,806</u>	<u>14,386,973</u>	<u>1,107,569</u>	<u>1,173,071</u>
Total Primary Government	<u>\$ 63,251,207</u>	<u>\$ 20,079,151</u>	<u>\$ 2,264,736</u>	<u>\$ 1,406,207</u>
Component Units - Business-type Activities				
Community Development Authority	\$ 4,711,471	\$ 237,382	\$ 4,098,860	\$ -
Business Improvement District	188,837	179,515	-	-
Beloit Public Library Foundation, Inc.	11,721	4,195	6,675	-
Total Component Units	<u>\$ 4,912,029</u>	<u>\$ 421,092</u>	<u>\$ 4,105,535</u>	<u>\$ -</u>

General Revenues
 Taxes
 Property taxes, levied for general purposes
 Property taxes, levied for debt service
 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 (as restated)

NET ASSETS - ENDING

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Totals	
\$ (755,057)	\$ -	\$ (755,057)	-
(5,312,389)	-	(5,312,389)	-
(2,154,782)	-	(2,154,782)	-
(98,278)	-	(98,278)	-
(9,492,870)	-	(9,492,870)	-
(7,266,591)	-	(7,266,591)	-
(10,465,134)	-	(10,465,134)	-
(1,647,110)	-	(1,647,110)	-
(3,501,709)	-	(3,501,709)	-
(40,693,920)	-	(40,693,920)	-
-	946,851	946,851	-
-	384,160	384,160	-
-	(64,646)	(64,646)	-
-	(117,034)	(117,034)	-
-	26,087	26,087	-
-	98,463	98,463	-
-	(81,074)	(81,074)	-
-	1,192,807	1,192,807	-
(40,693,920)	1,192,807	(39,501,113)	-
-	-	-	(375,229)
-	-	-	(9,322)
-	-	-	(851)
-	-	-	(385,402)
5,375,871	-	5,375,871	-
2,882,495	-	2,882,495	-
4,360,329	700,697	5,061,026	-
508,753	-	508,753	-
20,671,176	-	20,671,176	-
2,397,498	669,637	3,067,135	600,717
623,359	-	623,359	-
1,646,145	-	1,646,145	150,393
(1,567,885)	1,567,885	-	-
36,897,741	2,938,219	39,835,960	751,110
(3,796,179)	4,131,026	334,847	365,708
61,853,438	64,704,892	126,558,330	4,566,358
\$ 58,057,259	\$ 68,835,918	\$ 126,893,177	\$ 4,932,066

See accompanying notes to financial statements.

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CITY OF BELOIT

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2007

	General	TIF District No. 10	TIF District No. 9	General Debt Service	Capital Improvements	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 7,982,251	\$ 926,258	\$ 68,984	\$ 1,812,423	\$ 18,495,561	\$ 13,432,027	\$ 42,717,504
Receivables							
Taxes	5,736,808	1,870,520	32,628	3,603,871	54,211	4,944,270	16,242,308
Delinquent personal property taxes	72,269	-	-	-	9,702	-	81,971
Accounts	597,881	-	-	-	102,514	847,116	1,547,511
Special assessments	-	-	-	-	1,020,991	-	1,020,991
Loans	-	-	-	-	-	3,348,551	3,348,551
Accrued interest	137,727	-	-	-	-	-	137,727
Other	45,780	-	248,875	-	-	-	294,655
Due from other governmental units	-	6,464	-	-	-	472,259	478,723
Due from other funds	1,208,681	-	-	-	-	-	1,208,681
Due from component units	-	-	-	-	-	63,667	63,667
Inventories	407,821	-	-	-	-	-	407,821
Prepaid items	17,356	-	-	-	-	-	17,356
Advances to other funds	1,534,350	-	-	2,102,341	4,017,163	-	7,653,854
TOTAL ASSETS	\$ 17,740,924	\$ 2,803,242	\$ 350,487	\$ 7,518,635	\$ 23,700,142	\$ 23,107,890	\$ 75,221,320
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 756,269	\$ 44,600	\$ -	\$ 5,261	\$ 669,746	\$ 619,494	\$ 2,095,370
Due to other funds	-	-	-	-	-	844,633	844,633
Deferred revenue	6,405,118	1,870,520	281,503	4,094,609	2,046,673	8,381,788	23,080,211
Advances from other funds	-	-	5,194,684	-	-	2,025,170	7,219,854
Total Liabilities	<u>7,161,387</u>	<u>1,915,120</u>	<u>5,476,187</u>	<u>4,099,870</u>	<u>2,716,419</u>	<u>11,871,085</u>	<u>33,240,068</u>
Fund Balances							
Reserved for							
Delinquent personal property taxes	72,269	-	-	-	-	-	72,269
Inventories	407,821	-	-	-	-	-	407,821
Prepaid items	17,356	-	-	-	-	-	17,356
Noncurrent receivables/advances	1,534,350	-	-	2,102,341	4,017,163	-	7,653,854
Debt service	-	-	-	1,316,424	-	1,468,664	2,785,088
Encumbrances	-	101,316	10,443	-	1,248,738	285,918	1,646,415
Fundraising	-	-	-	-	-	150,000	150,000
Capital projects	-	-	-	-	-	234,000	234,000
Unreserved and designated, reported in							
General fund - surplus applied to 2008 budget	529,906	-	-	-	-	-	529,906
Special revenue funds - subsequent year's expenditures	-	786,806	-	-	-	3,515,829	4,302,635
Capital projects funds - subsequent year's expenditures	-	-	-	-	-	6,461,741	6,461,741
Unreserved and undesignated (deficit), reported in							
General fund	8,017,835	-	-	-	-	-	8,017,835
Special revenue funds	-	-	-	-	-	(879,347)	(879,347)
Debt service funds	-	-	(5,136,143)	-	-	-	(5,136,143)
Capital projects funds	-	-	-	-	15,717,822	-	15,717,822
Total Fund Balances	<u>10,579,537</u>	<u>888,122</u>	<u>(5,125,700)</u>	<u>3,418,765</u>	<u>20,983,723</u>	<u>11,236,805</u>	<u>41,981,252</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,740,924	\$ 2,803,242	\$ 350,487	\$ 7,518,635	\$ 23,700,142	\$ 23,107,890	

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	73,844,675
Land held for resale is not reported in the funds	3,338,004
Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	6,869,206
Internal service funds are reported in the statement of net assets as governmental funds	4,235,555
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.	<u>(72,211,433)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 58,057,259

CITY OF BELOIT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007

	General	TIF District No. 10	TIF District No. 9	General Debt Service
REVENUES				
Taxes	\$ 5,279,650	\$ 621,452	\$ 26,592	\$ 2,882,495
Intergovernmental	18,881,201	8,990	416	-
Licenses and permits	618,598	-	-	-
Fines, forfeitures and penalties	1,204,451	-	-	-
Fees and service charges	591,604	-	-	-
Rent	43,182	-	-	-
Special assessments	-	-	-	-
Investment income	1,342,283	50,474	74,289	121,908
Public charges for services	-	-	-	-
Other	-	86,960	-	-
Total Revenues	<u>27,960,969</u>	<u>767,876</u>	<u>101,297</u>	<u>3,004,403</u>
EXPENDITURES				
Current				
General government	3,881,366	-	500	-
Community development	1,078,725	-	-	-
Public safety	17,501,261	-	-	-
Public works	6,433,311	-	-	-
Parks, recreation, and education	-	-	-	-
Capital Outlay	-	562,650	46,801	-
Debt Service				
Principal retirement	16,199	8,449,017	-	2,399,275
Interest and fiscal charges	-	1,417,464	164,192	1,663,273
Total Expenditures	<u>28,910,862</u>	<u>10,429,131</u>	<u>211,493</u>	<u>4,062,548</u>
Excess (deficiency) of revenues over expenditures	<u>(949,893)</u>	<u>(9,661,255)</u>	<u>(110,196)</u>	<u>(1,058,145)</u>
OTHER FINANCING SOURCES (USES)				
Debt issued	-	1,288,000	-	286,240
Capital lease issued	-	8,762,760	-	-
Sale of city property	458,962	152,458	-	-
Transfers in	632,283	-	-	358,288
Transfers out	-	(21,976)	(6,000)	-
Total Other Financing Sources (Uses)	<u>1,091,245</u>	<u>10,181,242</u>	<u>(6,000)</u>	<u>644,528</u>
Net Change in Fund Balances	141,352	519,987	(116,196)	(413,617)
FUND BALANCES (DEFICIT) - Beginning	<u>10,438,185</u>	<u>368,135</u>	<u>(5,009,504)</u>	<u>3,832,382</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ 10,579,537</u>	<u>\$ 888,122</u>	<u>\$ (5,125,700)</u>	<u>\$ 3,418,765</u>

<u>Capital Improvements</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 3,805,344	\$ 12,615,533
425,970	2,585,636	21,902,213
-	139,861	758,459
7,780	-	1,212,231
-	38,956	630,560
-	-	43,182
314,066	-	314,066
784,721	534,693	2,908,368
100,000	2,156,901	2,256,901
580,117	2,108,853	2,775,930
<u>2,212,654</u>	<u>11,370,244</u>	<u>45,417,443</u>
-	13,444	3,895,310
-	1,697,196	2,775,921
-	458,936	17,960,197
-	2,364,121	8,797,432
-	1,938,463	1,938,463
4,629,019	5,205,221	10,443,691
-	895,543	11,760,034
248,795	382,711	3,876,435
<u>4,877,814</u>	<u>12,955,635</u>	<u>61,447,483</u>
<u>(2,665,160)</u>	<u>(1,585,391)</u>	<u>(16,030,040)</u>
13,104,113	518,641	15,196,994
640,614	1,809,735	11,213,109
-	169,325	780,745
27,000	-	1,017,571
-	(357,312)	(385,288)
<u>13,771,727</u>	<u>2,140,389</u>	<u>27,823,131</u>
11,106,567	554,998	11,793,091
<u>9,877,156</u>	<u>10,681,807</u>	<u>30,188,161</u>
<u>\$ 20,983,723</u>	<u>\$ 11,236,805</u>	<u>\$ 41,981,252</u>

See accompanying notes to financial statements.

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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, 2007

Net change in fund balances - total governmental funds	\$ 11,793,091
--	---------------

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	10,443,691
Less: Some items are reported as capital outlay but not capitalized	(4,038,901)
Depreciation is reported in the government-wide statements	(2,643,887)
Change in land held for resale	(2,040,923)
Fixed assets transferred to storm sewer	(2,200,168)

Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net assets.	(512,839)
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Receivables not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	(557,642)
--	-----------

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 payments (\$3,089,668 G.O. debt, other debt \$221,350 and \$8,507,000) were less than issues (\$15,196,994 and \$11,213,109 capital leases).	(14,592,085)
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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.	261,413
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	88,949
Accrued interest on debt	(43,472)

Internal service funds are used by management to charge the costs of insurance, printing services, engineering and equipment maintenance to other funds. The increase in net assets of the internal service funds is reported in the governmental activities.	<u>246,594</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (3,796,179)</u>
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See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
December 31, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	
ASSETS					
Current Assets					
Cash and investments	\$ 1,730,271	\$ 711,486	\$ 387,749	\$ 2,829,506	\$ 5,304,779
Receivables					
Taxes	-	-	594,530	594,530	-
Accounts	651,556	2,761,812	379,238	3,792,606	78,221
Accrued interest	24,114	9,754	-	33,868	-
Other	100,266	279,819	-	380,085	-
Due from other governmental units	-	-	661,830	661,830	-
Current portion of advance	-	165,317	-	165,317	-
Inventories	54,991	-	121,004	175,995	-
Restricted Assets					
Bond redemption account	276,862	1,917,417	-	2,194,279	-
Replacement account	-	4,982,733	-	4,982,733	-
Total Current Assets	<u>2,838,060</u>	<u>10,828,338</u>	<u>2,144,351</u>	<u>15,810,749</u>	<u>5,383,000</u>
Non-Current Assets					
Restricted Assets					
Bond reserve account	1,870,550	1,158,000	427,536	3,456,086	-
Deposit with risk pool	-	-	-	-	1,575,475
Total Restricted Assets	<u>1,870,550</u>	<u>1,158,000</u>	<u>427,536</u>	<u>3,456,086</u>	<u>1,575,475</u>
Capital Assets					
Land	736,627	1,386,282	1,270,000	3,392,909	-
Construction in progress	-	-	154,562	154,562	-
Land improvements	-	-	702,418	702,418	-
Buildings	1,641,123	65,090,617	2,693,110	69,424,850	-
Machinery, equipment, and vehicles	1,807,960	1,281,654	4,207,264	7,296,878	67,165
Infrastructure	32,723,251	13,727,115	8,264,030	54,714,396	-
Less: Accumulated depreciation	<u>(8,769,671)</u>	<u>(37,375,088)</u>	<u>(5,105,353)</u>	<u>(51,250,112)</u>	<u>(37,436)</u>
Total Capital Assets, Net	<u>28,139,290</u>	<u>44,110,580</u>	<u>12,186,031</u>	<u>84,435,901</u>	<u>29,729</u>
Other Assets					
Advances to other funds	-	1,185,462	-	1,185,462	-
Preliminary survey and engineering	-	344,910	-	344,910	-
Unamortized debt issuance costs	204,253	81,789	-	286,042	-
Total Other Assets	<u>204,253</u>	<u>1,612,161</u>	<u>-</u>	<u>1,816,414</u>	<u>-</u>
Total Non-Current Assets	<u>30,214,093</u>	<u>46,880,741</u>	<u>12,613,567</u>	<u>89,708,401</u>	<u>1,605,204</u>
Total Assets	<u>33,052,153</u>	<u>57,709,079</u>	<u>14,757,918</u>	<u>105,519,150</u>	<u>6,988,204</u>

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 106,148	\$ 161,774	\$ 110,732	\$ 378,654	\$ 58,291
Claims payable	-	-	-	-	1,948,759
Due to other funds	-	-	364,048	364,048	-
Compensated absences	13,523	91,557	18,014	123,094	-
Current maturities of general obligation debt	35,384	-	127,997	163,381	-
Current portion of advances	165,317	-	-	165,317	-
Current portion of other liabilities	-	31,964	-	31,964	-
Unearned revenue	-	-	594,530	594,530	-
Other current liabilities	-	-	9,370	9,370	-
Current Liabilities Payable From Restricted Assets					
Current maturities of revenue debt	675,000	2,800,000	-	3,475,000	-
Accrued interest	173,344	57,744	10,053	241,141	-
Total Current Liabilities	1,168,716	3,143,039	1,234,744	5,546,499	2,007,050
Noncurrent Liabilities					
General obligation debt, less current maturities	1,452,905	1,015,968	1,505,186	3,974,059	-
Compensated absences	2,967	101,249	155,873	260,089	-
Revenue debt, less current maturities	23,025,000	4,090,000	-	27,115,000	-
Unamortized premium	-	134,157	-	134,157	-
Unamortized discount	(228,868)	-	-	(228,868)	-
Unamortized loss on advance refunding	(730,582)	(260,985)	-	(991,567)	-
Advances from other funds	1,185,462	-	434,000	1,619,462	-
Total Long-Term Debt	24,706,884	5,080,389	2,095,059	31,882,332	-
Total Liabilities	25,875,600	8,223,428	3,329,803	37,428,831	2,007,050
NET ASSETS					
Invested in capital assets, net of related debt	4,634,475	36,381,265	10,125,312	51,141,052	29,729
Restricted for debt service	103,518	3,024,667	-	3,128,185	-
Restricted for replacement	-	4,982,733	-	4,982,733	-
Unrestricted	2,438,560	5,096,986	1,302,803	8,838,349	4,951,425
TOTAL NET ASSETS	\$ 7,176,553	\$ 49,485,651	\$ 11,428,115	\$ 68,090,319	\$ 4,981,154

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

745,599

NET ASSETS OF BUSINESS-TYPE ACTIVITIES

\$ 68,835,918

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CITY OF BELOIT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
NET ASSETS - PROPRIETARY FUNDS
For the Year Ended December 31, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	
OPERATING REVENUES					
Charges for services	\$ 4,375,677	\$ 7,069,274	\$ 2,270,579	\$ 13,715,530	\$ 10,195,053
Other	229,998	409,956	31,489	671,443	-
Total Operating Revenues	<u>4,605,675</u>	<u>7,479,230</u>	<u>2,302,068</u>	<u>14,386,973</u>	<u>10,195,053</u>
OPERATING EXPENSES					
Operation and maintenance	1,370,681	3,574,380	3,796,928	8,741,989	1,772,540
Contractual services	400,592	767,136	98,430	1,266,158	8,065,777
Depreciation	1,042,337	2,357,338	376,146	3,775,821	3,026
Total Operating Expenses	<u>2,813,610</u>	<u>6,698,854</u>	<u>4,271,504</u>	<u>13,783,968</u>	<u>9,841,343</u>
Operating Income (Loss)	<u>1,792,065</u>	<u>780,376</u>	<u>(1,969,436)</u>	<u>603,005</u>	<u>353,710</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	-	1,107,569	1,107,569	-
Investment income	186,001	375,046	108,590	669,637	-
Interest expense	(974,484)	(363,767)	(65,616)	(1,403,867)	(7,405)
Amortization of debt issuance expense	(156,455)	31,707	(7,697)	(132,445)	-
General property taxes	-	-	700,697	700,697	-
Amortization of loss on early retirement of debt	-	(173,970)	-	(173,970)	-
Loss on sale of property	-	-	(10,997)	(10,997)	-
Loss on investment in CVMIC	-	-	-	-	(69,270)
Total Nonoperating Revenues (Expenses)	<u>(944,938)</u>	<u>(130,984)</u>	<u>1,832,546</u>	<u>756,624</u>	<u>(76,675)</u>
Income (loss) before contributions and transfers	847,127	649,392	(136,890)	1,359,629	277,035
Capital contributions	280,775	94,605	797,691	1,173,071	-
Transfers in	-	-	2,200,168	2,200,168	-
Transfers out	<u>(404,109)</u>	<u>(228,174)</u>	<u>-</u>	<u>(632,283)</u>	<u>-</u>
Change in Net Assets	723,793	515,823	2,860,969	4,100,585	277,035
TOTAL NET ASSETS - Beginning (as restated)	<u>6,452,760</u>	<u>48,969,828</u>	<u>8,567,146</u>		<u>4,704,119</u>
TOTAL NET ASSETS - ENDING	<u>\$ 7,176,553</u>	<u>\$49,485,651</u>	<u>\$11,428,115</u>		<u>\$ 4,981,154</u>

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

Portion of internal service funds change in net assets reported in business-type activities

30,441

**CHANGE IN NET ASSETS OF
BUSINESS-TYPE ACTIVITIES**

\$ 4,131,026

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2007

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Non-Major Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	\$ 4,684,859	\$ 7,262,697	\$ 2,119,843	\$ 14,067,399	\$ 10,340,674
Paid to suppliers for goods and services	(1,175,985)	(2,902,549)	(1,880,659)	(5,959,193)	(9,247,286)
Payments to employees for services	(592,829)	(1,429,271)	(1,934,969)	(3,957,069)	(611,107)
Net Cash Flows from Operating Activities	<u>2,916,045</u>	<u>2,930,877</u>	<u>(1,695,785)</u>	<u>4,151,137</u>	<u>482,281</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants received	-	-	848,735	848,735	-
Transfers	(404,109)	(228,174)	-	(632,283)	-
Property taxes received	-	-	700,697	700,697	-
Non-capital advance (and repayment)	(157,271)	157,271	51,967	51,967	-
Net Cash Flows from Noncapital Financing Activities	<u>(561,380)</u>	<u>(70,903)</u>	<u>1,601,399</u>	<u>969,116</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Debt retired	(790,085)	(2,700,032)	(104,695)	(3,594,812)	(170,225)
Interest paid	(982,814)	(375,017)	(55,547)	(1,413,378)	(7,405)
Proceeds from issuance of new debt	506,827	454,556	579,624	1,541,007	-
Debt issuance costs	(20,294)	(3,207)	(7,697)	(31,198)	-
Acquisition and construction of capital assets	(959,680)	(694,178)	(1,552,031)	(3,205,889)	-
Construction grants received	-	-	848,847	848,847	-
Contributions received for construction	67,308	-	-	67,308	-
Net Cash Flows from Capital and Related Financing Activities	<u>(2,178,738)</u>	<u>(3,317,878)</u>	<u>(291,499)</u>	<u>(5,788,115)</u>	<u>(177,630)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Non-cash equivalents purchased	-	(1,158,000)	-	(1,158,000)	-
Non-cash equivalents sold	1,889,856	-	-	1,889,856	-
Investment income	161,887	375,046	108,590	645,523	-
Net Cash Flows from Investing Activities	<u>2,051,743</u>	<u>(782,954)</u>	<u>108,590</u>	<u>1,377,379</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>2,227,670</u>	<u>(1,240,858)</u>	<u>(277,295)</u>	<u>709,517</u>	<u>304,651</u>
CASH AND CASH EQUIVALENTS - Beginning	<u>1,650,013</u>	<u>8,852,494</u>	<u>1,092,580</u>	<u>11,595,087</u>	<u>5,000,128</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 3,877,683</u>	<u>\$ 7,611,636</u>	<u>\$ 815,285</u>	<u>\$ 12,304,604</u>	<u>\$ 5,304,779</u>

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Non-Major Enterprise Funds		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (Loss)	\$ 1,792,065	\$ 780,376	\$ (1,969,436)	\$ 603,005	\$ 353,710
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities					
Nonoperating income	-	-	-	-	-
Depreciation charged to other funds	19,016	-	-	19,016	-
Depreciation expense	1,042,337	2,357,338	376,146	3,775,821	3,026
Changes in Assets and Liabilities					
Accounts receivable	62,746	112,919	(182,225)	(6,560)	76,351
Inventories	(3,832)	-	(337)	(4,169)	-
Accounts payable	15,834	1,501	32,745	50,080	(6,951)
Due to/from other funds	-	(329,452)	-	(329,452)	-
Accrued compensated absences	(8,870)	8,195	18,014	17,339	-
Other current liabilities	(673)	-	29,308	28,635	-
Unearned revenue	(2,578)	-	-	(2,578)	-
Claims payable	-	-	-	-	56,145
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 2,916,045</u>	<u>\$ 2,930,877</u>	<u>\$ (1,695,785)</u>	<u>\$ 4,151,137</u>	<u>\$ 482,281</u>

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

Cash and investments - statement of net assets	\$ 1,730,271	\$ 711,486	\$ 387,749	\$ 2,829,506	\$ 5,304,779
Restricted cash and investments - statement of net assets:					
Bond redemption account	276,862	1,917,417	-	2,194,279	-
Replacement account	-	4,982,733	-	4,982,733	-
Bond reserve account	1,870,550	1,158,000	427,536	3,456,086	-
Less: Non-cash equivalents	-	(1,158,000)	-	(1,158,000)	-
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,877,683</u>	<u>\$ 7,611,636</u>	<u>\$ 815,285</u>	<u>\$ 12,304,604</u>	<u>\$ 5,304,779</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During 2007, \$94,605 of sewer capital assets were contributed by the City.

During 2007, there was a decrease of \$69,270 in what CVMIC owes the city which resulted in a loss on the investment.

During 2007, \$244,820 of water capital assets were contributed by the City.

During 2007, \$13,975,000 of water refunding debt was issued to refund \$12,965,000 of debt. Issuance costs financed by refunding debt were \$384,276.

During 2007, \$40,286 of storm capital assets were contributed by the City.

CITY OF BELOIT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2007

	Agency Fund
	<u>Tax Collection Fund</u>
ASSETS	
Cash and investments	\$ 6,977,474
Property taxes receivable	<u>16,482,762</u>
TOTAL ASSETS	<u>\$ 23,460,236</u>
LIABILITIES	
Due to other taxing units	<u>\$ 23,460,236</u>
TOTAL LIABILITIES	<u>\$ 23,460,236</u>

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF NET ASSETS - COMPONENT UNITS

December 31, 2007

	<u>Major</u>		
	Community Development Authority	Non-Major	Totals
ASSETS			
Current Assets			
Cash and investments	\$ 1,432,651	\$ 675,063	\$ 2,107,714
Receivables			-
Accounts	38,770	-	38,770
Special assessments	-	135,702	135,702
Accrued interest	-	617	617
Due from other governmental units	1,803	-	1,803
Prepaid items	673	-	673
Total Current Assets	<u>1,473,897</u>	<u>811,382</u>	<u>2,285,279</u>
Non-Current Assets			
Restricted Assets			
Cash and investments	1,994,565	-	1,994,565
Total Restricted Assets	<u>1,994,565</u>	<u>-</u>	<u>1,994,565</u>
Capital Assets			
Land	414,539	-	414,539
Construction in progress	130,460	-	130,460
Buildings	3,640,214	-	3,640,214
Machinery, equipment, and vehicles	4,448,661	-	4,448,661
Less: Accumulated depreciation	<u>(5,546,766)</u>	<u>-</u>	<u>(5,546,766)</u>
Total Capital Assets, Net	<u>3,087,108</u>	<u>-</u>	<u>3,087,108</u>
Other assets			
Lease receivable from primary government	16,260,689	-	16,260,689
Total Other Assets	<u>16,260,689</u>	<u>-</u>	<u>16,260,689</u>
Total Non-Current Assets	<u>21,342,362</u>	<u>-</u>	<u>21,342,362</u>
Total Assets	<u>22,816,259</u>	<u>811,382</u>	<u>23,627,641</u>
LIABILITIES			
Current Liabilities			
Accounts payable	16,822	10,168	26,990
Accrued liabilities	39,451	-	39,451
Due to primary government	63,667	92,114	155,781
Unearned revenues	2,574	135,702	138,276
Deposits	64,905	-	64,905
Total Current Liabilities	<u>187,419</u>	<u>237,984</u>	<u>425,403</u>
Noncurrent Liabilities			
Compensated absences	14,918	-	14,918
Lease revenue bonds payable	18,255,254	-	18,255,254
Total Noncurrent Liabilities	<u>18,270,172</u>	<u>-</u>	<u>18,270,172</u>
Total Liabilities	<u>18,457,591</u>	<u>237,984</u>	<u>18,695,575</u>
NET ASSETS			
Invested in capital assets	3,087,108	-	3,087,108
Restricted for grant programs	1,270,035	5,407	1,275,442
Unrestricted	1,525	567,991	569,516
TOTAL NET ASSETS	<u>\$ 4,358,668</u>	<u>\$ 573,398</u>	<u>\$ 4,932,066</u>

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - COMPONENT UNITS Year Ended December 31, 2007

	<u>Major</u> Community Development Authority	<u>Non-major</u>	<u>Totals</u>
EXPENSES			
Community development	\$ 4,711,471	\$ -	\$ 4,711,471
Economic development	-	188,837	188,837
Library services	-	11,721	11,721
Total Expenses	<u>4,711,471</u>	<u>200,558</u>	<u>4,912,029</u>
PROGRAM REVENUES			
Charges for services	237,382	183,710	421,092
Operating grants and contributions	4,098,860	6,675	4,105,535
Total Program Revenues	<u>4,336,242</u>	<u>190,385</u>	<u>4,526,627</u>
Operating Income (Loss)	<u>(375,229)</u>	<u>(10,173)</u>	<u>(385,402)</u>
GENERAL REVENUES			
Investment income	557,143	43,574	600,717
Miscellaneous	150,393	-	150,393
Total General Revenues	<u>707,536</u>	<u>43,574</u>	<u>751,110</u>
Change in Net Assets	332,307	33,401	365,708
TOTAL NET ASSETS - Beginning (as restated)	<u>4,026,361</u>	<u>539,997</u>	<u>4,566,358</u>
TOTAL NET ASSETS - ENDING	<u>\$ 4,358,668</u>	<u>\$ 573,398</u>	<u>\$ 4,932,066</u>

See accompanying notes to financial statements

CITY OF BELOIT

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CITY OF BELOIT

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CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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.J.). As a component unit, the CDA's financial statements are shown as a discrete column (proprietary) in the financial statements. The information presented is for the fiscal year ended December 31, 2007. Additional information may be obtained from the CDA's office.

CITY OF БЕLOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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.J.). As a component unit, the district's financial statements are shown as a discrete column (proprietary) in the financial statements. The information presented is for the fiscal year ended December 31, 2007. 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, 2007. Separately issued financial statements of the Foundation may be obtained from the Foundation's office.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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

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 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or 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 – accounts for resources legally restricted to supporting expenditures of the district.
- TIF District No. 9 – Special Revenue Fund – accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing.
- General Debt Service – accounts for resources accumulated and payments made for principal and interest on long-term debt other than TIF or enterprise fund debt.
- Capital Improvements – Capital Projects Fund – accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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 the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

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

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

- Fleet Replacement
- Computer Replacement

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

- Golf Course
- Cemeteries
- Ambulance
- Storm Sewer
- Transit System

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

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 deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

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

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

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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

Fund Financial Statements (cont.)

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

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

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

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

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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

1. Deposits and Investments (cont.)

- 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.

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 does include custodial credit risk, interest rate 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, 2007, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV.A. for further information.

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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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

2. Receivables (cont.)

Property Taxes (cont.)

Property tax calendar – 2007 tax roll:

Lien date and levy date	December 2007
Tax bills mailed	December 2007
Payment in full, or	January 31, 2008
First installment due	January 31, 2008
Second installment due	March 31, 2008
Third installment due	May 31, 2008
Fourth installment due	July 31, 2008
Personal property taxes in full	January 31, 2008
Tax sale – 2007 delinquent real estate taxes	October 2010

Uncollectible Accounts

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

Interfund Loans

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

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

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 \$111,578.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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

2. Receivables (cont.)

Loans (cont.)

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$10,000 for general capital assets and infrastructure, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Prior to January 2003, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB No. 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required until January 1, 2007, when GASB No. 34 requires the City to retroactively report all major general infrastructure assets acquired since January 1, 1980. The City has retroactively reported its infrastructure networks.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

Land Improvements	25 Years
Buildings	5-53 Years
Machinery, Equipment and Vehicles	4-45 Years
Sewer Mains	100 Years
Sewer Treatment Facility	30 Years
Water Mains	77 Years
Infrastructure	20-50 Years

Fund Financial Statements

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

6. Other Assets

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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, 2007 are determined on the basis of current salary rates and include salary related payments.

8. *Long-Term Obligations/Conduit Debt*

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

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

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

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$574,476, made up of one issue.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

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 bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

The amount is a reduction of “invested in capital assets, net of related debt,” and an increase in “unrestricted” net assets, shown only in the total column of \$4,436,105.

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

Fund Statements

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

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

11. Basis for Existing Rates

Water Utility

The water utility was authorized current rates by the Public Service Commission (PSC) effective November 17, 2003 and is allowed to earn a 7% 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**

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 \$72,211,433 difference in liabilities is as follows:

Bonds and notes payable	\$ 53,255,304
Unamortized debt premium/discount/cost of issuance/loss on advance refunding	(749,943)
Compensated absences	1,861,012
Other debt	306,532
Capital leases	17,136,868
Accrued interest	<u>401,660</u>
Net Adjustment to Reduce Fund Balance – Total Governmental Funds to Arrive at Net Assets – Governmental Activities	<u>\$ 72,211,433</u>

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

CITY OF БЕЛОIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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: Rental rehab (WRRP/HOME), TIF District No. 14, and perpetual care.

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

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

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

Every appropriation lapses at December 31, to the extent that it has not been expended, encumbered or administratively carried over to the next year. Operating account appropriations which are administratively carried forward are reviewed and approved by the city council. An appropriation for a capital expenditure or a major repair continues in force until the purpose for which it was made has been accomplished or abandoned. There were no carryovers to 2007. Budgets are adopted at the department level of expenditure.

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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, 2007:

Special Revenue	<u>Excess</u>
TIF District No. 9 (major fund)	\$ 69,908
Police	56,859

C. DEFICIT BALANCES

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

As of December 31, 2007, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
Special Revenue – TIF District No. 8	\$ 457,934	Excess expenditures over revenues
Special Revenue – TIF District No. 9	5,125,700	Excess expenditures over revenues
Special Revenue – TIF District No. 12	370,800	Excess expenditures over revenues
Special Revenue – TIF District No. 14	12,946	Excess expenditures over revenues
Special Revenue – Neighborhood Development Initiative	37,667	Excess expenditures over revenues

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

D. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 20 (2007), legislation was passed that limits the City's future tax levies. Generally, the City is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the City's equalized value due to new construction, or 3.86% for the 2007 levy collected in 2008 and 2% for the 2008 levy collected in 2009. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit is set to expire after the 2008 levy.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Statement Balance	Associated Risks
Money market	\$ 11,014,474	\$ 11,020,879	Credit risk, interest rate risk
Demand deposits	14,000,008	12,193,302	Custodial credit risk
U.S. agencies – implicitly guaranteed	31,800,928	32,154,707	Custodial credit risk, interest rate risk, credit risk, concentration of credit risk
U.S. agencies – explicitly guaranteed	1,600	1,600	Custodial credit risk, interest rate risk
LGIP	11,637,741	11,637,741	Credit risk, interest rate risk
Petty cash	7,608	-	N/A
Total Cash and Investments	\$ 68,462,359	\$ 67,008,229	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 50,851,787		
Restricted cash and investments	10,633,098		
Per statement of net assets –			
Fiduciary Funds			
Agency	6,977,474		
Total Cash and Investments	\$ 68,462,359		

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts.

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

Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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).

The City's 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 \$1.9 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, 2007, the banks had pledged various government securities in the amount of \$9,794,710 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, 2007, \$2,137,158 of the City's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 2,137,158</u>
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As of the December 31, 2007, the City's investments were exposed to custodial credit risk as follows:

Money Market Funds, U.S. Agencies, and Repurchase Agreements

Neither insured nor registered and held by counterparty	<u>\$ 23,157,843</u>
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Total Money Market Funds, U.S. Agencies, and Repurchase Agreements	<u>\$ 23,157,843</u>
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The City's investment policy states that securities will be held by a custodian designated by the Director of Finance and evidenced by safekeeping receipts. The policy does not address the risk for deposits.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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, 2007, the City's investments were rated as follows:

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

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

LGIP

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

Concentration of Credit Risk

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

At December 31, 2007, the investment portfolio was concentrated as follows:

Concentration of Credit Risk by Issuer and Dealer:

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal Farm Credit Bank (FFCB)	\$ 1,480,000	4%
Federal Home Loan Bank (FHLB)	16,105,105	51
Federal Home Loan Mortgage Co. (FHLMC)	5,290,947	17
Federal National Mortgage Assoc. (FNMA)	8,924,876	28
Sub-Total – Implicitly Guaranteed	31,800,928	100
Government National Mortgage Assoc (GNMA)	1,600	0.0
Sub-Total – Explicitly Guaranteed	1,600	0.0
Total Portfolio	\$ 31,802,528	100.00%

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

A. DEPOSITS AND INVESTMENTS (cont.)

Concentration of Credit Risk (cont.)

Concentration of Credit Risk (by Dealer):

Issuer	Fair Value	Percentage of Portfolio
Multi-Bank Securities, Inc.	\$ 3,505,000	11%
Smith Barney Citigroup	8,095,247	25
Vining Sparks	9,051,567	29
Coastal Securities	9,992,714	32
Societe Generale	1,158,000	3
Total Portfolio	<u>\$ 31,802,528</u>	<u>100.00%</u>

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, 2007, the City's investments were as follows:

Investment Type	Fair Value	Percentage of Portfolio	Maturity			
			Less than 1 Yr.	1 to 5 Yrs.	6 to 10 Yrs.	More Than 10
Federal Agency Coupon Securities	\$ 27,709,131	51%	\$ 8,551,419	\$ 7,975,769	\$ 9,584,165	\$ 1,597,778
Federal Agency Disc.- At Cost	1,881,804	4	1,881,804	-	-	-
Pass-Through Securities (MBS)	2,211,593	4	269,664	1,941,929	-	-
LGIP (1)	11,637,741	21	11,637,741	-	-	-
Money Market Funds (Federated)	11,014,474	20	11,014,474	-	-	-
Totals	<u>\$ 54,454,743</u>		<u>\$ 33,355,102</u>	<u>\$ 9,917,698</u>	<u>\$ 9,584,165</u>	<u>\$ 1,597,778</u>

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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	\$ 72,269
Capital Projects – capital improvement – special assessments	1,020,991
Nonmajor Governmental Funds – loans	<u>3,348,551</u>
Governmental Activities – Total Amount Not Expected to be Collected Within One Year	<u>\$ 4,441,811</u>

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

	Total	Current Period
Governmental Fund Types – municipal court receivable	\$ 3,673,376	\$ 464,772
Governmental Fund Types – economic development loans	111,578	16,131
Business Type – ambulance receivables	<u>554,533</u>	<u>11,771</u>
Total Uncollectibles	<u>\$ 4,339,487</u>	<u>\$ 492,674</u>

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

	Unavailable	Unearned	Totals
Property taxes receivable for subsequent year	\$ -	\$ 16,211,005	\$ 16,211,005
Loans receivable	3,382,951	-	3,382,951
Accounts receivable – noncurrent	816,322	-	816,322
Interest on TIF advances	1,577,503	-	1,577,503
Investment income – noncurrent	61,736	-	61,736
Special assessments	<u>1,030,694</u>	<u>-</u>	<u>1,030,694</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 6,869,206</u>	<u>\$ 16,211,005</u>	<u>\$ 23,080,211</u>

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long Term Debt Accounts

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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, 2007:

	Water	Sewer	Transit
Bond redemption account	\$ 276,862	\$ 1,917,417	\$ -
Equipment replacement account	-	4,982,733	-
Bond reserve account	1,870,550	1,158,000	427,536
Total Enterprise Fund Restricted Assets	\$ 2,147,412	\$ 8,058,150	\$ 427,536

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Adjustments*	Additions	Deletions	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 3,394,511	\$ -	\$ 872,126	\$ 34,170	\$ 4,232,467
Construction in progress	-	-	236,402	-	236,402
Total Capital Assets Not Being Depreciated	3,394,511	-	1,108,528	34,170	4,468,869
Capital assets being depreciated					
Land improvements	735,724	-	-	-	735,724
Buildings	15,078,051	-	59,434	-	15,137,485
Machinery, equipment, and vehicles	16,267,564	-	1,766,921	658,774	17,375,711
Other improvements	3,495,674	-	834,639	-	4,330,313
Streets	44,662,354	-	2,386,766	551,292	46,497,828
Street lights	2,615,117	-	248,502	-	2,863,619
Traffic signals	2,562,159	-	-	-	2,562,159
Bridges	5,550,391	-	-	-	5,550,391
Storm sewer	2,319,165	(2,319,165)	-	-	-
Total Capital Assets Being Depreciated	93,286,199	(2,319,165)	5,296,262	1,210,066	95,053,230

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

D. CAPITAL ASSETS (cont.)

Governmental Activities (cont.)	Beginning Balance	Adjustments*	Additions	Deletions	Ending Balance
Less: Accumulated depreciation for					
Land improvements	\$ (64,167)	\$ -	\$ (4,583)	\$ -	\$ (68,750)
Buildings	(4,145,557)	-	(272,051)	-	(4,417,608)
Machinery, equipment, and vehicles	(7,456,767)	-	(1,292,280)	562,343	(8,186,704)
Other improvements	(1,483,355)	-	(127,380)	-	(1,610,735)
Streets	(7,875,342)	-	(709,018)	166,025	(8,418,335)
Street lights	(453,836)	-	(55,890)	-	(509,726)
Traffic signals	(1,034,182)	-	(97,436)	-	(1,131,618)
Bridges	(1,218,972)	-	(85,249)	-	(1,304,221)
Storm sewer	(118,997)	118,997	-	-	-
Total Accumulated Depreciation	<u>(23,851,175)</u>	<u>118,997</u>	<u>(2,643,887)</u>	<u>728,368</u>	<u>(25,647,697)</u>
Net Capital Assets Being Depreciated	<u>69,435,024</u>	<u>(2,200,168)</u>	<u>2,652,375</u>	<u>481,698</u>	<u>69,405,533</u>
Total Governmental Activities – Capital Assets, Net of Depreciation	<u>\$ 72,829,535</u>				<u>\$ 73,874,402</u>

* Adjustment due to transfer of assets to storm sewer enterprise fund, which was created during 2007.

Depreciation expense was charged to functions as follows:

Governmental Activities

Finance and administrative services	\$ 137,616
Finance and administrative services (internal service)	3,026
Community development	4,601
Public safety – police	187,287
Public safety – fire	221,282
Public works, which includes the depreciation of infrastructure	2,061,139
Library	<u>28,936</u>
Total Governmental Activities Depreciation Expense	<u>\$ 2,643,887</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

D. CAPITAL ASSETS (cont.)

Business-type Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 3,392,909	\$ -	\$ -	\$ 3,392,909
Construction in progress	<u>135,200</u>	<u>19,362</u>	<u>-</u>	<u>154,562</u>
Total Capital Assets Not Being Depreciated	<u>3,528,109</u>	<u>19,362</u>	<u>-</u>	<u>3,547,471</u>
Other capital assets				
Land improvements	702,418	-	-	702,418
Buildings	4,334,233	-	-	4,334,233
Machinery, equipment, and Vehicles	6,820,184	1,286,496	809,802	7,296,878
Sewer mains	13,226,149	501,373	407	13,727,115
Sewer treatment facility	65,090,617	-	-	65,090,617
Water mains	31,709,993	1,075,010	61,752	32,723,251
Storm infrastructure*	<u>7,761,496</u>	<u>502,534</u>	<u>-</u>	<u>8,264,030</u>
Total Capital Assets Being Depreciated	<u>129,645,090</u>	<u>3,365,413</u>	<u>871,961</u>	<u>132,138,542</u>
Less: Accumulated depreciation for				
Land improvements	(508,879)	(22,862)	-	(531,741)
Buildings	(1,276,701)	(110,847)	-	(1,387,548)
Machinery, equipment, and vehicles	(3,664,998)	(382,526)	788,915	(3,258,609)
Sewer mains	(3,220,609)	(131,480)	407	(3,351,682)
Sewer treatment facility	(31,099,995)	(2,173,774)	-	(33,273,769)
Water mains	(6,744,821)	(870,884)	61,751	(7,553,954)
Storm infrastructure*	<u>(1,800,370)</u>	<u>(92,439)</u>	<u>-</u>	<u>(1,892,809)</u>
Total Accumulated Depreciation	<u>(48,316,373)</u>	<u>(3,784,812)</u>	<u>851,073</u>	<u>(51,250,112)</u>
Business-type Capital Assets, Net of Depreciation	<u>81,328,717</u>	<u>(419,399)</u>	<u>20,888</u>	<u>80,888,430</u>
Total Business-type Capital Assets, Net of Depreciation	<u>\$ 84,856,826</u>			<u>\$ 84,435,901</u>

* Adjustment due to transfer of assets to storm sewer enterprise fund, which was created during 2007.

CITY OF БЕЛОIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 1,042,337
Sewer	2,357,338
Storm	92,438
Transit	252,320
Golf Course	28,366
Cemetery	<u>3,022</u>
Total Business-type Activities	
Depreciation Expense	<u>\$ 3,775,821</u>

Depreciation expense is different from additions because of joint metering, salvage cost of removal, internal allocations, and cost associated with the disposal of assets.

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES, AND TRANSFERS

Interfund Receivables/Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Transit	\$ 364,048
General fund	Special Revenue – DPW multi-year grants	26,715
General fund	Special Revenue – TIF District No. 8	307,934
General fund	Special Revenue – TIF District No. 14	12,946
General fund	Special Revenue – Community development	152,105
General fund	Special Revenue – Solid waste	287,027
General fund	Special Revenue – Fire	20,543
General fund	Special Revenue – Neighborhood development initiative	<u>37,363</u>
Sub-total – Fund financial statements		1,208,681
Less: Allocation of internal service funds		(745,599)
Less: Fund eliminations		<u>(844,633)</u>
Total – Government-Wide Statement of Net Assets		<u>\$ (381,551)</u>
Business-type activities	Governmental Activities	<u>\$ 381,551</u>
Total – Government-Wide Statement of Net Assets		<u>\$ 381,551</u>

All amounts are due within one year.

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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

Interfund Receivables/Payables (cont.)

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

Advances

The general fund, general debt service fund, and the capital improvement program funds are advancing funds to various tax incremental districts. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. The general fund is also advancing funds to the Golf Course and Cemetery. The sewer utility is also advancing funds to the water utility. A repayment schedule has been included for the sewer utility's advance to the water utility. In addition, TIF District No. 5 is repaying the \$124,998 in 2008. No other repayment schedules have been established for these advances.

The debt service fund and capital improvements program fund are charging interest to TIF District No. 9 at a rate of 5%. The advance from the general fund to TIF District No. 5 represents all interest. The sewer utility is charging 5% on its advance to the water utility. These amounts are shown as deferred revenue in the governmental advancing funds.

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>	<u>Amount Not Due in One Year</u>
General fund	Special Revenue – TIF District No. 12	\$ 375,000	\$ -	\$ 375,000	\$ 375,000
General fund	Special Revenue – TIF District No. 5	-	124,998	124,998	-
General fund	Special Revenue – TIF District No. 6	450,352	-	450,352	450,352
General fund	Debt Service – TIF District No. 8	150,000	-	150,000	150,000
General fund	Enterprise – Golf course fund	434,000	-	434,000	434,000
General debt service fund	Special Revenue – TIF District No. 6	367,626	-	367,626	367,626
General debt service fund	Special Revenue – TIF District No. 9	1,188,534	546,182	1,734,716	1,734,716

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

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

Advances (cont.)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>	<u>Amount Not Due in One Year</u>
Capital improvement program	Special Revenue – TIF District No. 6	\$ 557,195	\$ -	\$ 557,195	\$ 557,195
Capital improvement program	Special Revenue – TIF District No. 9	2,389,453	1,070,515	3,459,968	3,459,968
Enterprise – Sewer utility	Enterprise – Water utility	<u>1,350,779</u>	<u>-</u>	<u>1,350,779</u>	<u>1,350,779</u>
Sub-Totals		7,262,939	1,741,695	9,004,634	8,904,634
Less: Fund eliminations		<u>(6,828,939)</u>	<u>(1,741,695)</u>	<u>(8,570,634)</u>	<u>(8,470,634)</u>
Totals		<u>\$ 434,000</u>	<u>\$ -</u>	<u>\$ 434,000</u>	<u>\$ 434,000</u>
Governmental Activities – Business-type activities				\$ 434,000	
Less: Business-type activities – Governmental activities				<u>-</u>	
Total Government-wide Statement of Net Assets				<u>\$ 434,000</u>	

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.

	<u>Balance 1-1-07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12-31-07</u>
Advance from sewer utility	\$ 1,508,050	\$ -	\$ 157,271	\$ 1,350,779
Totals	<u>\$ 1,508,050</u>	<u>\$ -</u>	<u>\$ 157,271</u>	<u>\$ 1,350,779</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

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

Advances (cont.)

Advance repayment requirements to maturity are as follows:

<u>Years</u>	Business-type Activities – Revenue Debt	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 165,317	\$ 63,785
2009	173,775	55,326
2010	182,666	46,436
2011	192,011	37,090
2012	201,835	27,267
2013 – 2014	435,175	23,027
Totals	\$ 1,350,779	\$ 252,931

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Water utility	\$ 404,109	Payment in lieu of tax
General fund	Sewer utility	228,174	Return of capital
Debt Service – General debt service	Special Revenue – TIF District No. 8	228,212	Debt service
Debt Service – General debt service	Special Revenue – TIF District No. 9	6,000	Debt service
Debt Service – General debt service	Special Revenue – TIF District No. 10	21,976	Debt service
Debt Service – General debt service	Special Revenue – TIF District No. 11	23,989	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 12	32,173	Debt service
Debt Service – General debt service	Special Revenue – TIF District No. 13	45,938	Debt service
Capital Projects – Capital improvements	Special Revenue – Solid waste	27,000	Purchase of vehicles
Sub-Total – Fund Financial Statements		1,017,571	
Less: Fund eliminations		(385,288)	
Less: Storm sewer fixed assets (net) transferred from governmental activities		(2,200,168)	
Total – Government-wide Statement of Activities		\$ (1,567,885)	

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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable					
General Obligation Debt					
General	\$ 41,147,978	\$ 15,196,994	\$ 3,089,668	\$ 53,255,304	\$ 3,726,384
Internal service	170,225	-	170,225	-	-
Add/(Subtract) Deferred Amounts For:					
(Discounts)	(145,838)	(189,878)	(15,458)	(320,258)	-
Premiums	46,179	-	2,639	43,540	-
Loss on advance refunding	(172,309)	-	(28,718)	(143,591)	-
Sub-totals	<u>41,046,235</u>	<u>15,007,116</u>	<u>3,218,356</u>	<u>52,834,995</u>	<u>3,726,384</u>
Other Liabilities					
Compensated Absences					
Sick leave	747,784	222,120	261,724	708,180	247,863
Vacation	1,202,177	1,152,832	1,202,177	1,152,832	1,152,832
Other Debt					
Alliant	162,982	-	65,450	97,532	61,053
Town of Turtle	140,000	-	10,000	130,000	10,000
WHEDA	224,900	-	145,900	79,000	-
Capital Leases					
Payable to component unit	14,137,211	10,572,495	8,449,017	16,260,689	-
Other capital leases	293,548	640,614	57,983	876,179	89,131
Total Other Liabilities	<u>16,908,602</u>	<u>12,588,061</u>	<u>10,192,251</u>	<u>19,304,412</u>	<u>1,560,879</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 57,954,837</u>	<u>\$ 27,595,177</u>	<u>\$ 13,410,607</u>	<u>\$ 72,139,407</u>	<u>\$ 5,287,263</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable					
General obligation debt	\$ 2,747,023	\$ 1,541,006	\$ 118,627	\$ 4,169,402	\$ 195,343
Revenue bonds	33,056,186	13,975,000	16,441,186	30,590,000	3,475,000
Add/(Subtract) Deferred Amounts For:					
Refundings (Losses)	(434,954)	(852,346)	(295,733)	(991,567)	-
(Discounts)	-	(241,727)	(12,859)	(228,868)	-
Premiums	223,596	-	89,439	134,157	-
Sub-total	<u>35,591,851</u>	<u>14,421,933</u>	<u>16,340,660</u>	<u>33,673,124</u>	<u>3,670,343</u>
Other Liabilities					
Compensated absences	<u>337,040</u>	<u>152,143</u>	<u>106,000</u>	<u>383,183</u>	<u>123,094</u>
Sub-total	<u>337,040</u>	<u>152,143</u>	<u>106,000</u>	<u>383,183</u>	<u>123,094</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 35,928,891</u>	<u>\$ 14,574,076</u>	<u>\$ 16,446,660</u>	<u>\$ 34,056,307</u>	<u>\$ 3,793,437</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the 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 five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2007, was \$81,544,370. Total general obligation debt outstanding at year end was \$57,424,706.

	Date of Issue	Due Date	Interest Rates	Original Indebted- ness	Balance 12-31-07
Governmental Activities – General Obligation Debt					
General obligation corporate purpose bonds Series 1999A	5-1-99	5-1-12	4.15-4.20	\$ 2,735,000	\$ 1,450,000
General obligation promissory notes Series 1999B	5-1-99	5-1-09	4.00-4.20	1,766,000	588,239
General obligation corporate purpose bonds Series 2000	6-1-00	12-1-14	4.70-5.55	3,285,000	1,585,000
General obligation promissory notes	6-1-00	12-1-09	5.10-5.35	1,620,000	430,000
General obligation refunding bonds Series 2001A	3-1-01	10-1-14	4.00-4.70	3,141,100	1,855,000
General obligation promissory notes Series 2001B	6-1-01	12-1-10	3.50-4.50	721,080	292,538
General obligation corporate purpose bonds Series 2001C	6-1-01	12-1-15	4.25-4.875	2,710,000	1,709,698
General obligation corporate purpose bonds Series 2002A	5-1-02	11-1-17	3.50-4.80	1,790,000	1,290,000
General obligation corporate purpose bonds Series 2002B	5-1-02	11-1-11	3.00-4.35	860,000	397,395
General obligation corporate purpose bonds Series 2003A	4-1-03	4-1-12	3.00-4.60	3,150,000	2,725,000
General obligation promissory notes Series 2003B	4-1-03	4-1-11	2.00-3.80	2,753,366	745,135
Taxable general obligation refunding bonds Series 2003C	2-1-03	3-1-12	4.00-4.750	3,770,000	3,120,000
General obligation promissory notes Series 2004A	3-1-04	3-1-12	2.25-3.00	4,134,790	2,586,087

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-07</u>
Governmental Activities – General Obligation Debt (cont.)					
General obligation corporate purpose bonds Series 2004B	3-1-04	3-1-24	2.00-4.35%	\$ 3,845,000	\$ 3,385,000
General obligation corporate purpose bonds Series 2005A	5-1-05	5-1-25	3.25-4.25	6,194,486	5,233,094
General obligation promissory notes Series 2005B	5-1-05	5-1-15	3.25-3.80	916,970	873,920
General obligation community development bonds Series 2005C	5-1-05	5-1-21	4.80-5.25	1,295,000	1,295,000
2005 state trust fund loan	11-23-05	3-15-15	4.25	405,000	371,705
General obligation corporate purpose bonds Series 2006A	5-1-06	5-1-26	4.00-4.375	7,587,545	7,537,548
General obligation promissory notes Series 2006B	5-1-06	5-1-16	4.00	639,754	587,951
General obligation corporate purpose bonds Series 2007A	6-1-07	6-1-27	4.00-4.75	11,249,589	11,249,589
General obligation promissory notes Series 2007B	6-1-07	6-1-17	3.60-4.00	3,259,405	3,259,405
2007 state trust fund loan	1-26-07	3-15-26	5.5	688,000	<u>688,000</u>
Total Governmental Activities – General Obligation Debt					<u>\$ 53,255,304</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-07</u>
Business-type Activities – General Obligation Debt					
General obligation promissory notes Series 1999B	5-1-99	5-1-09	4.00-4.30%	\$ 34,000	\$ 11,760
General obligation promissory notes Series 2001B	6-1-01	12-1-10	3.50-4.50	213,297	82,462
General obligation corporate purpose bonds Series 2001C	6-1-01	12-1-15	4.25-4.875	35,510	25,302
General obligation corporate purpose bonds Series 2002B	5-1-02	11-1-11	3.00-4.35	5,112	2,605
General obligation promissory notes Series 2003B	4-1-03	4-1-11	2.00-3.80	109,634	29,865
General obligation promissory notes Series 2004A	3-1-04	3-1-12	2.25-3.00	70,209	43,913
General obligation corporate purpose bonds Series 2005A	5-1-05	5-1-25	3.25-4.25	1,417,752	1,401,906
General obligation promissory notes Series 2005B	5-1-05	5-1-15	3.25-3.80	148,030	141,080
General obligation corporate purpose bonds Series 2006A	5-1-06	5-1-26	4.00-4.375	342,455	342,455
General obligation promissory notes Series 2006B	5-1-06	5-1-16	4.00	595,247	547,048
General obligation corporate purpose bonds Series 2007A	6-1-07	6-1-27	4.00-4.75	820,411	820,411
General obligation promissory notes Series 2007B	6-1-07	6-1-17	3.60-4.00	720,595	720,595
Total Business-type Activities – General Obligation Debt					<u>\$ 4,169,402</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>		<u>Business-type Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 3,726,384	\$ 2,141,122	\$ 195,343	\$ 163,017
2009	3,973,546	1,987,925	210,925	155,297
2010	3,765,005	1,832,035	237,491	146,680
2011	3,980,305	1,678,866	260,360	136,521
2012	4,040,731	1,521,092	268,140	126,451
2013 – 2017	16,306,327	5,437,113	1,495,169	459,524
2018 – 2022	10,566,023	2,611,705	814,724	233,853
2023 – 2027	6,896,983	693,085	687,250	60,714
Totals	<u>\$ 53,255,304</u>	<u>\$ 17,902,943</u>	<u>\$ 4,169,402</u>	<u>\$ 1,482,057</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

F. LONG-TERM OBLIGATIONS (cont.)

Capital Leases

Refer to Note IV.G.

Other Debt Information

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

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

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

Other Debt – Governmental Activities

In June of 2000, January 2001, May 2002, and August 2004, the City received loans from Alliant Energy – Wisconsin Power and Light in the amounts of \$35,800, \$47,600, \$58,002, and \$292,852 respectively. All of the loans are at 3% interest for 60 months. Payments are due monthly. The final maturity is July 2005, February 2006, July 2007, and July 2009.

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

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

	Balance 1-1-07	Increases	Decreases	Balance 12-31-07
Alliant	\$ 162,982	\$ -	\$ 65,450	\$ 97,532
Town of Turtle	140,000	-	10,000	130,000
WHEDA	224,900	-	145,900	79,000
Total Other Debt	<u>\$ 527,882</u>	<u>\$ -</u>	<u>\$ 221,350</u>	<u>\$ 306,532</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt – Governmental Activities (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities – Other Debt	
	Principal	Interest
2008	\$ 71,053	\$ 2,091
2009	46,479	366
2010	10,000	-
2011	10,000	-
2012	10,000	-
2013 – 2017	50,000	-
2018 – 2020	30,000	-
Totals	<u>\$ 227,532</u>	<u>\$ 2,457</u>

The WHEDA debt is not included above as no repayment schedule has been created.

Revenue Debt

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

The sewer and water utility has pledged future sales revenues, net of specified operating expenses, to repay \$50,765,000 in sewer and water revenue bonds issued in 2003, 2005, and 2007. Proceeds from the bonds provided financing for the sewer and water systems. The bonds are payable solely from sewer and water revenues and are payable through 2028. Annual principal and interest payments on the bonds are expected to require \$1.6 to \$5.8 million of net revenues. The total principal and interest remaining to be paid on the bonds is \$42,987,804. Principal and interest paid for the current year and total customer net revenues were \$4,693,907 and \$6,533,163 respectively.

	Date of Issue	Due Date	Interest Rates	Original Indebted- Ness	Balance 12-31-07
Sewer Utility					
Revenue bonds	6-29-05	5-1-09	3.50-5.00%	\$ 11,580,000	\$ 6,890,000
Total Sewer Utility Revenue Debt					<u>6,890,000</u>
Water Utility					
Revenue bonds	11-12-03	11-1-28	2.00-5.00	25,210,000	9,895,000
Refunding revenue bonds	1-24-07	11-1-16	4.00-4.50	13,975,000	13,805,000
Total Water Utility Revenue Debt					<u>23,700,000</u>
Total Revenue Bonds					<u>\$ 30,590,000</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	Business-type Activities – Revenue Debt	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 3,475,000	\$ 339,387
2009	4,785,000	1,056,488
2010	725,000	938,986
2011	760,000	915,125
2012	795,000	886,513
2013 – 2017	4,620,000	3,918,993
2018 – 2022	5,980,000	2,830,806
2023 – 2027	7,660,000	1,430,956
2028	<u>1,790,000</u>	<u>80,550</u>
Totals	<u>\$ 30,590,000</u>	<u>\$ 12,397,804</u>

2007 Water Refunding

On January 4, 2007, the municipality, on behalf of the water utility, issued \$13,975,000 in bonds with an average interest rate of 4.25 percent to advance refund \$12,965,000 of outstanding 2003 bonds with an average interest rate of 5.0 percent. The net proceeds of \$13,687,812 (after payment of \$302,138 in underwriting fees, insurance and other issuance costs plus use of \$14,950 of utility funds) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the 2003 bonds. As a result, the refunded portion of the 2003 bonds are considered to be defeased and the liability for the refunded portion of the 2003 bonds have been removed from the statement of net assets. The refunded portion of the 2003 bonds will remain defeased until November 1, 2013, the call date of the bonds.

The cash flow requirements on the refunded portion of the 2003 bonds prior to the advance refunding were \$24,881,250 from 2007 through 2028. The cash flow requirements on the new bonds are \$24,458,007 from 2007 through 2028. The advance refunding resulted in an economic gain of \$291,000.

G. LEASE DISCLOSURES

	<u>Balance 1-1-07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12-31-07</u>
Capital Leases				
Governmental Activities (to Note IV.F.)				
Payable to component unit	\$ 14,137,211	\$ 10,572,495	\$ 8,449,017	\$ 16,260,689
Other capital leases	<u>293,548</u>	<u>640,614</u>	<u>57,983</u>	<u>876,179</u>
Total	<u>\$ 14,430,759</u>	<u>\$ 11,213,109</u>	<u>\$ 8,507,000</u>	<u>\$ 17,496,868</u>

CITY OF БЕЛОIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

G. LEASE DISCLOSURES (cont.)

Lessee – Community Development Authority

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

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

Lessee – Capital Asset Capital Leases

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

The future minimum lease payments are required as follows:

Calendar <u>Year</u>	<u>TIF No. 10</u>	<u>TIF No. 6</u>
2008	\$ 1,335,496	\$ 132,208
2009	1,303,555	154,876
2010	1,328,876	176,570
2011	1,344,582	197,233
2012	1,351,011	216,795
2013	1,326,880	235,251
2014	1,370,905	252,608
2015	1,418,355	244,358
2016	1,372,068	260,483
2017	1,364,236	250,976
2018	1,305,036	256,035
2019	1,265,390	255,435
2020	1,225,200	-
2021	4,205,000	-
2022	4,200,000	-
2023	4,200,000	-
2024	4,200,000	-
Sub-Totals	<u>34,116,590</u>	<u>2,632,828</u>
Less: Reserve funds to be applied to final principal payment	(1,789,301)	(205,265)
Less: Amount representing interest	<u>(17,876,335)</u>	<u>(617,828)</u>
Present Value of Minimum Lease Payments	<u>\$ 14,450,954</u>	<u>\$ 1,809,735</u>
Total TIF No. 10 and TIF No. 6		<u>\$ 16,260,689</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

G. LEASE DISCLOSURES (cont.)

Lessee – Other Capital Leases

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

Asset	<u>Governmental Activities</u>
Machinery and equipment	\$ 293,548
Less: Accumulated depreciation	<u>(32,949)</u>
Total	<u>\$ 260,599</u>

The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2007, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Governmental Activities</u>
2008	\$ 54,803	\$ 11,348	\$ 66,151
2009	57,443	8,708	66,151
2010	60,210	5,941	66,151
2011	63,109	3,042	66,151
	<u>\$ 235,565</u>	<u>\$ 29,039</u>	264,604
Less: Amount representing interest			<u>(29,039)</u>
Present Value of Minimum Lease Payments			<u>\$ 235,565</u>

In 2007, 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.

Asset	<u>Governmental Activities</u>
Building improvements	\$ 394,912
Less: Accumulated depreciation	<u>9,873</u>
Total	<u>\$ 385,039</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

G. LEASE DISCLOSURES (cont.)

Lessee – Other Capital Leases (cont.)

The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2007, are as follows:

	Principal	Interest	Governmental Activities
2008	\$ 34,328	\$ 23,802	\$ 58,130
2009	32,709	25,421	58,130
2010	34,080	24,050	58,130
2011	35,509	22,621	58,130
2012	36,998	21,132	58,130
2013	209,602	81,048	290,650
2014 – 2018	257,388	33,262	290,650
	\$ 640,614	\$ 231,336	871,950
Less: Amount representing interest			(231,336)
Present Value of Minimum Lease Payments			\$ 640,614

H. NET ASSETS/FUND BALANCES

Net assets reported on the government wide statement of net assets at December 31, 2007 includes the following:

Governmental Activities

Invested in capital assets, net of related debt	
Land	\$ 4,968,191
Construction in progress	236,402
Other capital assets, net of accumulated depreciation	68,669,809
Less: Related long-term debt outstanding	(46,118,630)
Less: Capital leases – payable to component unit	(4,390,386)
Add: Unamortized debt discount/premium and loss on advance refunding	420,309
Add: Unspent capital bond proceeds	17,945,152
Total Invested in Capital Assets, Net of Related Debt	41,730,847

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

H. NET ASSETS/FUND BALANCES (cont.)

Governmental Activities (cont.)

Restricted	
General debt service	\$ 3,507,843
TIF District No. 3 special revenue fund	37,356
TIF District No. 5 special revenue fund	1,330,813
TIF District No. 6 special revenue fund	150,128
Rental rehab (WRRP/HOME)	1,023,769
Community Development Block Grant	2,930,009
Fire – multi-year grants	26,385
DPW – multi-year grants	238,957
Community development	212,964
Library	602,504
Police	57,607
Cemetery perpetual care	1,638,160
Park activities	<u>3,705</u>
Total Restricted	<u>11,760,200</u>
Unrestricted	<u>4,566,212</u>
Total Governmental Activities Net Assets	<u>\$ 58,057,259</u>

Governmental fund balances reported on the fund financial statements at December 31, 2007 include the following:

Reserved

Major Funds

General Fund

Delinquent personal property taxes	\$ 72,269
Inventories	407,821
Prepaid items	17,356
Advances to other funds	<u>1,534,350</u>
Total	<u>\$ 2,031,796</u>

TIF District No. 10

Encumbrances	<u>\$ 101,316</u>
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General Debt Service Fund

Advances to other funds	\$ 2,102,341
Debt service	<u>1,316,424</u>
Total	<u>\$ 3,418,765</u>

Special Revenue Fund – TIF District No. 9

Encumbrances	<u>\$ 10,443</u>
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Capital Improvement Program

Advances to other funds	\$ 4,017,163
Encumbrances	<u>1,248,738</u>
Total	<u>\$ 5,265,901</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

H. NET ASSETS/FUND BALANCES (cont.)

Governmental Activities (cont.)

Reserved (cont.)

Non-Major Fund

Special Revenue Funds

Rental rehab (WRRP/HOME) – encumbrances	\$ 28,652
Community development block grant – encumbrances	114,309
TIF District No. 13 – encumbrances	12,474
DPW multi-year grants – encumbrances	76,786
Community Development – encumbrances	4,064
Library	
Fundraising	150,000
Capital projects	234,000
Special Revenue Fund – TIF District No. 3 – debt service	37,356
Special Revenue Fund – TIF District No. 5 – debt service	1,281,180
Special Revenue Fund – TIF District No. 5 – encumbrances	49,633
Special Revenue Fund – TIF District No. 6 – debt service	<u>150,128</u>

Total \$ 2,138,582

Unreserved (deficit)

Major Funds

General Fund	\$ 8,017,835
Special Revenue – TIF District No. 9	(5,136,143)
Capital projects – capital improvements	<u>15,717,822</u>
Total	<u>\$ 18,599,514</u>

Non-Major Funds

Special Revenue Funds

TIF District No. 8	\$ (457,934)
TIF District No. 12	(370,800)
TIF District No. 14	(12,946)
Neighborhood development initiative	<u>(37,667)</u>

Total \$ (879,347)

Major Funds

Unreserved (Designated)

Major Fund

General Fund – surplus applied to 2008 budget	\$ 529,906
TIF District No. 10 – surplus applied to 2008 budget	<u>786,806</u>

Total \$ 1,316,712

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

H. NET ASSETS/FUND BALANCES (cont.)

Governmental Activities (cont.)

Unreserved (deficit) (cont.)

Non-Major Funds

Special Revenue Funds – designated for subsequent year's expenditures

Rental rehab (WRRP/HOME)	\$ 145,727
Community Development Block Grant	444,460
TIF District No. 11	84,990
TIF District No. 13	548,722
Fire – multi-year grants	26,385
DPW – multi-year grants	162,171
Community development	46,579
Library	218,504
Police	57,607
Solid waste	142,524
Perpetual care	<u>1,638,160</u>

Total \$ 3,515,829

Capital Projects Funds – designated for subsequent year's expenditures

Fleet replacement	\$ 5,995,969
Computer replacement	<u>465,772</u>

Total \$ 6,461,741

Business-type Activities

	<u>Water</u>	<u>Sewer</u>	<u>Other Proprietary Funds</u>	<u>Totals</u>
Invested in capital assets, net of related debt				
Land	\$ 736,627	\$ 1,386,282	\$ 1,270,000	\$ 3,392,909
Other capital assets, net of accumulated depreciation	27,402,663	42,724,298	10,916,031	81,042,992
Less: Related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(23,504,815)</u>	<u>(7,729,315)</u>	<u>(2,060,719)</u>	<u>(33,294,849)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>4,634,475</u>	<u>36,381,265</u>	<u>10,125,312</u>	<u>51,141,052</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

H. NET ASSETS/FUND BALANCES (cont.)

Business-type Activities (cont.)

	Water	Sewer	Other Proprietary Funds	Totals
Restricted				
Redemption account	\$ 276,862	\$ 1,917,417	\$ -	\$ 2,194,279
Replacement account	-	4,982,733	-	4,982,733
Reserve account	1,870,550	1,158,000	-	3,028,550
Less: Restricted assets not funded by revenues	(1,870,550)	-	-	(1,870,550)
Less: Current liabilities payable from restricted assets	(173,344)	(50,750)	-	(224,094)
Total Restricted Net Assets	103,518	8,007,400	-	8,110,918
Unrestricted	2,438,560	5,096,986	1,302,803	8,838,349
Total Enterprise Funds Net Assets	\$ 7,176,553	\$ 49,485,651	\$ 11,428,115	
Add: Portion of internal service funds Net assets allocated to business-type activities				745,599
Total Business-type Activities Net Assets				\$ 68,835,918

I. RESTATEMENT OF NET ASSETS

Storm sewer net assets have been restated due to the retroactive reporting of storm sewer infrastructure in the storm sewer enterprise fund which was created during 2007.

Storm Sewer Net Assets – December 31, 2006 (as reported)	\$ -
Add: Storm sewer infrastructure retroactively reported	3,760,958
Storm Sewer Net Assets – January 1, 2007 (as restated)	\$ 3,760,958

Component unit net assets have been restated due to the inclusion of the Beloit Public Library Foundation, Inc. component unit.

Library Foundation Net Assets – December 31, 2006 (as reported)	\$ -
Add: Prior year net assets of the Library Foundation	524,579
Library Foundation Net Assets – January 1, 2007 (as restated)	\$ 524,579

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

J. COMPONENT UNITS

This report contains the City of Beloit Community Development Authority (“CDA”) and the City of Beloit’s Business Improvement District (“district”) 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

a. Basis of Accounting/Measurement Focus

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

b. Cash and Investments

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

	Carrying Value	Statement Balance	Associated Risks
Demand deposits	\$ 1,432,651	\$ 1,526,709	Custodial credit risk
Mutual fund (U.S. treasuries)	1,994,565	1,994,565	Credit risk, interest rate risk
Total Cash and Investments	\$ 3,427,216	\$ 3,521,274	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 1,432,651		
Restricted cash and investments	1,994,565		
Total Cash and Investments	\$ 3,427,216		

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts.

CITY OF БЕЛОIT

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

J. COMPONENT UNITS (cont.)

Community Development Authority (cont.)

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

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

Custodial Credit Risk

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

As of December 31, 2007, \$1,426,709 of the CDA's total bank balances of \$1,526,709 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 1,426,709</u>
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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, 2007, the CDA's investments were rated as follows:

<u>Investment Type</u>	<u>Moody's Investor Service</u>
Mutual Fund – Treasuries	AAA

Interest Rate Risk

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

As of December 31, 2007, the CDA's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (In months) Less than 1 month</u>
Mutual Fund – Treasuries	<u>\$ 1,994,565</u>	<u>\$ 1,994,565</u>

c. Restricted Assets

Restricted assets at December 31, 2007, consist of the following:

Cash and cash equivalents – bond redemption and construction accounts	<u>\$ 1,994,565</u>
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CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

J. COMPONENT UNITS (cont.)

Community Development Authority (cont.)

d Capital Assets

The useful life assigned to buildings is 40 years. Machinery and equipment are assigned useful lives ranging from 5-10 years. The change in capital assets for 2007 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 414,539	\$ -	\$ -	\$ 414,539
Construction in progress	293,661	16,932	180,133	130,460
Total Capital Assets Not Being Depreciated	<u>708,200</u>	<u>16,932</u>	<u>180,133</u>	<u>544,999</u>
Capital assets being depreciated				
Buildings	3,640,214	-	-	3,640,214
Furniture, equipment, and machinery-dwellings	138,997	4,644	2,128	141,513
Furniture, equipment, and machine-administrative	237,725	-	-	237,725
Building and land improvements	115,041	180,133	-	295,174
Leasehold improvements	3,774,249	-	-	3,774,249
Total Capital Assets Being Depreciated	<u>7,906,226</u>	<u>184,777</u>	<u>2,128</u>	<u>8,088,875</u>
Less: Accumulated Depreciation	<u>(5,199,776)</u>	<u>(358,554)</u>	<u>11,564</u>	<u>(5,546,766)</u>
Total Capital Assets, Net of Depreciation	<u>\$ 3,414,650</u>			<u>\$ 3,087,108</u>

e. Long-Term Obligations

Lease Revenue Bonds

The CDA has pledged future revenues from the City of Beloit resulting from TIF increments to repay \$18.3 million in lease revenue bonds issued between 2000-2007. 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 2024. 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 \$36,749,418. Principal and interest paid for the current year and total pledged revenues were both \$3,049,235.

The following is a summary of the lease revenue bond transactions for the year ended December 31, 2007.

	Balance 1-1-07	Increases	Decreases	Balance 12-31-07
Lease revenue bonds	<u>\$ 15,650,388</u>	<u>\$ 11,264,916</u>	<u>\$ 8,660,050</u>	<u>\$ 18,255,254</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

J. COMPONENT UNITS (cont.)

Community Development Authority (cont.)

e. Long-Term Obligations (cont.)

Lease Revenue Debt (cont.)

Title of Issue	Date of Issue	Due Date	Interest Rates	Original Indebted- Ness	Balance 12-31-07
2000A Lease Revenue Bonds	12-27-00	03-01-24	11.50%	\$ 1,500,092	\$ 3,165,254
2002A Lease Revenue Bonds	07-15-02	03-01-20	4.90-5.60%	7,345,000	765,000
2002B Lease Revenue Bonds	07-15-02	03-01-14	6.35-7.20%	3,545,000	3,395,000
2007A Lease Revenue Refunding Bonds	02-21-07	03-01-20	3.50-4.20%	8,915,000	8,915,000
2007B Lease Revenue Bonds	07-12-07	06-01-19	3.70-4.35%	2,015,000	<u>2,015,000</u>
Totals					<u>\$ 18,255,254</u>

Debt service requirements to maturity are as follows:

Calendar Year	Principal	Interest	Totals
2008	\$ 765,000	\$ 702,704	\$ 1,467,704
2009	800,000	658,431	1,458,431
2010	895,000	610,446	1,505,446
2011	985,000	556,814	1,541,814
2012	1,070,000	497,806	1,567,806
2013	1,125,000	437,131	1,562,131
2014	1,250,000	373,513	1,623,513
2015	1,350,000	312,713	1,662,713
2016	1,375,000	257,550	1,632,550
2017	1,415,000	200,213	1,615,213
2018	1,420,000	141,071	1,561,071
2019	1,440,000	80,826	1,520,826
2020	1,200,000	25,200	1,225,200
2021	929,329	3,275,671	4,205,000
2022	830,029	3,369,971	4,200,000
2023	742,208	3,457,792	4,200,000
2024	<u>663,688</u>	<u>3,536,312</u>	<u>4,200,000</u>
Totals	<u>\$ 18,255,254</u>	<u>\$ 18,494,164</u>	<u>\$ 36,749,418</u>

The Series 2000A Taxable Capital Appreciation Lease Revenue Bonds are deep discount financial instruments which are issued in such denominations as will result in the total amount received by the purchaser at maturity being equal to \$5,000 or any integral multiple thereof. As such, a portion of the appreciation in value of each certificate "accretes" to each certificate annually. Accretion of the certificates recorded as a long-term obligation payable at maturity of the certificates totaled \$1,665,162 at December 31, 2007.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

J. COMPONENT UNITS (cont.)

Community Development Authority (cont.)

e. Long-Term Obligations (cont.)

Advance Refunding

On February 21, 2007, the CDA issued \$8,915,000 in lease revenue bonds with an average interest rate of 3.9 percent to advance refund \$1,830,000 of outstanding 2001 bonds and \$6,480,000 of outstanding 2002A bonds with average interest rates of 4.9 and 5.3 percent, respectively. The net proceeds of \$8,803,562 (after payment of \$111,438 in underwriting fees, insurance and other issuance costs) plus an additional \$348,349 of sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from these financial statements.

The cash flow requirements on the refunded bonds and notes prior to the advance refunding was \$10,891,956 from 2007 through 2012. The cash flow requirements on the 2007 refunding bonds are \$12,342,426 from 2007 through 2020. The advance refunding resulted in an economic gain of \$240,147.

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, 2007 includes the following:

Invested in capital assets	
Land	\$ 414,539
Construction in progress	130,460
Other capital assets, net of accumulated depreciation	2,542,109
Total Invested in Capital	<u>3,087,108</u>
Restricted	
Section 8 Rental Voucher program	909,930
Low Rent Public Housing	360,105
Total Restricted	<u>1,270,035</u>
Unrestricted	<u>1,525</u>
Total Net Assets	<u>\$ 4,358,668</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

J. COMPONENT UNITS (cont.)

City of Beloit Business Improvement District

a. Basis of Accounting/Measurement Focus

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

b. Deposits and Investments

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

	Carrying Value	Statement Balance	Associated Risks
Demand deposits	\$ 113,063	\$ 120,818	Custodial credit risk
Total Cash and Investments	\$ 113,063	\$ 120,818	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 113,063		

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts.

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

The business improvement district does not have an investment policy.

Custodial Credit Risk

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

As of December 31, 2007, \$12,882 of the BID's total bank balances was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 12,882
Total	\$ 12,882

CITY OF БЕЛОIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

J. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc.

a. Organization

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

b. Summary of Significant Accounting Policies

1. The Foundation's financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America as promulgated by the American Institute of Certified Public Accountants.
2. The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 50(c) (3). No provision for income taxes is reflected in financial statements.
3. The Foundation accounts for contributions under the provisions of Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made". All contributions are considered to be available for the general programs of the Foundation unless specifically restricted by the donor. The Foundation reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donated cash. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions are booked in the temporarily restricted class for restrictions expiring during the fiscal year, and then reclassified to the unrestricted class.

c. Cash and Cash Equivalents

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

d. Temporarily Restricted Net Assets

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

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

	<u>12/31/07</u>
Library building fund	<u>\$ 5,407</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

J. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc. (cont.)

d. Temporarily Restricted Net Assets (cont.)

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

e. Investments

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

	2007	
	<u>Market</u>	<u>Cost</u>
Mutual Funds	\$ 335,865	\$ 330,361
Fixed Income	182,229	179,542
Stocks	<u>1,029</u>	<u>580</u>
Total	<u>\$ 519,123</u>	<u>\$ 510,483</u>

Current unrealized losses of \$6,416 have been reflected in the Statement of Activities for 2007. Cumulative unrealized gains amounted to \$8,640 as of December 31, 2007.

f. 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.

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 are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.9% of their salary (2.9% for Executives and Elected Officials, 5.0% for Protective Occupations with Social Security, and 3.3% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

The payroll for City employees covered by the system for the year ended December 31, 2007 was \$20,547,549; the employer's total payroll was \$21,533,541. The total required contribution for the year ended December 31, 2007 was \$3,134,647 or 15.3 percent of covered payroll. Of this amount, 100 percent was contributed by the employer for the current year. Total contributions for the years ending December 31, 2006 and 2005 were \$2,883,406 and \$2,960,558, respectively, equal to the required contributions for each year.

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

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

Protective employees of the City hired prior to 1948 are covered under the City's Police and Firemen's Pension Funds established under Chapter 62 of the Wisconsin Statutes. The City has not obtained an actuarial valuation of these pension plans which were assumed by the Wisconsin Retirement Fund as of April 1, 1978. The total City contribution to the fund during 2007 was \$80,086.

B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year. However, other risks, such as health care of its employees, liability claims, and worker's compensation are accounted for and financed by the City in the internal service funds.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Self Insurance

The City has a limited risk management program for employee health and dental benefits with claims processed by a third party claims administrator on behalf of the City. The claims are being paid out of the internal service fund, and are funded by allocations charged to other funds. Interfund premiums are based on claims experience. As a part of the plan a reinsurance policy has been purchased which picks up claims in excess of \$100,000 per individual up to a maximum of \$2 million. Total amounts charged back to the various departments during the year were \$7,419,196.

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 estimated liability for self insured losses for this program consisted of the following at December 31, 2007:

Reported and Known Claims	\$ 569,273
Incurred but not Reported Claims	<u>1,163,143</u>
Total	<u>\$ 1,732,416</u>

Changes in the claims payable follow:

	Balance January 1	Incurred Claims	Claims Paid	Balance December 31
2005	\$ 1,783,882	\$ 5,939,182	\$ 6,125,218	\$ 1,597,846
2006	1,597,846	6,864,620	6,841,452	1,621,014
2007	1,621,014	7,090,258	6,978,856	1,732,416

Public Entity Risk Pool

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

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

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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, 2007. A total liability of approximately \$216,343 at December 31, 2007 was recorded as claims payable in the internal service fund.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Public Entity Risk Pool (cont.)

Transit Mutual Insurance Corporation of Wisconsin (TMI)

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

In 2007, TMI is protected by a \$2,000,000 self-insurance policy. In addition to TMI protection, the City of Beloit, combined together with other members of Wisconsin Municipal Transit Insurance Commission, are covered by a \$5,000,000 excess insurance policy issued by General Reinsurance Corporation effective January 1, 2006 through January 1, 2007.

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

Initial contributions are determined in advance of each membership year. The board of directors may require that supplemental contributions be made by members to ensure adequate funds are available to meet the obligations applicable to the membership year. Members have a contractual obligation to fund any deficit attributable to a membership year during which they were a member. The City's share of this insurance pool is 2.61%. A list of the other members is available in the TMI report.

C. COMMITMENTS AND CONTINGENCIES

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

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

During 2007 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 \$1,248,738 at year end and is included in reserve for encumbrances. In addition, in June of 2008 the City entered into a contract for the construction of a new library for almost \$7,000,000.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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.

D. OTHER POSTEMPLOYMENT BENEFITS

The City provides post-retirement health insurance benefits for all eligible employees. Eligibility and benefits are based on City policies and contractual agreements. General service employees may convert accumulated sick leave to pay for health care premiums. Protective service employees have benefits paid by the City for the life of the employee after retirement. The amount charged back to the various departments is recognized as an expenditure in that particular fund. Funding for those costs is provided out of the current operating budget of the City. The contributions are financed on a pay as you go basis. Total expenditures charged back to the various departments during the year were \$1,729,169. The number of police and fire participants currently receiving the benefits is 197. The estimated outstanding balance at year end for police and fire to be paid in the future is \$40,747,296. The number of other City employees currently receiving post retirement benefits at their own expense is six (6). The estimated outstanding balance at year end for other City employees to be paid in the future is \$26,975 paid from accumulated sick leave conversions and is included in the long-term obligations in the governmental activities column.

E. BOND COVENANT DISCLOSURES

The following information is provided as required by the resolution creating the 1996 sewer revenue bonds and 2003 water revenue bonds.

Sales

The following is the customer count and water volume basis for water and wastewater revenues as of December 31, 2007:

	Water – 2007		Sewer – 2007	
	Customers	CCF (000)	Customers	CCF (000)
Residential	13,875	1,002,381	12,236	850,216
Commercial	1,594	539,282	1,290	376,425
Industrial	11	632,803	11	652,214
Public Authority	50	82,816	n/a	n/a
Totals	<u>15,530</u>	<u>2,257,282</u>	<u>13,537</u>	<u>1,878,855</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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 1.10 times in the sewer utility and 1.25 times in the water utility the corresponding principal and interest.

	<u>Sewer – 2007</u>	<u>Water – 2007</u>
Operating revenues	\$ 7,479,230	\$ 4,605,675
Investment income	375,046	186,001
Operating expenses excluding depreciation	(4,341,516)	(1,771,273)
Defined Earnings	\$ 3,512,760	\$ 3,020,403
Annual debt service on revenue bonds	\$ 3,048,593	\$ 1,645,314
Coverage factor	x 1.10	x 1.25
Required Net Earnings	\$ 3,353,452	\$ 2,056,643

F. SUBSEQUENT EVENTS

On June 2, 2008, the City issued general obligation bonds in the amount of \$4,215,000 with an interest rate varying between 2.00-4.10%. This amount will be used to fund various infrastructure improvements and TIF development.

On June 2, 2008 the City authorized the issuance and sale of taxable lease revenue refunding bonds in the amount of \$2,640,000 with an interest rate varying between 4.00-6.75%. This amount will be used in the refunding of the 2000A capital appreciation bonds.

On May 2, 2008 the City authorized the issuance and sale of a state trust fund loan in the amount of \$1,250,000 with an interest rate of 4.75%. This amount will be used in the refunding of the 2000A capital appreciation bonds.