CITY OF BELOIT

Beloit, Wisconsin

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended
December 31, 2008

Prepared By:

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

CITY OF BELOIT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
December 31, 2008

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City of
BELOIT, Wisconsin

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

July 21, 2009

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, 2008. Wisconsin State Statutes, The Wisconsin Administrative Code, and the Municipal Code of the City of Beloit requires that at the end of the fiscal year a full and complete examination of all books and accounts of the City be made by a certified public accountant and that the report be filed with the City Clerk as a matter of public record. This CAFR fulfills these requirements.

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

In compliance with the above statutory requirements, the City has retained the services of Baker Tilly Virchow Krause, LLP, Certified Public Accountants, to audit all books and accounts of the City and they have issued an unqualified opinion on the City of Beloit's financial statements for the fiscal year ended December 31, 2008. 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

July 21, 2009

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 state capitol Madison, Wisconsin, 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

July 21, 2009

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 local economy is being severely impacted by the recession. The closing of a General Motors assembly plant in Janesville, Wisconsin, and reduced production at a Chrysler assembly plant in Belvidere, Illinois, have negatively affected the City and its businesses. The City's unemployment rate in May was 18.1%, the highest in the State of Wisconsin and the Stateline area. This compares to an unemployment rate of 8.7%

active Tax Increment Districts with over 400 acres of land under City control that is available for development. Located at the intersections of Interstates 90/39 that serves Chicago to the southeast and Madison to the north and Interstate 43 provides a direct link to Milwaukee. The City is marketed as the location of one of the Midwest's major distribution centers because of these transportation links.

LONG-TERM FINANCIAL PLANNING

For budgetary and planning purposes the City has policy guidelines establishing the

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

July 21, 2009

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, 2009. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communication device. This award is also valid for only one year.

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

Respectfully submitted,

Larry N. Apfl
City Manager

Paul E. York
Finance and Administrative Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

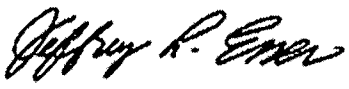
City of Beloit
Wisconsin

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2007

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

President



Executive Director

City of Beloit, Wisconsin
List of Elected and Appointed Officials
December 31, 2008

CITY COUNCIL MEMBERS

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

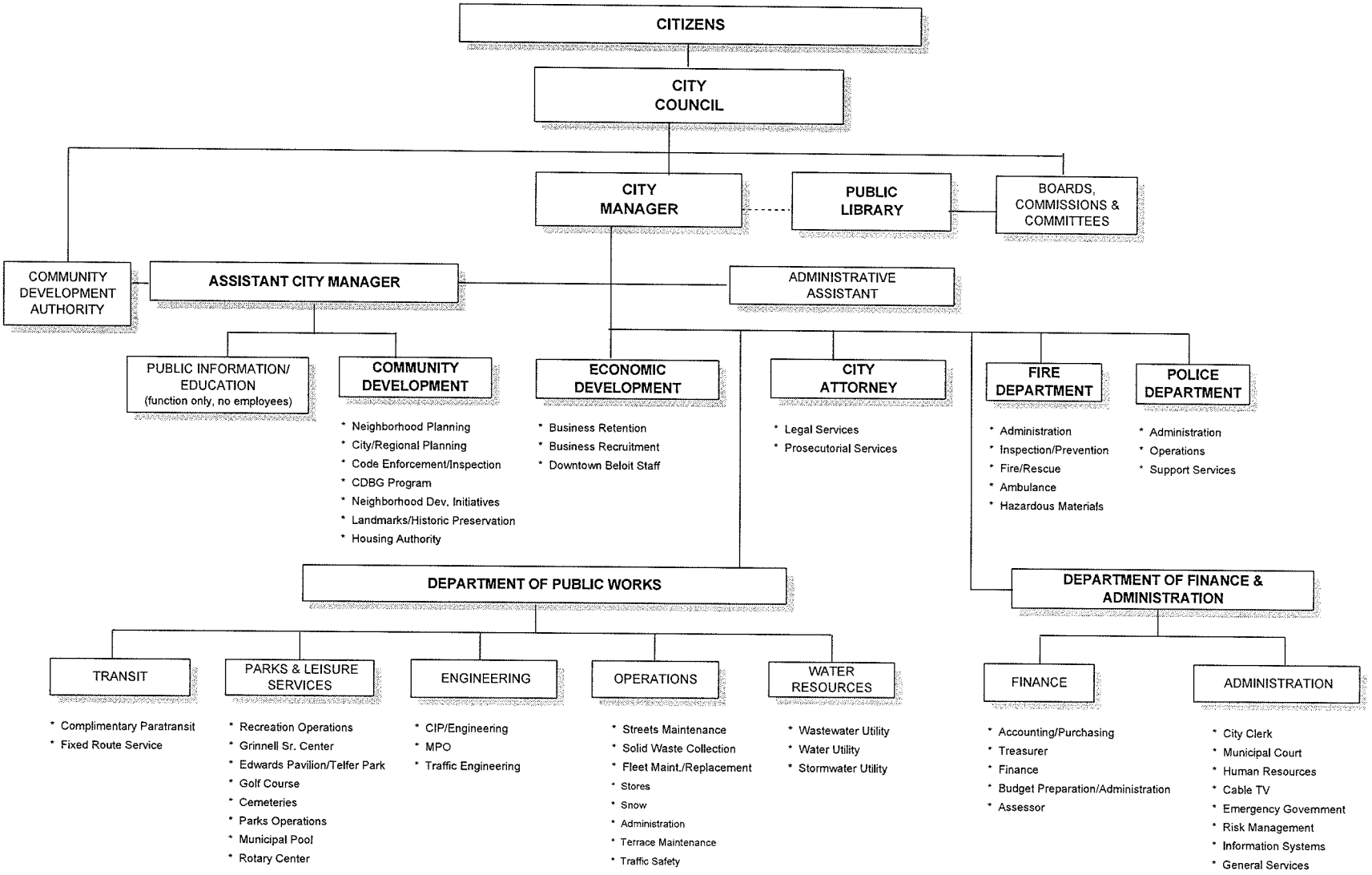
CITY MANAGER

Larry N. Arft

DEPARTMENT DIRECTORS

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

CITY OF BELOIT, WISCONSIN
ORGANIZATIONAL CHART
2008



BAKER TILLY

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Beloit
Beloit, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Beloit, Wisconsin, as of and for the year ended December 31, 2008, 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%, 4%, and .8%, of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Beloit, Wisconsin at December 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I.B., the City of Beloit has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions* effective January 1, 2008.

an independent member of
BAKER TILLY
INTERNATIONAL

To the City Council
City of Beloit
Beloit, Wisconsin

In accordance with *Government Auditing Standards,* we have issued our report dated July 21, 2009 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 as listed on the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beloit's basic financial statements. The 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 "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
July 21, 2009

Baker Tilly Virchow Krause LLP

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For Year Ended December 31, 2008

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, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, the basic financial statements, and related notes, all of which are contained in this comprehensive annual financial report (CAFR).

FINANCIAL HIGHLIGHTS

- On the government wide basis, the City's total assets at December 31, 2008, were $257 million. Of this amount, $172.3 million represents the City's investment in capital assets; net of depreciation and other assets totaled $84.7 million.
- The City's total assets exceeded its liabilities at December 31, 2008, by $125.8 million (total net assets). This represents a decrease of $1.1 million or 0.9% from the prior year. Of this amount, $86.3 million represents the City's investment in capital assets, net of related debt, $17.1 million is restricted and $22.4 million is unrestricted and available to meet the City's ongoing obligations to its citizens and creditors.
- The business-type activities net assets at December 31, 2008, totaled $71 million, which represents an increase of $2.2 million or 3.2% from the prior year. Of this amount, $56.4 million represents the City's investment in capital assets, net of related debt, $6.7 million is restricted and $7.9 million is unrestricted.
- Total liabilities at December 31, 2008, were $131.2 million, which is an increase of $3.0 million from the prior year, and of this amount, $106 million are long-term liabilities.
- At December 31, 2008, the City's governmental funds reported combined ending fund balances of $31.8 million, a decrease of $10.2 million from the prior year. Of this amount, $4.2 million or 13.2% is unreserved and undesignated and is available for spending at the government's discretion.
- At December 31, 2008, the unreserved and undesignated fund balance for the general fund was $7.5 million or 26% of total general fund expenditures.
- The City's total bonded debt decreased $2 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.

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 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.

OVERVIEW OF THE 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 27 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, general debt service fund, TIF district no. 9 – special revenue fund, TIF district No. 10 – special revenue fund, and capital improvements – capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this CAFR.

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

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

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

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

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

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 statement 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 77 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 78 to 87 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 88 to 95 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 $125.8 million as of December 31, 2008. This is a decrease of $1.1 million over the previous year.

The largest portion of the City of Beloit's net assets (69%) reflects its investment in capital assets (land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Beloit uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Beloit's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Current and other assets	$ 77.1	$ 67.1	$ 19.7	$ 17.6	$ 96.8	$ 84.7
Capital assets	73.8	85.0	84.4	87.3	158.2	172.3
Total Assets	150.9	152.1	104.1	104.9	255.0	257.0
Long-term liabilities	72.1	73.3	34.1	32.7	106.2	106.0
Other liabilities	20.7	24.0	1.2	1.2	21.9	25.2
Total Liabilities	92.8	97.3	35.3	33.9	128.1	131.2
Net assets:						
Invested in capital assets, Net of related debt	41.7	34.4	51.1	56.4	92.8	86.3
Restricted	11.8	10.4	8.1	6.7	19.9	17.1
Unrestricted	4.6	10.0	9.6	7.9	14.2	22.4
Total Net Assets	$ 58.1	$ 54.8	$ 68.8	$ 71.0	$ 126.9	$ 125.8

An additional portion of the City's net assets (13.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $22.4 million, is available to meet the City's ongoing obligations to its 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, as well as for its separate governmental and business-type activities. This same situation existed in the prior fiscal year.

There was a decrease in total net assets of $1.1 million during the year. This decrease is primarily related to a reduction in the amount of restricted net assets of $2.7 million. This decrease was the result of a change in funding methodology for the equipment reserve fund required by the Wisconsin Department of Natural Resources for the City's wastewater treatment facility. The DNR requires the City to set aside sufficient funds for future maintenance and equipment replacement of the mechanical equipment within the wastewater treatment facility. This change in funding methodology reduced the required reserve by $2.3 million.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
REVENUES	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Program Revenues:						
Charges for services	$ 5.7	$ 6.5	$ 14.4	$ 14.4	$ 20.1	$ 20.9
Operating grants & contributions	1.2	1.9	1.1	1.1	2.3	3.0
Capital grants & contributions	0.2	0.3	1.2	0.9	1.4	1.2
General Revenues:						
Property taxes	12.6	16.0	0.7	0.6	13.3	16.6
Other taxes	0.5	0.5	-	-	0.5	0.5
Intergovernmental	20.7	20.1	-	-	20.7	20.1
Investment income	2.4	0.7	0.6	0.5	3.0	1.2
Gain on the sale of property	0.6	0.3	-	-	0.6	0.3
Miscellaneous	1.7	1.0	-	-	1.7	1.0
Total Revenues	45.6	47.3	18.1	17.5	63.6	64.8
EXPENSES						
General government	0.8	0.8	-	-	0.8	0.8
Finance and Administration	6.8	7.3	-	-	6.8	7.3
Community development	2.7	2.2	-	-	2.7	2.2
Economic development	0.2	0.3	-	-	0.2	0.3
Public safety	18.3	21.6	-	-	18.3	21.6
Public works	13.4	13.0	-	-	13.4	13.0
Library	2.1	2.1	-	-	2.1	2.1
Interest & fiscal charges	3.5	2.1	-	-	3.5	2.1
Water utility	-	-	4.0	4.3	4.0	4.3
Sewer utility	-	-	7.2	7.5	7.2	7.5
Other non-major proprietary funds	-	-	4.3	4.6	4.3	4.6
Total Expenses	47.8	49.4	15.5	16.4	63.3	65.8
Change in net assets before transfers	(2.2)	(2.1)	2.5	1.1	0.3	(1.0)
Transfers	(1.6)	(1.0)	1.6	1.0	-	-
Change in net assets	(3.8)	(3.1)	4.1	2.1	0.3	(1.0)
Net Assets - January 1 (restated)	61.8	58.0	64.7	68.8	126.6	126.9
Net Assets - December 31	$ 58.0	$ 54.9	$ 68.8	$ 70.9	$ 126.9	$ 125.9

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

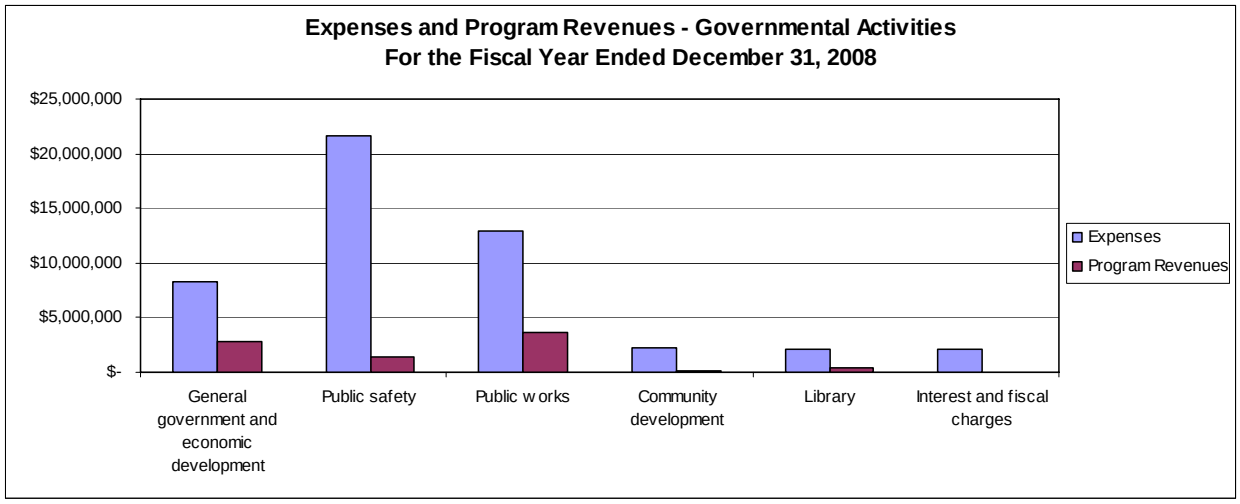
Public safety includes both police and fire and public works includes parks and leisure services.

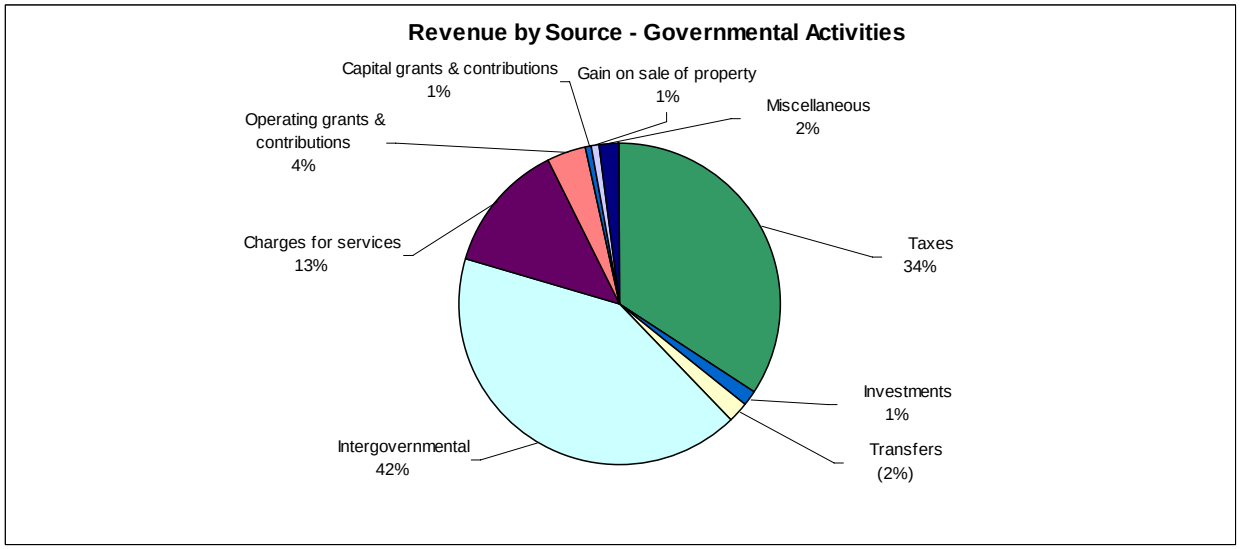
For 2008, revenues increased $1.2 million over the prior year primarily from increased charges for services and property taxes. The city's property tax levy increased $490,000 in 2008, largely because of increased debt service costs related to the borrowing for the new public library. The city also increased its water utility user fees by 6% in April 2008, this was the first rate increase since acquiring the water utility in 2003.

Expenses increased $2.5 million primarily because of the implementation of GASB 45 in 2008 and the resulting recognition of unfunded liability for other post employment benefit expenses (OPEB). The City implemented GASB 45 on January 1, 2008, and retained the actuarial firm Watson Wyatt to determine the valuation of its OPEB liability as of that date and the cost for the year ended December 31, 2008. Based on their analysis, the City's actuarial accrued liability is $67 million and the annual required contribution is $4.7 million. The City is funding its OPEB on a pay as you go basis, resulting in a net OPEB obligation of $2.8 million. The majority of this OPEB obligation is for the City's public safety employees and retirees as most police and fire employees have lifetime health insurance benefits for themselves and their dependents paid entirely by the City. Additional information on the City's OPEB and funding status can be found in the Notes to the Financial Statements and the Required Supplementary Information sections of this CAFR.

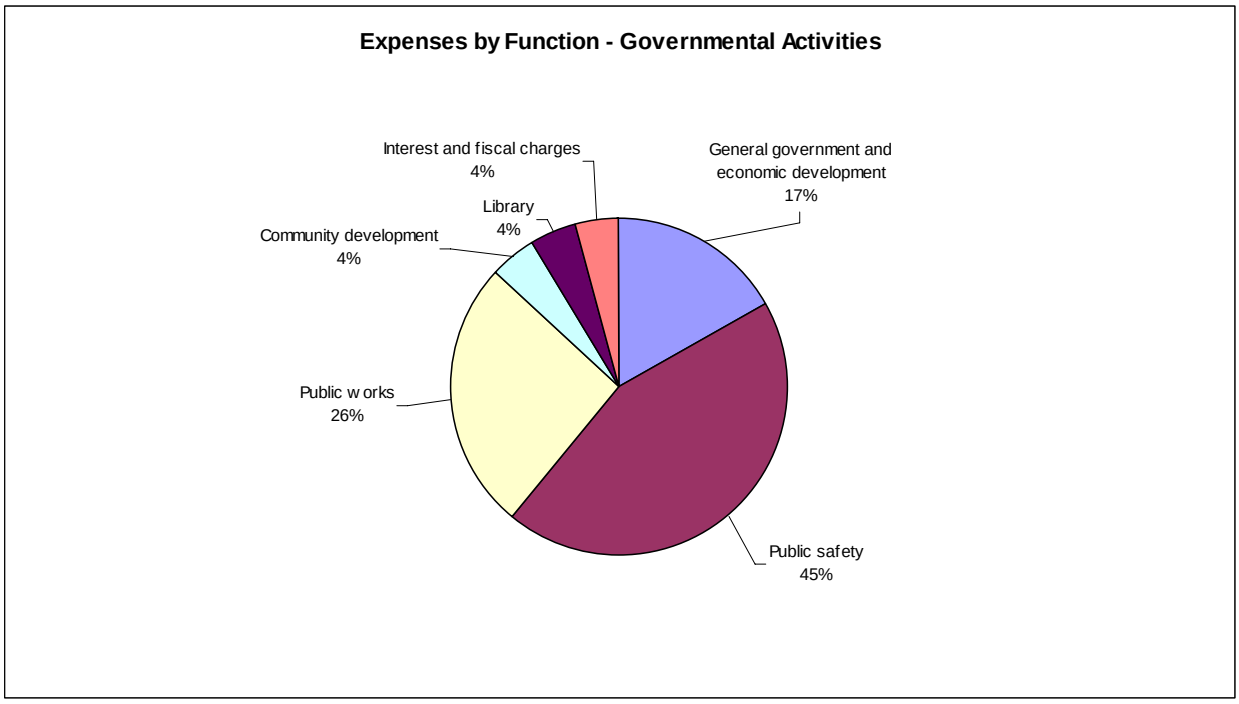
The change in net assets was a decrease of $1 million. Governmental activities net assets decreased $3.1 million, and business-type activities net assets increased $2.1 million. This is entirely as a result of the implementation of GASB 45 and resulting recognition of OPEB liability.

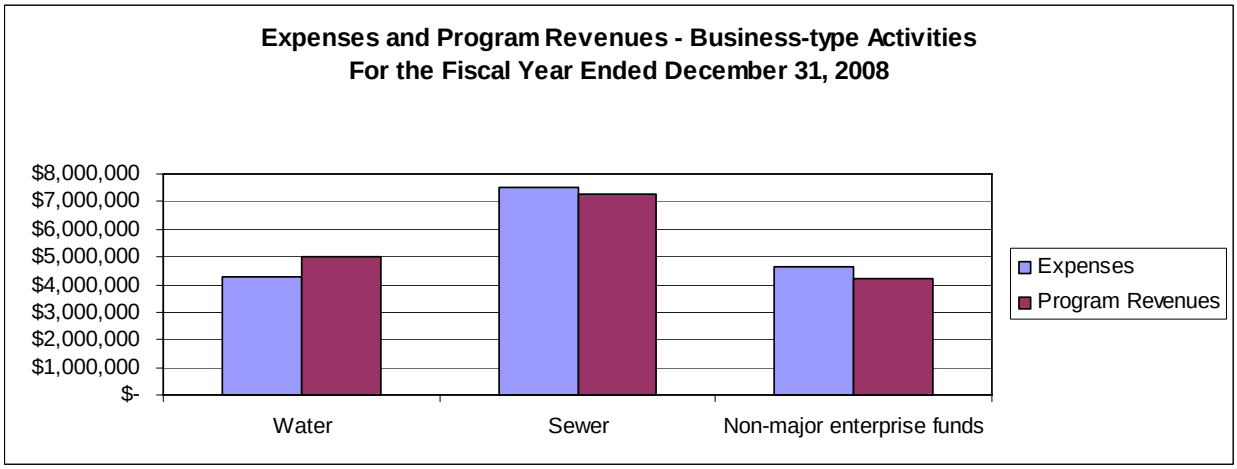
GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)



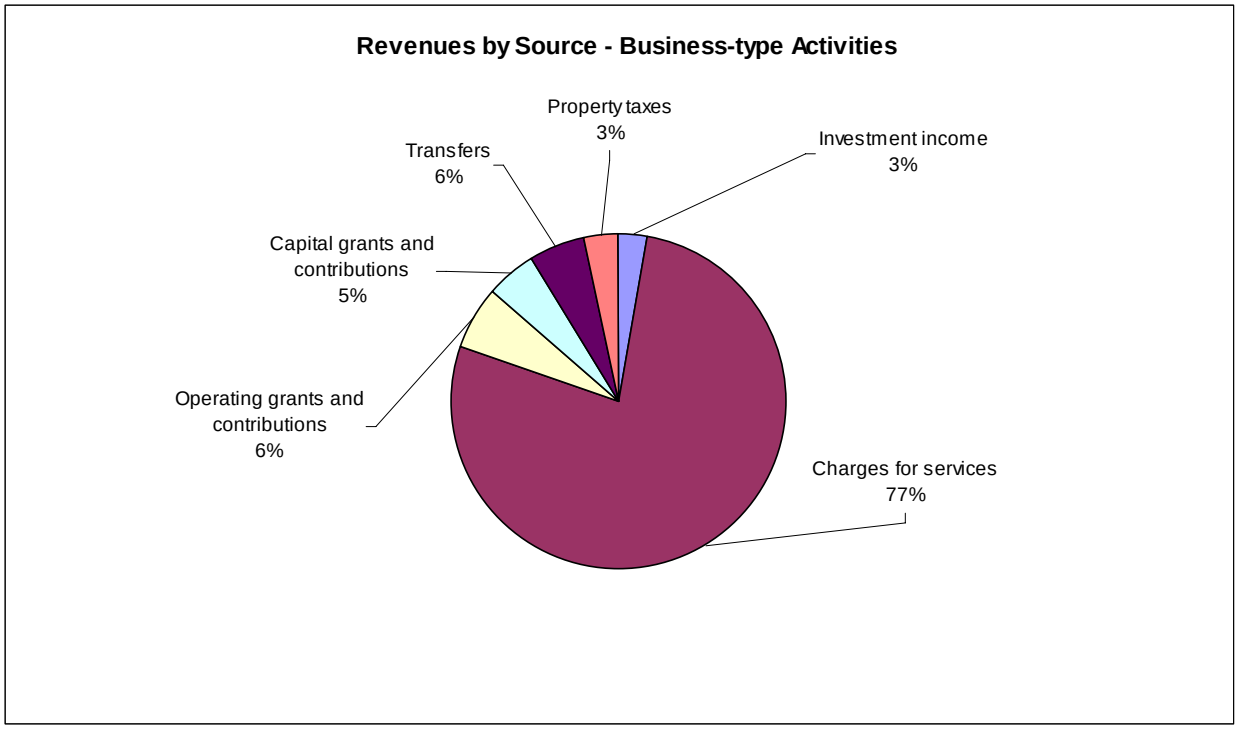


GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)





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, 2008, the City of Beloit's governmental funds reported combined ending fund balances of $31.8 million. This is a decrease of $10.2 million from the previous year. Approximately 13.4% of this total or $4.2 million constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. This decrease is largely because of the spend down of bond proceeds from the prior year in the City's capital projects funds. During the year, the City completed over $6.4 million in road and highway improvements and broke ground on a new public library.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S 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 ($17.2 million), 2) to pay debt service ($2.3 million), 3) for non-current receivables/advances ($6.2 million), and 4) the balance for a variety of other restricted purposes ($1.9 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 fund balance reserve policy that insures financial stability for the City of Beloit. The policy stipulates that the unreserved and undesignated fund balance will be either 15% of operating revenues or 3 months of estimated expenditures which ever is greater. As of December 31, 2008, the total fund balance of the general fund was $10.3 million, of which $7.5 million was unreserved and undesignated. This unreserved and undesignated fund balance represents 26% of general fund expenditures. The decrease in total fund balance was $246,022 from the previous year a change of 2%. This increase is largely the result of increased operating expenditures in the general fund.

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 718 new jobs and additional tax base valued in excess of $140 million. During the year, a major project began in the TID with the construction Kerry Ingredients and Flavours North American Headquarters facility. This project consists of a new 200,000 square foot corporate office/ R&D facility with an investment of $44 million. The district has a fund balance of $1.8 million 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 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 $3.5 million 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, 2008 is $8.4 million all of which is programmed to be used for capital improvements. The City spent $13.8 million on capital improvement projects last year including several major road and highway improvements, parks improvements, and began the construction of a new library. The new library opened in May.

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

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 $11.7 million, an increase of $0.5 million from last year.

Proprietary Funds

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

Sewer Utility: The sewer utility realized operating income of $190,256 in 2008 compared to $780,376 for 2007. This reduction in operating income is largely the result of increased operating and maintenance costs and reduced operating revenues. There was a marked decrease in sewer fees for the City's large industrial users in 2008. Some of this decrease can be attributed to the economy and conservation efforts on the part of these users to reduce their treatment costs. The rates for sewer services have not changed since 1991. Net assets increased $181,198 last year. The City has 13,579 sewer customers that are served by a wastewater treatment facility with an 11 MGD capacity. The City maintains 170 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 $1.7 million in 2008 compared to $1.8 in 2007. The Wisconsin Public Service Commission approved new water utility user fee rates effective April 30, 2008. This rate increase will result in an overall increase of 6% in water utility user fees. The change in net assets in 2008 was $1.8 million. Most of this increase is as a result of the installation of 2.5 miles of new water mains. The City serves 15,726 water customers, maintains, and operates eight wells, three booster-pumping stations, four elevated water towers, 196 miles of water mains, 1,436 fire hydrants, and 15,507 water meters.

The net assets of the City's Enterprise Funds increased $2.1 million to $70.9 million at December 31, 2008. The water and sewer utility's net assets accounted for $59 million or 83% of this total, which is an increase of $2.3 million from the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended budget appropriations, which include expenditures and transfers out, increased $175 from the original budget appropriations for the year and totaled $29,058,815. At $28,942,657, the final actual expenditures and transfers out were $116,158 less than the final budget appropriations.

The actual revenues and transfers in were $28,696,635, which was $167,902 more than the final budgeted revenues and transfers in. Most of this variance was because of increased investment earnings resulting from the adjustment of investment securities to their market value. At $5,570,069, the property tax levy is the largest local source revenue in the General Fund. Property taxes exceeded the final budget by $15,448. The most significant revenue items in the

GENERAL FUND BUDGETARY HIGHLIGHTS (cont.)

General Fund are the Aids to Local Government payments the City receives from the State of Wisconsin. In 2008, these payments totaled $19,150,271. This represents 67% of total General Fund revenues. Expenditures and transfers out exceeded revenues and transfers in by $246,022 the 2008 budget contemplated this amount to be $530,082 so this is a positive variance.

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

- Actual expenditures for the Community Development and Public Works Departments exceeded their final budgeted amounts. The Community Development Department exceeded their budget by $2,950 and the Public Works Department exceeded its budget by $22,091 because of increased snow and ice removal costs associated with the winter of 2007-2008 and the month of December 2008.
- Tax revenues were less than budget because of property tax refunds made last year to Walgreen's on their successful appeal of the assessed values on their stores.
- License and permit revenues were down largely due to the affect of the recession on the development industry.
- Intergovernmental actual revenues exceeded the budget by $259,500 because of $98,970 in increased state aids payments for highway maintenance and a reimbursement from FEMA for $102,820 for costs associated with the flood of June 2008.
- The investment income variance of $142,956 reflects the market value adjustment of the securities in the City's portfolio and is not indicative of investment interest earnings. For the most part, interest rates remained at historic lows throughout much of the year.

CAPITAL ASSETS

The City of Beloit's investment in capital assets for its governmental and business-type activities as of December 31, 2008, was $172.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, and equipment, park facilities, roads, bridges, highways and related fixtures and represents an increase in net book value of $14 million from last fiscal year. This increase is largely the result of the City's investment in public infrastructure improvements.

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

- Several street and highway construction projects totaling over $6 million were either completed or were started last year. Some of the more significant projects include construction of Eclipse Boulevard that serves the new library facility, Burton Street reconstruction, West Hart Road reconstruction, East Side Neighborhood streets reconstruction, Wisconsin Avenue reconstruction, and almost $1 million in street lights associated with these projects.

CAPITAL ASSETS (cont.)

- Another notable project that was started last year was the construction of a new public library. The city broke ground on a new 50,000 square foot plus facility to replace the current library. The ultimate cost of the new library will be almost $8 million when completed.

- The City purchased a building from Alliant Energy for $2.6 million that is used as administrative offices for our water and sewer utilities and our public works department administration and engineering.

- The City installed new water mains, storm, and sanitary sewers totaling over $3 million. These were mostly associated with the various street and highway reconstruction projects.

- The City added over $1.7 million of various machinery, equipment and vehicles to its operations.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Land	$ 4.2	$ 4.4	$ 3.4	$ 3.6	$ 7.6	$ 8.0
Construction in progress	0.2	5.5	0.1	0.6	0.3	6.1
Land improvements	0.7	0.0	0.2	0.1	0.9	0.1
Buildings	10.7	10.5	2.9	5.2	13.6	15.7
Machinery & equipment	9.2	9.3	4.0	3.8	13.2	13.1
Other improvements	2.7	3.5	-	-	2.7	3.5
Streets	38.1	43.0	-	-	38.1	43.0
Street lights	2.4	3.3	-	-	2.4	3.3
Traffic signals	1.4	1.3	-	-	1.4	1.3
Bridges	4.3	4.2	-	-	4.3	4.2
Storm sewer infrastructure	-	-	6.4	7.5	6.4	7.5
Water plant & equipment	-	-	25.2	26.1	25.2	26.1
Sewer plant & equipment	-	-	42.2	40.4	42.2	40.4
Totals	$ 73.9	$ 85.0	$ 84.4	$ 87.3	$ 158.3	$ 172.3

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

LONG-TERM OBLIGATIONS

In 2008, the City issued $5,392,520 in bonds and notes and retired debt of $7,396,727 resulting in $86,010,499 in outstanding general obligation and revenue bonds and notes payable at the end of 2008. The per capita general obligation debt ratio was $1,587 at the end of 2008. Of the general obligation and revenue bonded debt, $52,967,110 is to be repaid with general property taxes over a period of years.

Under Wisconsin State Statutes, the City's aggregate general obligation indebtedness may not exceed 5% of the equalized assessed value of taxable property located within the City. The net amount of debt that is applicable to the statutory limit is $58,895,499, which is 68.5% of the maximum allowed of $85,937,560. The City's general obligation notes and bonds are rated "A+" and the utility revenue bonds are rated "A" by Standard and Poor's. Both of these ratings were upgraded in 2008.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
General obligation bonds	$ 53.3	$ 53.0	$ 4.2	$ 5.9	$ 57.5	$ 58.9
Revenue bonds	-	-	30.6	27.1	30.6	27.1
Debt Outstanding	$ 53.3	$ 53.0	$ 34.8	$ 33.0	$ 88.1	$ 86.0

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 more obvious from the economic development growth and activity being experienced in the City's Tax Increment District #10, which is located at the intersection of these highways. Since its inception, TID #10 has realized an additional tax base value of $140 million with over 950 jobs. Even though we have had unprecedented growth the last several years, the impact of the recession is having a profound impact on the City's economy. The unemployment rate as of December 31, 2008 for the City was 8.3%, an increase of 0.6% from the 2007 rate of 7.7%. Although this is a slight increase from the prior year, the full force of the recession did not occur until the first quarter of 2009. For the month of April 2009, Beloit had the highest unemployment rate in Wisconsin at 17.4%. This compares to an unemployment rate of 8.8% for the State of Wisconsin and 8.6% nationally. The closing of a General Motors assembly plant in Janesville, Wisconsin and the potential closing of a Chrysler assembly plant in Belvidere, Illinois have negatively affected the City. These plant closings directly affected several hundred City residents and others were affected by the impact on businesses that supplied these facilities.

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS (cont.)

On a positive note, the City's tax base increased 5.4% to $1,718,751,200 in 2008 we do not expect this trend to continue in 2009 but we are optimistic that overall property values will not fall below 2008 levels.

REQUESTS FOR INFORMATION

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

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

CITY OF BELOIT

STATEMENT OF NET ASSETS
December 31, 2008

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units - Business-type Activities
ASSETS				
Cash and investments	$ 36,791,807	$ 2,671,054	$ 39,462,861	$ 1,958,760
Receivables (net of allowance for uncollectibles)				
Taxes	17,202,058	530,980	17,733,038	-
Delinquent personal property taxes	82,482	-	82,482	-
Accounts	1,293,964	4,109,753	5,403,717	76,501
Special assessments	965,606	-	965,606	130,084
Loans	3,405,605	-	3,405,605	-
Accrued interest	206,554	19,525	226,079	340
Other	261,149	440,816	701,965	-
Due from other governmental units	436,037	122,052	558,089	13,531
Internal balances - interfunds	(534,880)	534,880	-	-
Internal balances - advances	484,000	(484,000)	-	-
Due from component unit	148,556	-	148,556	-
Inventories	595,017	156,859	751,876	-
Prepaid items	569,813	-	569,813	1,637
Lease receivable from primary government	-	-	-	14,882,096
Restricted Assets				
Temporarily Restricted				
Cash and investments	3,087	9,184,797	9,187,884	2,147,904
Deposit with risk pool	1,575,475	-	1,575,475	-
Other assets	306,100	267,434	573,534	-
Land held for resale	3,355,948	-	3,355,948	-
Capital Assets				
Land	4,392,964	3,574,909	7,967,873	414,539
Construction in progress	5,486,595	633,033	6,119,628	70,094
Capital assets net of depreciation	75,105,245	83,115,024	158,220,269	2,439,567
Total Assets	152,133,182	104,877,116	257,010,298	22,135,053
LIABILITIES				
Accounts payable	3,918,059	383,033	4,301,092	34,344
Accrued liabilities	409,242	238,874	648,116	53,586
Claims payable	2,466,448	-	2,466,448	-
Due to primary government	-	-	-	148,556
Other liabilities	-	19,222	19,222	-
Unearned revenues	17,171,369	530,980	17,702,349	131,275
Deposits	-	-	-	77,532
Noncurrent liabilities				
Due within one year	6,673,209	5,228,815	11,902,024	-
Due in more than one year	66,641,546	27,487,149	94,128,695	17,302,483
Total Liabilities	97,279,873	33,888,073	131,167,946	17,747,776
NET ASSETS				
Invested in capital assets, net of related debt	34,379,310	56,401,815	86,261,662	2,924,200
Restricted for debt service	4,000,673	4,000,943	8,001,616	-
Restricted for replacement	-	2,693,099	2,693,099	-
Restricted for grant programs	4,734,646	-	4,734,646	1,253,135
Restricted for cemetery perpetual care	1,690,051	-	1,690,051	-
Restricted for park activities	3,087	-	3,087	-
Unrestricted	10,045,542	7,893,186	22,458,191	209,942
TOTAL NET ASSETS	$ 54,853,309	$ 70,989,043	$ 125,842,352	$ 4,387,277

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government				
City Council, Manager, Attorney	$ 804,713	$ 17,856	$ -	$ -
Finance and Administrative Services	7,277,848	2,804,954	12,852	-
Community Development	2,221,424	19,496	138,743	40,839
Economic Development	266,796	-	11,076	-
Public Safety				
Police Services	14,125,683	969,005	224,405	24,000
Fire Services	7,544,082	164,324	84,360	-
Public works	12,973,727	2,359,255	1,140,720	197,801
Library	2,117,408	160,832	249,502	-
Interest and fiscal charges	2,084,379	-	-	-
Total Governmental Activities	49,416,060	6,495,722	1,861,658	262,640
Business-type Activities				
Water	4,293,844	4,693,431	-	286,578
Sewer	7,500,706	7,189,691	-	101,313
Golf course	531,163	456,158	-	-
Cemeteries	309,438	172,657	-	-
Ambulance	807,593	878,131	-	-
Storm sewer	783,014	781,091	-	450,811
Transit	2,199,767	243,436	1,119,323	95,510
Total Business-type Activities	16,425,525	14,414,595	1,119,323	934,212
Total Primary Government	$ 65,841,585	$ 20,910,317	$ 2,980,981	$ 1,196,852
Component Units - Business-type Activities				
Community Development Authority	$ 5,306,282	$ 249,422	$ 3,731,525	$ -
Business Improvement District	183,789	204,615	-	-
Beloit Public Library Foundation, Inc.	278,163	6,504	28,156	-
Total Component Units	$ 5,768,234	$ 460,541	$ 3,759,681	$ -
General Revenues				
Taxes				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Property taxes, tax increment				
Property taxes, levied for other				
Other taxes				
Intergovernmental revenues not restricted to specific programs				
Investment income				
Gain on sale of property				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in net assets				
NET ASSETS - Beginning				
NET ASSETS - ENDING				

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Units
$ (786,857)	$ -	$ (786,857)	
(4,460,042)	-	(4,460,042)	-
(2,022,346)	-	(2,022,346)	-
(255,720)	-	(255,720)	-
			-
(12,908,273)	-	(12,908,273)	-
(7,295,398)	-	(7,295,398)	-
(9,275,951)	-	(9,275,951)	-
(1,707,074)	-	(1,707,074)	-
(2,084,379)	-	(2,084,379)	-
(40,796,040)	-	(40,796,040)	-
-	686,165	686,165	-
-	(209,702)	(209,702)	-
-	(75,005)	(75,005)	-
-	(136,781)	(136,781)	
-	70,538	70,538	
-	448,888	448,888	
-	(741,498)	(741,498)	-
-	42,605	42,605	-
(40,796,040)	42,605	(40,753,435)	-
-	-	-	(1,325,335)
-	-	-	20,826
			(243,503)
			(1,548,012)
5,570,069	-	5,570,069	-
3,603,871	-	3,603,871	-
5,147,338	-	5,147,338	
1,668,775	594,530	2,263,305	-
551,547	-	551,547	-
20,071,655	-	20,071,655	-
691,086	492,793	1,183,879	1,003,223
318,690	-	318,690	-
992,256	-	992,256	-
(1,023,197)	1,023,197	-	-
37,592,090	2,110,520	39,702,610	1,003,223
(3,203,950)	2,153,125	(1,050,825)	(544,789)
58,057,259	68,835,918	126,893,177	4,932,066
$ 54,853,309	$ 70,989,043	$ 125,842,352	$ 4,387,277

See accompanying notes to financial statements.

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CITY OF BELOIT

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2008

	General	TIF District No. 9	TIF District No. 10	General Debt Service	Capital Improvements	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	$ 8,090,185	$ 8,908	$ 1,783,820	$ 969,067	$ 7,867,545	$ 14,173,311	$ 32,892,836
Receivables							
Taxes	5,805,092	44,228	2,388,077	3,816,130	57,597	5,090,934	17,202,058
Delinquent personal property taxes	81,833	-	-	-	13,757	-	95,590
Accounts (net)	436,426	66,272	899	-	17,949	895,584	1,417,130
Special assessments	-	-	-	-	965,606	-	965,606
Loans	-	-	-	-	-	3,405,605	3,405,605
Accrued interest	206,554	-	-	-	-	-	206,554
Other	79,194	-	-	-	-	-	79,194
Due from other governmental units	191,606	-	-	-	73,840	168,811	434,257
Due from other funds	901,867	-	-	-	-	-	901,867
Due from component units	-	-	-	-	-	122,291	122,291
Inventories	595,017	-	-	-	-	-	595,017
Prepaid items	212,948	-	-	-	-	356,865	569,813
Restricted cash	-	-	-	-	-	3,087	3,087
Advances to other funds	1,259,352	-	-	1,989,291	2,951,069	-	6,199,712
TOTAL ASSETS	$ 17,860,074	$ 119,408	$ 4,172,796	$ 6,774,488	$ 11,947,363	$ 24,216,488	$ 65,090,617
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	$ 1,199,604	$ -	$ 26,800	$ -	$ 2,401,190	$ 657,911	$ 4,285,505
Due to other funds	-	-		-	-	901,209	901,209
Deferred revenue	6,326,955	110,500	2,388,077	3,816,130	1,110,800	8,666,773	22,419,235
Advances from other funds	-	3,465,540	-	-	-	2,250,172	5,715,712
Total Liabilities	7,526,559	3,576,040	2,414,877	3,816,130	3,511,990	12,476,065	33,321,661
Fund Balances							
Reserved for							
Delinquent personal property taxes	81,833	-	-	-	-	-	81,833
Inventories	595,017	-	-	-	-	-	595,017
Prepaid items	212,948	-	-	-	-	-	212,948
Noncurrent receivables/advances	1,259,352	-	-	1,989,291	2,951,069	-	6,199,712
Debt service	-	-	-	969,067		1,394,185	2,363,252
Encumbrances	-	-	2,200	-	3,416,049	693,775	4,112,024
Fundraising	-	-	-	-	-	150,000	150,000
Unreserved and designated, reported in							
General fund - surplus applied to 2009 budget	733,353	-	-	-	-	-	733,353
Special revenue funds - subsequent year's expenditures	-	-	1,755,719	-	-	4,050,054	5,805,773
Capital projects funds - subsequent year's expenditures	-	-	-	-	-	7,267,720	7,267,720
Unreserved and undesignated (deficit), reported in							
General fund	7,451,012	-	-	-	-	-	7,451,012
Special revenue funds	-	(3,456,632)	-	-	-	(1,815,311)	(5,271,943)
Capital projects funds	-	-	-	-	2,068,255	-	2,068,255
Total Fund Balances	10,333,515	(3,456,632)	1,757,919	2,958,358	8,435,373	11,740,423	31,768,956
TOTAL LIABILITIES AND FUND BALANCES	$ 17,860,074	$ 119,408	$ 4,172,796	$ 6,774,488	$ 11,947,363	$ 24,216,488	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note II.A.	84,958,102
Land held for resale is not reported in the funds	3,355,948
Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are are recognized as revenue when earned in the government-wide statements. See Note IV.B.	5,247,866
Internal service funds are reported in the statement of net assets as governmental funds	2,940,335
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.	(73,417,898)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 54,853,309

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2008

	General	TIF District No. 9	TIF District No. 10	General Debt Service
REVENUES				
Taxes	$ 5,624,625	$ 32,628	$ 1,870,520	$ 3,603,871
Intergovernmental	19,150,271	227	20,997	-
Licenses and permits	592,493	-	-	-
Fines, forfeitures and penalties	1,178,841	-	-	-
Fees and service charges	633,433	-	-	-
Rent	30,715	-	-	-
Special assessments	-	-	-	-
Investment income	942,956	3,450	88,739	3,790
Public charges for services	-	81,119	-	-
Other	-	-	-	26,835
Total Revenues	28,153,334	117,424	1,980,256	3,634,496
EXPENDITURES				
Current				
General government	3,946,068	500	-	-
Community development	1,099,584	-	-	-
Public safety	17,537,811	-	-	-
Public works	6,349,194	-	-	-
Parks, recreation, and education		-	-	-
Capital Outlay	-	21,000	312,508	-
Debt Service				
Principal retirement	10,000	-	6,409,562	2,849,377
Interest and fiscal charges	-	(1,579,144)	1,169,515	1,964,157
Total Expenditures	28,942,657	(1,557,644)	7,891,585	4,813,534
Excess (deficiency) of revenues over expenditures	(789,323)	1,675,068	(5,911,329)	(1,179,038)
OTHER FINANCING SOURCES (USES)				
Debt issued	-	-	1,642,520	52,519
Capital lease issued	-	-	5,085,000	-
Sale of city property	158,908	-	151,909	-
Transfers in	384,393	-	-	666,112
Transfers out	-	(6,000)	(98,303)	-
Total Other Financing Sources (Uses)	543,301	(6,000)	6,781,126	718,631
Net Change in Fund Balances	(246,022)	1,669,068	869,797	(460,407)
FUND BALANCES (DEFICIT) - Beginning	10,579,537	(5,125,700)	888,122	3,418,765
FUND BALANCES (DEFICIT) - ENDING	$ 10,333,515	$ (3,456,632)	$ 1,757,919	$ 2,958,358

Capital Improvements	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 4,915,718	$ 16,047,362
316,285	2,343,611	21,831,391
-	141,460	733,953
8,540	-	1,187,381
-	43,664	677,097
-	-	30,715
246,045	-	246,045
235,608	973,089	2,247,632
-	2,180,132	2,261,251
513,983	1,809,931	2,350,749
1,320,461	12,407,605	47,613,576
-	19,275	3,965,843
-	1,500,713	2,600,297
-	484,396	18,022,207
-	2,431,518	8,780,712
-	1,970,069	1,970,069
13,811,358	4,068,607	18,213,473
-	1,025,519	10,294,458
48,604	353,519	1,956,651
13,859,962	11,853,616	65,803,710
(12,539,501)	553,989	(18,190,134)
1,138,151	605,000	3,438,190
-	-	5,085,000
-	167,028	477,845
300,000	-	1,350,505
(1,447,000)	(822,399)	(2,373,702)
(8,849)	(50,371)	7,977,838
(12,548,350)	503,618	(10,212,296)
20,983,723	11,236,805	41,981,252
$ 8,435,373	$ 11,740,423	$ 31,768,956

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, 2008

Net change in fund balances - total governmental funds	$ (10,212,296)
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	18,213,473
Less: Some items are reported as capital outlay but not capitalized	(3,613,282)
Depreciation is reported in the government-wide statements	(2,624,779)
Change in land held for resale	17,944
Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net assets.	(861,990)
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.	(1,621,336)
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 ($3,726,384 G.O. debt, $71,053 other debt, and $6,551,824 capital leases) were more than issues ($3,438,190 G.O. debt and $5,085,000 capital leases).	1,826,071
Other post-employment benefit liability	(2,752,615)
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.	(70,851)
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	(201,487)
Accrued interest on debt	(7,582)
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.	(1,295,220)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ (3,203,950)

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
December 31, 2008

	Business-type Activities - Enterprise Funds				
	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
ASSETS					
Current Assets					
Cash and investments	$ 277,637	$ 1,710,458	$ 682,959	$ 2,671,054	$ 3,898,974
Receivables					
Taxes	-	-	530,980	530,980	-
Accounts	850,622	2,812,410	446,721	4,109,753	71,943
Accrued interest	11,513	8,012	-	19,525	-
Other	57,592	383,223	-	440,815	-
Due from other governmental units	1,307	12,303	108,442	122,052	1,780
Current portion of advance	-	173,775	-	173,775	-
Inventories	46,595	-	110,264	156,859	-
Restricted Assets					
Bond redemption account	276,862	2,758,750	-	3,035,612	-
Replacement account	-	2,693,099	-	2,693,099	-
Total Current Assets	1,522,128	10,552,030	1,879,366	13,953,524	3,972,697
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	1,870,550	1,158,000	427,536	3,456,086	1,575,475
Capital Assets					
Land	918,627	1,386,282	1,270,000	3,574,909	-
Construction in progress	-	373,022	260,011	633,033	-
Land improvements	-	-	702,418	702,418	-
Buildings	4,059,123	65,108,278	2,700,605	71,868,006	-
Machinery, equipment, and vehicles	1,807,961	1,418,759	4,216,203	7,442,923	67,165
Infrastructure	34,402,907	14,242,051	9,453,643	58,098,601	-
Less: Accumulated depreciation	(9,731,874)	(39,754,835)	(5,510,215)	(54,996,924)	(40,463)
Total Capital Assets, Net	31,456,744	42,773,557	13,092,665	87,322,966	26,702
Other Assets					
Advances to other funds	-	1,011,687	-	1,011,687	-
Preliminary survey and engineering	-	-	-	-	-
Property held for future use	52,000	-	-	52,000	-
Unamortized debt issuance costs	188,171	27,263	-	215,434	-
Total Other Assets	240,171	1,038,950	-	1,279,121	-
Total Non-Current Assets	33,567,465	44,970,507	13,520,201	92,058,173	1,602,177
Total Assets	35,089,593	55,522,537	15,399,567	106,011,697	5,574,874

	Business-type Activities - Enterprise Funds				
	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
LIABILITIES					
Current Liabilities					
Accounts payable	$ 155,619	$ 158,722	$ 68,692	$ 383,033	$ 23,523
Claims payable	-	-	-	-	2,075,478
Due to other funds	-	-	658	658	-
Compensated absences	11,538	104,329	80,729	196,596	-
Current maturities of general obligation debt	52,249	43,131	151,839	247,219	-
Current portion of advances	173,775	-	-	173,775	-
Unearned revenue	-	-	530,980	530,980	-
Other current liabilities	-	-	19,222	19,222	-
Current Liabilities Payable From Restricted Assets					
Current maturities of revenue debt	695,000	4,090,000	-	4,785,000	-
Accrued interest	172,098	41,448	25,327	238,873	-
Total Current Liabilities	1,260,279	4,437,630	877,447	6,575,356	2,099,001
Noncurrent Liabilities					
General obligation debt, less current maturities	2,325,582	1,289,365	2,066,223	5,681,170	-
Compensated absences	5,957	119,965	107,647	233,569	-
Other post-employment benefits	11,552	51,024	46,209	108,785	
Revenue debt, less current maturities	22,330,000	-	-	22,330,000	-
Unamortized premium	-	44,719	-	44,719	-
Unamortized discount	(215,261)	-	-	(215,261)	-
Unamortized loss on advance refunding	(608,818)	(87,015)	-	(695,833)	-
Advances from other funds	1,011,687	-	484,000	1,495,687	-
Total Long-Term Debt	24,860,699	1,418,058	2,704,079	28,982,836	-
Total Liabilities	26,120,978	5,855,688	3,581,526	35,558,192	2,099,001
NET ASSETS					
Invested in capital assets, net of related debt	7,739,706	37,369,597	11,292,512	56,401,815	26,702
Restricted for debt service	116,277	3,884,666	-	4,000,943	-
Restricted for replacement	-	2,693,099	-	2,693,099	-
Unrestricted	1,112,632	5,719,487	525,529	7,357,648	3,449,171
TOTAL NET ASSETS	$ 8,968,615	$ 49,666,849	$ 11,818,041	$ 70,453,505	$ 3,475,873
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				535,538	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES				$ 70,989,043	

See accompanying notes to financial statements.

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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, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	
OPERATING REVENUES					
Charges for services	$ 4,506,622	$ 6,814,875	$ 2,490,462	$ 13,811,959	$ 9,434,032
Other	186,809	374,816	41,011	602,636	1,780
Total Operating Revenues	4,693,431	7,189,691	2,531,473	14,414,595	9,435,812
OPERATING EXPENSES					
Operation and maintenance	1,507,540	3,840,696	3,830,282	9,178,518	4,018,709
Contractual services	406,602	773,105	220,341	1,400,048	6,922,664
Depreciation	1,088,765	2,385,634	413,130	3,887,529	3,026
Total Operating Expenses	3,002,907	6,999,435	4,463,753	14,466,095	10,944,399
Operating Income (Loss)	1,690,524	190,256	(1,932,280)	(51,500)	(1,508,587)
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	-	1,110,216	1,110,216	-
Investment income	158,553	305,789	28,449	492,791	3,306
Interest expense	(1,107,747)	(277,102)	(74,007)	(1,458,856)	-
Amortization of debt issuance expense	(151,453)	34,912	-	(116,541)	-
General property taxes	-	-	594,530	594,530	-
Amortization of loss on early retirement of debt	-	(173,970)	-	(173,970)	-
Loss on sale of property	-	-	9,107	9,107	-
Total Nonoperating Revenues (Expenses)	(1,100,647)	(110,371)	1,668,295	457,277	3,306
Income (loss) before contributions and transfers	589,877	79,885	(263,985)	405,777	(1,505,281)
Capital contributions	286,578	101,313	546,321	934,212	-
Transfers in	1,300,000	-	107,590	1,407,590	444,085
Transfers out	(384,393)	-	-	(384,393)	(444,085)
Change in Net Assets	1,792,062	181,198	389,926	2,363,186	(1,505,281)
TOTAL NET ASSETS - Beginning	7,176,553	49,485,651	11,428,115		4,981,154
TOTAL NET ASSETS - ENDING	$ 8,968,615	$ 49,666,849	$ 11,818,041		$ 3,475,873
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				(210,061)	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES				$ 2,153,125	

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
For the Year Ended December 31, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	$ 4,503,773	$ 7,023,386	$ 2,461,821	$ 13,988,980	$ 9,440,310
Paid to suppliers for goods and services	(1,241,234)	(3,016,656)	(1,982,682)	(6,240,572)	(10,335,070)
Payments to employees for services	(598,767)	(1,517,685)	(2,015,203)	(4,131,655)	(514,351)
Net Cash Flows from Operating Activities	2,663,772	2,489,045	(1,536,064)	3,616,753	(1,409,111)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants received	-	-	1,341,704	1,341,704	-
Transfers out	-	-	-	-	(444,085)
Transfers in	1,300,000	-	-	1,300,000	444,085
Property taxes received	(384,393)	-	594,530	210,137	-
Non-capital advance (and repayment)	(165,317)	165,317	50,000	50,000	-
Net Cash Flows from Noncapital Financing Activities	750,290	165,317	1,986,234	2,901,841	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Debt retired	(710,385)	(2,831,963)	(127,996)	(3,670,344)	-
Interest paid	(1,108,996)	(293,398)	(71,563)	(1,473,957)	-
Proceeds from issuance of new debt	924,927	316,527	712,876	1,954,330	-
Acquisition and construction of capital assets	(4,226,715)	(602,388)	(868,954)	(5,698,057)	-
Construction grants received	-	-	55,531	55,531	-
Contributions received for construction	98,234	-	-	98,234	-
Salvage on retirement of plant	-	-	9,107	9,107	
Cost of removal of property retired	(14,915)	-	-	(14,915)	-
Net Cash Flows from Capital and Related Financing Activities	(5,037,850)	(3,411,222)	(290,999)	(8,740,071)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	171,154	307,531	136,039	614,724	3,306
Net Cash Flows from Investing Activities	171,154	307,531	136,039	614,724	3,306
Net Increase (Decrease) in Cash and Cash Equivalents	(1,452,634)	(449,329)	295,210	(1,606,753)	(1,405,805)
CASH AND CASH EQUIVALENTS - Beginning	3,877,683	7,611,636	815,285	12,304,604	5,304,779
CASH AND CASH EQUIVALENTS - ENDING	$ 2,425,049	$ 7,162,307	$ 1,110,495	$ 10,697,851	$ 3,898,974

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Non-Major Enterprise Funds	Totals	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (Loss)	$ 1,690,524	$ 190,256	$ (1,932,280)	$ (51,500)	$ (1,508,587)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities					
Depreciation charged to other funds	20,397	-	-	20,397	-
Depreciation expense	1,088,765	2,385,634	413,130	3,887,529	3,026
Changes in Assets and Liabilities					
Accounts receivable	(208,748)	(153,080)	(68,049)	(429,877)	6,278
Inventories	8,396	-	10,740	19,136	-
Accounts payable	51,776	(3,052)	(42,039)	6,685	(34,767)
Due to/from other funds	106	(921)	-	(815)	-
Accrued compensated absences	2,989	31,488	-	34,477	-
Other post-employment benefits	11,552	51,023	46,209	108,784	-
Payable to other funds	-	-	658	658	-
Due from other governments	-	(12,303)	(1,604)	(13,907)	(1,780)
Other current liabilities	(1,985)	-	37,171	35,186	-
Claims payable	-	-	-	-	126,719
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 2,663,772	$ 2,489,045	$ (1,536,064)	$ 3,616,753	$ (1,409,111)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS					
Cash and investments - statement of net assets	$ 277,637	$ 1,710,458	$ 682,959	$ 2,671,054	$ 3,898,974
Restricted cash and investments - statement of net assets:					
Bond redemption account	276,862	2,758,750	-	3,035,612	-
Replacement account	-	2,693,099	-	2,693,099	-
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	$ 2,425,049	$ 7,162,307	$ 1,110,495	$ 10,697,851	$ 3,898,974

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During 2008, $101,313 of sewer capital assets were contributed by the City.
During 2008, $240,707 of water capital assets were contributed by the City.
During 2008, $450,811 of storm capital assets were contributed by the City.

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2008

	Agency Fund Tax Collection Fund
ASSETS	
Cash and investments	$ 8,342,574
Property taxes receivable	13,563,560
TOTAL ASSETS	$ 21,906,134
LIABILITIES	
Due to other taxing units	$ 21,906,134
TOTAL LIABILITIES	$ 21,906,134

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF NET ASSETS - COMPONENT UNITS
December 31, 2008

	Major Community Development Authority	Non-Major	Totals
ASSETS			
Current Assets			
Cash and investments	$ 1,387,804	$ 570,956	$ 1,958,760
Receivables			
Accounts	76,501	-	76,501
Special assessments	-	130,084	130,084
Accrued interest	-	340	340
Due from other governmental units	13,531	-	13,531
Prepaid items	1,637	-	1,637
Total Current Assets	1,479,473	701,380	2,180,853
Non-Current Assets			
Restricted Assets			
Cash and investments	2,147,904	-	2,147,904
Total Restricted Assets	2,147,904	-	2,147,904
Capital Assets			
Land	414,539	-	414,539
Construction in progress	70,094	-	70,094
Buildings	3,640,214	-	3,640,214
Machinery, equipment, and vehicles	4,582,848	-	4,582,848
Less: Accumulated depreciation	(5,783,495)	-	(5,783,495)
Total Capital Assets, Net	2,924,200	-	2,924,200
Other assets			
Lease receivable from primary government	14,882,096	-	14,882,096
Total Other Assets	14,882,096	-	14,882,096
Total Non-Current Assets	19,954,200	-	19,954,200
Total Assets	21,433,673	701,380	22,135,053
LIABILITIES			
Current Liabilities			
Accounts payable	12,769	21,575	34,344
Accrued liabilities	53,586	-	53,586
Due to primary government	63,580	84,976	148,556
Unearned revenues	1,191	130,084	131,275
Deposits	77,532	-	77,532
Total Current Liabilities	208,658	236,635	445,293
Noncurrent Liabilities			
Compensated absences	22,483	-	22,483
Lease revenue bonds payable	17,030,000	-	17,030,000
Library campaign pledge	-	250,000	250,000
Total Noncurrent Liabilities	17,052,483	250,000	17,302,483
Total Liabilities	17,261,141	486,635	17,747,776
NET ASSETS			
Invested in capital assets	2,924,200	-	2,924,200
Restricted for grant programs	1,247,702	5,433	1,253,135
Unrestricted	630	209,312	209,942
TOTAL NET ASSETS	$ 4,172,532	$ 214,745	$ 4,387,277

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF ACTIVITIES - COMPONENT UNITS
Year Ended December 31, 2008

	Major Community Development Authority	Non-major	Totals
EXPENSES			
Community development	$ 5,226,189	$ -	$ 5,226,189
Economic development	-	183,789	183,789
Library services	-	278,163	278,163
Total Expenses	5,226,189	461,952	5,688,141
PROGRAM REVENUES			
Charges for services	249,422	211,119	460,541
Operating grants and contributions	3,731,525	28,156	3,759,681
Total Program Revenues	3,980,947	239,275	4,220,222
Net (Expense) Revenue	(1,245,242)	(222,677)	(1,467,919)
GENERAL REVENUES			
Investment income	1,139,199	(135,976)	1,003,223
Miscellaneous	(80,093)	-	(80,093)
Total General Revenues	1,059,106	(135,976)	923,130
Change in Net Assets	(186,136)	(358,653)	(544,789)
TOTAL NET ASSETS - Beginning (as restated)	4,358,668	573,398	4,932,066
TOTAL NET ASSETS - ENDING	$ 4,172,532	$ 214,745	$ 4,387,277

See accompanying notes to financial statements

CITY OF BELOIT

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December 31, 2008

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CITY OF BELOIT

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NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the primary government.

Included within the reporting entity:

City of Beloit Community Development Authority

The government-wide financial statements include the City of Beloit Community Development Authority ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the city council. Wisconsin Statutes provide for circumstances whereby the City can impose their will on the CDA, and also create a potential financial benefit to or burden on the City (see Note IV.I.). As a component unit, the CDA's financial statements are shown as a discrete column (proprietary) in the financial statements. The information presented is for the fiscal year ended December 31, 2008. Additional information may be obtained from the CDA's office.

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

A. *REPORTING ENTITY* (cont.)

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

The district was created under the provisions of Wisconsin Statute Section 66.608. The district, created in 1989, is a legally separate entity with a separate thirteen member board appointed and approved by the city council. Wisconsin Statutes provide circumstances whereby the City can impose its will on the district, and also create a potential financial benefit to or burden on the City. The members serve staggered terms as designated by the city council. A majority of the members own or occupy real property in the district. The district has its own budgetary authority and assessment capabilities (see Note IV.I.). As a component unit, the district's financial statements are shown as a discrete column (proprietary) in the financial statements. The information presented is for the fiscal year ended December 31, 2008. 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, 2008. Separately issued financial statements of the Foundation may be obtained from the Foundation's office.

B. *GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS*

New Accounting Standard

In June 2004, the GASB issued Statement No. 45 – *Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, regulation, and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

The City made the decision to implement this standard effective January 1, 2008.

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.

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

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

Government-Wide Financial Statements (cont.)

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

Fund Financial Statements

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

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

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

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

b. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.

c. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major governmental funds:

General Fund – accounts for the City's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.
TIF District No. 9 – Special Revenue Fund – accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing.
TIF District No. 10 – Special Revenue Fund – accounts for resources legally restricted to supporting expenditures of the district.
General Debt Service – accounts for resources accumulated and payments made for principal and interest on long-term debt other than TIF or enterprise fund debt.
Capital Improvements – Capital Projects Fund – accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects.

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

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
Equipment Replacement
Computer Replacement

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

Golf Course
Cemeteries
Ambulance
Storm Sewer
Transit System

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

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

Fund Financial Statements (cont.)

In addition, the City reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

Equipment Operations
General Liability Insurance
Health Insurance
Retiree Health Insurance

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

Tax Collections

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

Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and 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.

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.

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.

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 includes custodial credit risk, credit risk, and concentration of credit risk.

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2008, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

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

See Note IV.A. for further information.

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

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

2. *Receivables*

Property Taxes

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

Property tax calendar – 2008 tax roll:

Lien date and levy date	December 2008
Tax bills mailed	December 2008
Payment in full, or	January 31, 2009
First installment due	January 31, 2009
Second installment due	March 31, 2009
Third installment due	May 31, 2009
Fourth installment due	July 31, 2009
Personal property taxes in full	January 31, 2009
Tax sale – 2008 delinquent real estate taxes	October 2011

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.

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

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

2. Receivables (cont.)

Loans

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as economic development and housing rehabilitation loans receivable has been reduced by an allowance for uncollectible accounts of $35,959.

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.

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	20-100 Years

Fund Financial Statements

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

6. *Other Assets*

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

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

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

7. Compensated Absences

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

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2008 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 $526,603, made up of one issue.

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. 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.

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

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

10. Equity Classifications

Government-Wide Statements

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

a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

The amount is a reduction of "invested in capital assets, net of related debt," and an increase in "unrestricted" net assets, shown only in the total column of $4,519,463.

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

Fund Statements

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

11. Basis for Existing Rates

Water Utility

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

Sewer Utility

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

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

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

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

Land	$ 4,392,964
Construction in progress	5,486,595
Land improvements	101,854
Buildings and improvements	15,165,406
Machinery and equipment	18,333,052
Other improvements	5,316,246
Infrastructure	63,634,126
Less: Accumulated depreciation	(27,445,439)
Less: Internal service fund capital assets, net of depreciation	(26,702)
Capital Assets	$ 84,958,102

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 $73,417,898 difference in liabilities are as follows:

Bonds and notes payable	$ 52,967,110
Unamortized debt premium/discount/cost of issuance/loss on advance refunding	(679,091)
Compensated absences	2,062,499
Other post-employment benefit liabilities	2,752,615
Other debt	235,479
Capital leases	15,670,044
Accrued interest	409,242*
Net Adjustment to Reduce Fund Balance – Total Governmental Funds to Arrive at Net Assets – Governmental Activities	$ 73,417,898

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

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds. Budgetary comparisons are not required for proprietary funds. A budget has been adopted for all funds with the exception of the following special revenue funds: 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 2008. 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.

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, 2008:

	Excess
Special Revenue	
TIF District No. 10 (major fund)	$ 5,695,363*
TIF District No. 8	9,489
TIF District No. 13	3,800
Fire	6,623
Capital Projects	
Computer Replacement	43,457

*These overages are due to debt refunding in the component unit which affect the reporting of leases payable.

C. DEFICIT BALANCES

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

As of December 31, 2008, the following individual funds held a deficit balance:

Fund	Amount	Reason
Special Revenue – TIF District No. 6	$ 538,729	Excess expenditures over revenues
Special Revenue – TIF District No. 8	578,880	Excess expenditures over revenues
Special Revenue – TIF District No. 9	3,456,632	Excess expenditures over revenues
Special Revenue – TIF District No. 12	339,350	Excess expenditures over revenues
Special Revenue – TIF District No. 14	14,052	Excess expenditures over revenues
Special Revenue – Neighborhood Development Initiative	62,289	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.

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Statement Balance	Associated Risks
Money market (mutual funds)	$ 3,333,214	$ 3,333,214	Credit risk, interest rate risk
Demand deposits	10,067,960	6,975,640	Custodial credit risk
U.S. agencies – implicitly guaranteed	28,414,390	28,414,390	Custodial credit risk, interest rate risk, credit risk, concentration of credit risk
U.S. agencies – explicitly guaranteed	826,342	826,342	Custodial credit risk, interest rate risk
Corporate bonds	4,433,732	4,433,732	Credit risk, custodial credit risk, concentration of credit risk, interest rate risk
LGIP	8,084,400	8,084,400	Credit risk, interest rate risk
CLASS	1,824,649	1,824,649	Credit risk, interest rate risk
Petty cash	8,632	-	N/A
Total Cash and Investments	$ 56,993,319	$ 53,892,367	

Reconciliation to financial statements	
Per statement of net assets	
Unrestricted cash and investments	$ 39,462,861
Restricted cash and investments	9,187,884
Per statement of net assets – Fiduciary Funds	
Agency	8,342,574
Total Cash and Investments	$ 56,993,319

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

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

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

A. *DEPOSITS AND INVESTMENTS* (cont.)

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. This coverage expired on February 15, 2009.

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

SIPC membership provides account protection up to a maximum of $500,000 per customer, of which $100,000 may be in cash. Additionally, through Lloyds of London, City accounts have additional securities coverage of $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, 2008, the banks had pledged various government securities in the amount of $7,242,338 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, 2008, the City had no bank balances exposed to custodial credit risk.

As of the December 31, 2008, the City had no investments exposed to custodial credit risk.

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

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

A. *DEPOSITS AND INVESTMENTS* (cont.)

Credit Risk

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

As of December 31, 2008, the City's investments were rated as follows:

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

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

LGIP

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

Concentration of Credit Risk

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

At December 31, 2008, the investment portfolio was concentrated as follows:

Concentration of Credit Risk by Issuer and Dealer:

Issuer	Fair Value	Percentage of Portfolio
Federal Farm Credit Bank (FFCB)	$ 1,915,515	6%
Federal Home Loan Bank (FHLB)	15,130,311	45
Federal Home Loan Mortgage Co. (FHLMC)	5,343,974	16
Federal National Mortgage Assoc. (FNMA)	6,024,590	18
Sub-Total – Implicitly Guaranteed	28,414,390	85
Government National Mortgage Assoc (GNMA)	826,342	2
Sub-Total – Explicitly Guaranteed	826,342	2
Corporate Bonds	4,433,732	13
Total Portfolio	$ 33,674,464	100%

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

A. *DEPOSITS AND INVESTMENTS* (cont.)

Concentration of Credit Risk (cont.)

Concentration of Credit Risk (by Dealer):

Dealer	Fair Value	Percentage of Portfolio
Multi-Bank Securities, Inc.	$ 3,592,395	11%
Smith Barney Citigroup	9,050,064	27
Vining Sparks	12,190,059	36
Coastal Securities	7,683,946	23
Societe Generale	1,158,000	3
Total Portfolio	$ 33,674,464	100%

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

Interest Rate Risk

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

As of December 31, 2008, the City's investments were as follows:

			Maturity			
Investment Type	Fair Value	Percentage of Portfolio	Less than 1 Yr.	1 to 5 Yrs.	6 to 10 Yrs.	More Than 10
Federal Agency Coupon Securities	$ 25,820,552	55%	$ 2,121,258	$ 5,900,633	$ 15,041,179	$ 2,757,482
Federal Agency Disc.- At Cost	1,882,056	4	1,882,056	-	-	-
Pass-Through Securities (MBS)	1,538,124	3	217,392	1,320,732	-	-
Corporate bonds	4,433,732	9	3,783,732	650,000	-	-
LGIP (1)	8,084,400	17	8,084,400	-	-	-
CLASS	1,824,649	5	1,824,649	-	-	-
Money Market Funds (Federated)	3,333,214	7	3,333,214	-	-	-
Totals	$ 46,916,727		$ 19,422,052	$ 7,871,365	$ 15,041,179	$ 2,757,482

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

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

B. RECEIVABLES

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

General Fund – delinquent personal property taxes	$ 81,833
Capital Projects – capital improvement – special assessments	965,606
Nonmajor Governmental Funds – loans	3,405,605
Governmental Activities – Total Amount Not Expected to be Collected Within One Year	$ 4,453,044

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	$ 539,332	$ (277,394)*
Governmental Fund Types – economic development loans	35,959	(75,619)
Business Type – ambulance receivables	501,569	(52,964)
Total Uncollectibles	$ 1,076,860	$ (405,977)

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	$ -	$ 17,171,369	$ 17,171,369
Loans receivable	3,405,605	-	3,405,605
Accounts receivable – noncurrent	773,638	-	773,638
Investment income – noncurrent	89,260	-	89,260
Special assessments	979,363	-	979,363
Total Deferred/Unearned Revenue for Governmental Funds	$ 5,247,866	$ 17,171,369	$ 22,419,235

* $2,856,650 of prior year municipal court receivables were written off during 2008.

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long Term Debt Accounts

Redemption – Used to segregate resources accumulated for debt service payments over the next twelve months.

Reserve – Used to report resources set aside to make up potential future deficiencies in the redemption account.

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

C. *RESTRICTED ASSETS* (cont.)

Equipment Replacement Account

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

Following is a list of restricted assets at December 31, 2008:

	Water	Sewer	Transit
Bond redemption account	$ 276,862	$ 2,758,750	$ -
Equipment replacement account	-	2,693,099	-
Bond reserve account	1,870,550	1,158,000	427,536
Total Enterprise Fund Restricted Assets	$ 2,147,412	$ 6,609,849	$ 427,536

Impact Fee Account

The City has received impact fees of $3,087 which must be spent in accordance with local ordinance and state statutes. Any unspent funds must be refunded to the current property owner.

D. *CAPITAL ASSETS*

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	$ 4,232,467	$ 200,000	$ 39,503	$ 4,392,964
Construction in progress	236,402	5,250,193	-	5,486,595
Total Capital Assets Not Being Depreciated	4,468,869	5,450,193	39,503	9,879,559
Capital assets being depreciated				
Land improvements	735,724	-	633,870	101,854
Buildings	15,137,485	27,921	-	15,165,406
Machinery, equipment, and vehicles	17,375,711	1,752,880	795,539	18,333,052
Other improvements	4,330,313	985,933	-	5,316,246
Streets	46,497,828	5,388,012	223,139	51,662,701
Street lights	2,863,619	995,256	-	3,858,875
Traffic signals	2,562,159	-	-	2,562,159
Bridges	5,550,391	-	-	5,550,391
Total Capital Assets Being Depreciated	95,053,230	9,150,002	1,652,548	102,550,684

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

D. CAPITAL ASSETS (cont.)

Governmental Activities (cont.)	Beginning Balance	Additions	Deletions	Ending Balance
Less: Accumulated depreciation for				
Land improvements	$ (68,750)	$ (4,583)	$ -	$ (73,333)
Buildings	(4,417,608)	(276,691)	-	(4,694,299)
Machinery, equipment, and vehicles	(8,186,704)	(1,365,063)	479,007	(9,072,760)
Other improvements	(1,610,735)	(163,853)	-	(1,774,588)
Streets	(8,418,335)	(571,207)	351,057	(8,638,485)
Street lights	(509,726)	(63,724)	-	(573,450)
Traffic signals	(1,131,618)	(97,436)	-	(1,229,054)
Bridges	(1,304,221)	(85,249)	-	(1,389,470)
Total Accumulated Depreciation	(25,647,697)	(2,627,806)	830,064	(27,445,439)
Net Capital Assets Being Depreciated	69,405,533	6,522,196	822,484	75,105,245
Total Governmental Activities – Capital Assets, Net of Depreciation	$ 73,874,402			$ 84,984,804

Depreciation expense was charged to functions as follows:

Governmental Activities	
Finance and administrative services	$ 162,989
Finance and administrative services (internal service)	3,027
Community development	4,601
Public safety – police	192,541
Public safety – fire	232,715
Public works, which includes the depreciation of infrastructure	2,002,997
Library	28,936
Total Governmental Activities Depreciation Expense	$ 2,627,806

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

D. CAPITAL ASSETS (cont.)

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	$ 3,392,909	$ 182,000	$ -	$ 3,574,909
Construction in progress	154,562	478,471	-	633,033
Total Capital Assets Not Being Depreciated	3,547,471	660,471	-	4,207,942
Other capital assets				
Land improvements	702,418	-	-	702,418
Buildings	4,334,233	2,425,495	-	6,759,728
Machinery, equipment, and Vehicles	7,296,878	146,045	-	7,442,923
Sewer mains	13,727,115	514,936	-	14,242,051
Sewer treatment facility	65,090,617	23,548	5,887	65,108,278
Water mains	32,723,251	1,811,707	132,051	34,402,907
Storm infrastructure	8,264,030	1,197,880	8,267	9,453,643
Total Capital Assets Being Depreciated	132,138,542	6,119,611	146,205	138,111,948
Less: Accumulated depreciation for				
Land improvements	(531,741)	(22,862)	-	(554,603)
Buildings	(1,387,548)	(145,619)	-	(1,533,167)
Machinery, equipment, and vehicles	(3,258,609)	(408,444)	-	(3,667,053)
Sewer mains	(3,351,682)	(142,164)	-	(3,493,846)
Sewer treatment facility	(33,273,769)	(2,174,560)	(5,887)	(35,442,442)
Water mains	(7,553,954)	(906,229)	(146,963)	(8,313,220)
Storm infrastructure	(1,892,809)	(99,784)	-	(1,992,593)
Total Accumulated Depreciation	(51,250,112)	(3,899,662)	(152,850)	(54,996,924)
Business-type Capital Assets, Net of Depreciation	80,888,430	2,219,949	(6,645)	83,115,024
Total Business-type Capital Assets, Net of Depreciation	$ 84,435,901			$ 87,322,966

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities	
Water	$ 1,088,765
Sewer	2,385,634
Storm	108,048
Transit	273,694
Golf Course	28,366
Cemetery	3,022
Total Business-type Activities Depreciation Expense	$ 3,887,529

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:

Receivable Fund	Payable Fund	Amount
General fund	Enterprise – Golf utility	$ 658
General fund	Special Revenue – Fleet replacement	356,865
General fund	Special Revenue – TIF District No. 8	28,880
General fund	Special Revenue – TIF District No. 12	14,351
General fund	Special Revenue – TIF District No. 14	14,052
General fund	Special Revenue – Community development	206,677
General fund	Special Revenue – Solid waste	213,000
General fund	Special Revenue – Fire	6,623
General fund	Special Revenue – Neighborhood development initiative	60,761
Sub-total – Fund financial statements		901,867
Less: Allocation of internal service funds		(535,538)
Less: Fund eliminations		(901,209)
Total – Government-Wide Statement of Net Assets		$ (534,880)

All amounts are due within one year.

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

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

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

Interfund Receivables/Payables (cont.)

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

Advances

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

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

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Totals	Amount Not Due in One Year
General fund	Special Revenue – TIF District No. 12	$ 325,000	$ 325,000
General fund	Special Revenue – TIF District No. 6	450,352	450,352
General debt service fund	Debt Service – TIF District No. 8	550,000	550,000
General fund	Enterprise – Golf course fund	484,000	484,000
General debt service fund	Special Revenue – TIF District No. 6	367,626	367,626
General debt service fund	Special Revenue – TIF District No. 9	1,071,665	1,071,665

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

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

Advances (cont.)

Receivable Fund	Payable Fund	Totals	Amount Not Due in One Year
Capital improvement program	Special Revenue – TIF District No. 6	$ 557,194	$ 557,194
Capital improvement program	Special Revenue – TIF District No. 9	2,393,875	2,393,875
Enterprise – Sewer utility	Enterprise – Water utility	1,185,462	1,011,687
Sub-Totals		7,385,174	7,211,399
Less: Fund eliminations		(6,901,174)	(6,727,399)
Totals		$ 484,000	$ 484,000

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

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

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

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

	Balance 1-1-08	Increases	Decreases	Balance 12-31-08
Advance from sewer utility	$ 1,350,779	$ -	$ 165,317	$ 1,185,462
Totals	$ 1,350,779	$ -	$ 165,317	$ 1,185,462

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:

Years	Principal	Interest
2009	$ 173,775	$ 55,326
2010	182,666	46,436
2011	192,011	37,090
2012	201,835	27,267
2013	212,161	16,941
2014	223,014	6,086
Totals	$ 1,185,462	$ 189,146

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Purpose
General Fund	Water Utility	$ 384,393	Payment in lieu of tax
Cemeteries Utility	Special Revenue – Perpetual Care	107,590	Fund cemeteries utility projects
Water Utility	Capital Projects – Capital Improvement Program	1,300,000	Fund water utility projects
Debt Service – General Debt Service	Special Revenue – TIF District No. 8	253,796	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	98,303	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 11	58,547	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 12	56,528	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 13	45,938	Debt service
Debt Service – General Debt Service	Capital Improvement Program	147,000	Debt service
Capital Projects – Capital Improvement Program	DPW Multi-Year Grants	50,000	Park impact fees
Capital Projects – Capital Improvement Program	Library	250,000	Library capital projects
Internal Service – Retiree Health Insurance	Internal Service – Health Insurance	444,085	Fund retirees
Sub-Total – Fund Financial Statements		3,202,180	
Less: Fund eliminations		(1,734,898)	
Less: Allocation of internal service funds		(444,085)	
Total – Government-wide Statement of Activities		$ 1,023,197	

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

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

Transfers (cont.)

Fund Transferred To	Fund Transferred From	Amount
Business-type Activities	Governmental Activities	$ 1,407,590
Governmental Activities	Business-type Activities	(384,393)
Total Government-wide Financial Statements		$ 1,023,197

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable					
General Obligation Debt					
General	$ 53,255,304	$ 3,438,190	$ 3,726,384	$ 52,967,110	$ 4,147,252
Add/(Subtract) Deferred Amounts For:					
(Discounts)	(320,258)	-	(21,238)	(299,020)	-
Premiums	43,540	-	2,639	40,901	-
Loss on advance refunding	(143,591)	-	(28,718)	(114,873)	-
Sub-totals	52,834,995	3,438,190	3,679,067	52,594,118	4,147,252
Other Liabilities					
Compensated Absences					
Sick leave	708,180	313,795	247,863	774,112	270,939
Vacation	1,152,832	1,288,387	1,152,832	1,288,387	1,288,387
Other post-employment benefit liability	-	2,752,615	-	2,752,615	-
Other Debt					
Alliant	97,532	-	61,053	36,479	36,479
Town of Turtle	130,000	-	10,000	120,000	10,000
WHEDA	79,000	-	-	79,000	-
Capital Leases					
Payable to component unit	16,260,689	5,085,000	6,462,693	14,882,996	830,000
Other capital leases	876,179	-	89,131	787,048	90,152
Total Other Liabilities	19,304,412	9,439,797	8,023,572	20,720,637	2,525,957
Total Governmental Activities Long-Term Liabilities	$ 72,139,407	$ 12,877,987	$ 11,702,639	$ 73,314,755	$ 6,673,209

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

F. LONG-TERM OBLIGATIONS (cont.)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable					
General obligation debt	$ 4,169,402	$ 1,954,330	$ 195,343	$ 5,928,389	$ 247,219
Revenue bonds	30,590,000	-	3,475,000	27,115,000	4,785,000
Add/(Subtract) Deferred Amounts For					
Refundings (Losses)	(991,567)	-	(295,734)	(695,833)	-
(Discounts)	(228,868)	-	(13,607)	(215,261)	-
Premiums	134,157	-	89,438	44,719	-
Sub-total	33,673,124	1,954,330	3,450,440	32,177,014	5,032,219
Other Liabilities					
Compensated absences	383,183	170,076	123,094	430,165	196,596
Other post-employment benefit liability	-	108,785	-	108,785	-
Sub-total	383,183	278,861	123,094	538,950	196,596
Total Business-type Activities Long-Term Liabilities	$ 34,056,307	$ 2,233,191	$ 3,573,534	$ 32,715,964	$ 5,228,815

General Obligation Debt

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

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2008, was $85,937,560. Total general obligation debt outstanding at year end was $58,895,499.

	Date of Issue	Due Date	Interest Rates	Original Indebted-ness	Balance 12-31-08
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	$ 1,200,000
General obligation promissory notes Series 1999B	5-1-99	5-1-09	4.00-4.20	1,766,000	294,121
General obligation corporate purpose bonds Series 2000	6-1-00	12-1-14	4.70-5.55	3,285,000	1,360,000
General obligation promissory notes	6-1-00	12-1-09	5.10-5.35	1,620,000	220,000

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

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

General Obligation Debt (cont.)

	Date of Issue	Due Date	Interest Rates	Original Indebted-ness	Balance 12-31-08
Governmental Activities – General Obligation Debt (cont.)					
General obligation refunding bonds Series 2001A	3-1-01	10-1-14	4.00-4.70	$ 3,141,100	$ 1,620,000
General obligation promissory notes Series 2001B	6-1-01	12-1-10	3.50-4.50	721,080	195,025
General obligation corporate purpose bonds Series 2001C	6-1-01	12-1-15	4.25-4.875	2,710,000	1,512,615
General obligation corporate purpose bonds Series 2002A	5-1-02	11-1-17	3.50-4.80	1,790,000	1,190,000
General obligation corporate purpose bonds Series 2002B	5-1-02	11-1-11	3.00-4.35	860,000	298,046
General obligation corporate purpose bonds Series 2003A	4-1-03	4-1-12	3.00-4.60	3,150,000	2,600,000
General obligation promissory notes Series 2003B	4-1-03	4-1-11	2.00-3.80	2,753,366	629,759
Taxable general obligation refunding bonds Series 2003C	2-1-03	3-1-12	4.00-4.750	3,770,000	2,970,000
General obligation promissory notes Series 2004A	3-1-04	3-1-12	2.25-3.00	4,134,790	2,094,436
General obligation corporate purpose bonds Series 2004B	3-1-04	3-1-24	2.00-4.35%	3,845,000	3,230,000
General obligation corporate purpose bonds Series 2005A	5-1-05	5-1-25	3.25-4.25	6,194,486	5,173,940
General obligation promissory notes Series 2005B	5-1-05	5-1-15	3.25-3.80	916,970	809,345
General obligation community development bonds Series 2005C	5-1-05	5-1-21	4.80-5.25	1,295,000	1,245,000
2005 state trust fund loan	11-23-05	3-15-15	4.25	405,000	331,757
General obligation corporate purpose bonds Series 2006A	5-1-06	5-1-26	4.00-4.375	7,587,545	7,293,627
General obligation promissory notes Series 2006B	5-1-06	5-1-16	4.00	639,754	536,150
General obligation corporate purpose bonds Series 2007A	6-1-07	6-1-27	4.00-4.75	11,249,589	10,974,641
General obligation promissory notes Series 2007B	6-1-07	6-1-17	3.60-4.00	3,259,405	3,079,237
2007 state trust fund loan	1-26-07	3-15-26	5.5	688,000	671,221
General obligation corporate purpose bonds Series 2008	6-19-08	6-1-08	3.75-4.10	2,260,670	2,260,670
2008 state trust fund loan	6-30-08	3-15-25	4.75	1,177,520	1,177,520
Total Governmental Activities – General Obligation Debt					$ 52,967,110

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

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

General Obligation Debt (cont.)

	Date of Issue	Due Date	Interest Rates	Original Indebted-ness	Balance 12-31-08
Business-type Activities – General Obligation Debt					
General obligation promissory notes Series 1999B	5-1-99	5-1-09	4.00-4.30%	$ 34,000	$ 5,879
General obligation promissory notes Series 2001B	6-1-01	12-1-10	3.50-4.50	213,297	54,975
General obligation corporate purpose bonds Series 2001C	6-1-01	12-1-15	4.25-4.875	35,510	22,385
General obligation corporate purpose bonds Series 2002B	5-1-02	11-1-11	3.00-4.35	5,112	1,954
General obligation promissory notes Series 2003B	4-1-03	4-1-11	2.00-3.80	109,634	25,241
General obligation promissory notes Series 2004A	3-1-04	3-1-12	2.25-3.00	70,209	35,564
General obligation corporate purpose bonds Series 2005A	5-1-05	5-1-25	3.25-4.25	1,417,752	1,386,060
General obligation promissory notes Series 2005B	5-1-05	5-1-15	3.25-3.80	148,030	130,655
General obligation corporate purpose bonds Series 2006A	5-1-06	5-1-26	4.00-4.375	342,455	331,373
General obligation promissory notes Series 2006B	5-1-06	5-1-16	4.00	595,247	498,851
General obligation corporate purpose bonds Series 2007A	6-1-07	6-1-27	4.00-4.75	820,411	800,359
General obligation promissory notes Series 2007B	6-1-07	6-1-17	3.60-4.00	720,595	680,763
General obligation corporate purpose bonds Series 2008	6-19-08	6-1-08	3.75-4.10	1,954,330	1,954,330
Total Business-type Activities – General Obligation Debt					$ 5,928,389

Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
Years	Principal	Interest	Principal	Interest
2009	$ 4,147,252	$ 2,149,016	$ 247,219	$ 194,096
2010	3,875,005	1,933,538	347,491	252,614
2011	4,122,086	1,791,427	343,578	222,553
2012	4,194,954	1,645,253	353,917	191,891
2013	3,555,149	1,488,538	367,309	178,100
2014 – 2018	16,006,385	5,256,324	1,869,528	660,420
2019 – 2023	10,883,799	2,463,983	1,323,263	360,325
2024 – 2027	6,182,480	502,600	1,076,084	92,339
Totals	$ 52,967,110	$ 17,230,679	$ 5,928,389	$ 2,152,338

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

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

Capital Leases

Refer to Note IV.G.

Other Debt Information

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

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

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

Other Debt – Governmental Activities

In August 2004, the City received a loan from Alliant Energy – Wisconsin Power and Light in the amount of $292,852. The loan is at 3% interest for 60 months. Payments are due monthly. The final maturity is 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 1-1-08	Increases	Decreases	Balance 12-31-08
Alliant	$ 97,532	$ -	$ 61,053	$ 36,479
Town of Turtle	130,000	-	10,000	120,000
WHEDA	79,000	-	-	79,000
Total Other Debt	$ 306,532	$ -	$ 71,053	$ 235,479

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
2009	$ 46,479	$ -
2010	10,000	-
2011	10,000	-
2012	10,000	-
2013	10,000	-
2014 – 2018	50,000	-
2019 – 2020	20,000	-
Totals	$ 156,479	$ -

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 34% of net revenues. The total principal and interest remaining to be paid on the bonds is $39,173,417. Principal and interest paid for the current year and total customer net revenues were $4,704,387 and $5,252,688, respectively.

	Date of Issue	Due Date	Interest Rates	Original Indebted-Ness	Balance 12-31-08
Sewer Utility					
Revenue bonds	6-29-05	5-1-09	3.50-5.00%	$ 11,580,000	$ 4,090,000
Total Sewer Utility Revenue Debt					4,090,000
Water Utility					
Revenue bonds	11-12-03	11-1-28	2.00-5.00	25,210,000	9,260,000
Refunding revenue bonds	1-24-07	11-1-16	4.00-4.50	13,975,000	13,765,000
Total Water Utility Revenue Debt					23,025,000
Total Revenue Bonds					$ 27,115,000

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

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

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Business-type Activities – Revenue Debt	
	Principal	Interest
2009	$ 4,785,000	$ 1,056,488
2010	725,000	938,986
2011	760,000	915,125
2012	795,000	886,513
2013	835,000	854,714
2014 – 2018	4,865,000	3,728,596
2019 – 2023	6,285,000	2,576,714
2024 – 2028	8,065,000	1,101,281
Totals	$ 27,115,000	$ 12,058,417

Prior-Year Defeasance of Debt

In prior years, the water utility defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2008, $12,965,000 of bonds outstanding are considered defeased. The bonds are callable on November 1, 2013.

G. *LEASE DISCLOSURES*

	Balance 1-1-08	Increases	Decreases	Balance 12-31-08
Capital Leases				
Governmental Activities (to Note IV.F.)				
Payable to component unit	$ 16,260,689	$ 5,085,000	$ 6,462,693	$ 14,882,996
Other capital leases	876,179	-	89,131	787,048
Total	$ 17,136,868	$ 5,085,000	$ 6,551,824	$ 15,670,044

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 Year	TIF No. 10	TIF No. 6
2009	$ 1,435,600	$ 154,876
2010	1,519,669	176,570
2011	1,558,552	197,233
2012	1,581,729	216,795
2013	1,562,751	235,251
2014	1,611,688	252,608
2015	1,683,225	244,358
2016	1,639,468	260,483
2017	1,633,111	250,976
2018	1,589,030	256,035
2019	1,562,753	255,435
2020	1,510,013	-
2021	296,313	-
2022	281,800	-
2023	267,063	-
2024	276,263	-
2025	273,944	-
Sub-Totals	20,282,972	2,500,620
Less: Reserve funds to be applied to final principal payment	(1,938,608)	(208,396)
Less: Amount representing interest	(5,217,972)	(535,620)
Present Value of Minimum Lease Payments	$ 13,126,392	$ 1,756,604
Total TIF No. 10 and TIF No. 6		$ 14,882,996

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:

	Governmental Activities
Asset	
Machinery and equipment	$ 293,548
Less: Accumulated depreciation	(59,332)
Total	$ 234,216

The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2008, are as follows:

	Principal	Interest	Governmental Activities
2009	$ 57,443	$ 8,708	$ 66,151
2010	60,210	5,941	66,151
2011	63,109	3,042	66,151
	$ 180,762	$ 17,691	198,453
Less: Amount representing interest			(17,691)
Present Value of Minimum Lease Payments			$ 180,762

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

	Governmental Activities
Asset	
Building improvements	$ 394,912
Less: Accumulated depreciation	(49,364)
Total	$ 345,548

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, 2008, are as follows:

	Principal	Interest	Governmental Activities
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	38,549	19,581	58,130
2014 – 2018	218,391	72,260	290,651
2019 – 2022	210,050	22,470	232,520
	$ 606,286	$ 207,535	813,821
Less: Amount representing interest			(207,535)
Present Value of Minimum Lease Payments			$ 606,286

H. *NET ASSETS/FUND BALANCES*

Net assets reported on the government wide statement of net assets at December 31, 2008 includes the following:

Governmental Activities

Invested in capital assets, net of related debt	
Land	$ 4,392,964
Construction in progress	5,486,595
Other capital assets, net of accumulated depreciation	75,105,245
Less: Related long-term debt outstanding	(44,087,520)
Less: Capital leases – payable to component unit	(11,965,362)
Add: Unamortized debt discount/premium and loss on advance refunding	302,992
Add: Unspent capital bond proceeds	5,144,396
Total Invested in Capital Assets, Net of Related Debt	34,379,310

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

H. NET ASSETS/FUND BALANCES (cont.)

Governmental Activities (cont.)

Restricted	
General debt service	$ 2,549,116
TIF District No. 3 – special revenue fund	274,534
TIF District No. 5 – special revenue fund	1,177,023
Rental rehab (WRRP/HOME)	1,059,953
Community Development Block Grant	2,884,980
Fire – multi-year grants	28,195
DPW – multi-year grants	203,926
Community development	233,597
Library	267,533
Police	56,462
Cemetery perpetual care	1,690,051
Park activities	3,087
Total Restricted	10,428,457
Unrestricted	10,045,542
Total Governmental Activities Net Assets	$ 54,853,309

Governmental fund balances reported on the fund financial statements at December 31, 2008 include the following:

Reserved	
Major Funds	
General Fund	
Delinquent personal property taxes	$ 81,833
Inventories	595,017
Prepaid items	212,948
Advances to other funds	1,259,352
Total	$ 2,149,150
TIF District No. 10	
Encumbrances	$ 2,200
General Debt Service Fund	
Advances to other funds	$ 1,989,291
Debt service	969,067
Total	$ 2,958,358
Capital Improvement Program	
Advances to other funds	$ 2,951,069
Encumbrances	3,416,049
Total	$ 6,367,118

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	$ 29,025
Community Development Block Grant – encumbrances	206,253
Community Development – encumbrances	6,840
Library – fundraising	150,000
TIF District No. 3 – debt service	274,534
TIF District No. 5 – debt service	1,119,651
TIF District No. 5 – encumbrances	57,372
TIF District No. 6 – encumbrances	282,011
TIF District No. 13 – encumbrances	12,474
Capital Project Fund	
Fleet Replacement – encumbrances	99,800
Total	$ 2,237,960
Unreserved (deficit)	
Major Funds	
General Fund	$ 7,451,012
Special Revenue – TIF District No. 9	(3,456,632)
Capital Projects – Capital Improvements	2,068,255
Total	$ 6,062,635
Non-Major Funds	
Special Revenue Funds	
TIF District No. 6	$ 820,740)
TIF District No. 8	(578,880)
TIF District No. 12	(339,350)
TIF District No. 14	(14,052)
Neighborhood Development Initiative	(62,289)
Total	$ (1,815,311)
Major Funds	
Unreserved (Designated)	
Major Fund	
General Fund – surplus applied to 2009 budget	$ 733,353
TIF District No. 10 – surplus applied to 2009 budget	1,755,719
Total	$ 2,489,072

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)	$ 202,410
Community Development Block Grant	272,637
TIF District No. 11	53,560
TIF District No. 13	1,190,047
Fire – multi-year grants	28,195
DPW – multi-year grants	203,926
Community Development	55,759
Library	117,533
Police	56,462
Solid waste	179,474
Perpetual care	1,690,051
Total	$ 4,050,054
Capital Projects Funds – designated for subsequent year's expenditures	
Fleet Replacement	$ 6,724,480
Computer Replacement	543,240
Total	$ 7,267,720

Business-type Activities

	Water	Sewer	Non-Major Proprietary Funds	Totals
Invested in capital assets, net of related debt				
Land	$ 918,627	$ 1,386,282	$ 1,270,000	$ 3,574,909
Construction in progress	-	373,022	260,011	633,033
Other capital assets, net of accumulated depreciation	30,538,124	41,014,253	11,562,654	83,115,031
Less: Related long-term debt outstanding (excluding unspent capital related debt proceeds)	(23,717,045)	(5,403,960)	(1,800,153)	(30,921,158)
Total Invested in Capital Assets, Net of Related Debt	7,739,706	37,369,597	11,292,512	56,401,815

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

H. NET ASSETS/FUND BALANCES (cont.)

Business-type Activities (cont.)

	Water	Sewer	Non-Major Proprietary Funds	Totals
Restricted				
Redemption account	$ 276,862	$ 2,758,750	$ -	$ 3,035,612
Replacement account	-	2,693,099	-	2,693,099
Reserve account	1,870,550	1,158,000	-	3,028,550
Interest receivable	11,513	-	-	11,513
Less: Restricted assets not funded by revenues	(1,870,550)	-	-	(1,870,550)
Less: Current liabilities payable from restricted assets	(172,098)	(32,084)	-	(204,182)
Total Restricted Net Assets	116,277	6,577,765	-	6,694,042
Unrestricted	1,112,632	5,719,487	525,529	7,357,648
Total Enterprise Funds Net Assets	$ 8,968,615	$ 49,666,849	$ 11,818,041	
Add: Portion of internal service funds Net assets allocated to business-type activities				535,538
Total Business-type Activities Net Assets				$ 70,989,043

I. COMPONENT UNITS

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

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

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

I. COMPONENT UNITS (cont.)

Community Development Authority

a. Basis of Accounting/Measurement Focus

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

b. Cash and Investments

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

	Carrying Value	Statement Balance	Associated Risks
Demand deposits	$ 1,387,804	$ 1,449,436	Custodial credit risk
Mutual fund (U.S. treasuries)	2,147,904	2,147,904	Credit risk, interest rate risk
Total Cash and Investments	$ 3,535,708	$ 3,597,340	

Reconciliation to financial statements	
Per statement of net assets	
Unrestricted cash and investments	$ 1,387,804
Restricted cash and investments	2,147,904
Total Cash and Investments	$ 3,535,708

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

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

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

Custodial Credit Risk

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

As of December 31, 2008, $1,137,585 of the CDA's total bank balances of $1,449,436 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 1,137,585

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

I. COMPONENT UNITS (cont.)

Community Development Authority (cont.)

Credit Risk

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

As of December 31, 2008, the CDA's investments were rated as follows:

Investment Type	Moody's Investor Service
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, 2008, the CDA's investments were as follows:

		Maturity (In months)
Investment Type	Fair Value	Less than 1 month
Mutual Fund – Treasuries	$ 2,147,904	$ 2,147,904

c. Restricted Assets

Restricted assets at December 31, 2008, consist of the following:

Cash and cash equivalents – bond redemption and construction accounts	$ 2,147,904

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

I. COMPONENT UNITS (cont.)

Community Development Authority (cont.)

d Capital Assets

The useful life assigned to buildings is 40 years. Machinery and equipment are assigned useful lives ranging from 5-10 years. The change in capital assets for 2008 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	$ 414,539	$ -	$ -	$ 414,539
Construction in progress	130,460	60,215	120,581	70,094
Total Capital Assets Not Being Depreciated	544,999	60,215	120,581	484,633
Capital assets being depreciated				
Buildings	3,640,214	-	-	3,640,214
Furniture, equipment, and machinery-dwellings	141,513	82,419	28,157	195,775
Furniture, equipment, and machine-administrative	237,725	2,416	19,211	220,930
Building and land improvements	295,174	96,720	-	391,894
Leasehold improvements	3,774,249	-	-	3,774,249
Total Capital Assets Being Depreciated	8,088,875	181,555	47,368	8,223,062
Less: Accumulated Depreciation	(5,546,766)	(274,718)	37,989	(5,783,495)
Total Capital Assets, Net of Depreciation	$ 3,087,108			$ 2,924,200

e. Long-Term Obligations

Lease Revenue Bonds

The CDA has pledged future revenues from the City of Beloit resulting from TIF increments to repay $17.1 million in lease revenue bonds issued between 2002-2008. Proceeds from the bonds provided financing for infrastructure improvements and other TIF district investments. The bonds are payable solely from TIF increment revenues and are payable through 2025. Annual principal and interest payments on the bonds are expected to require 100% of TIF increment lease payments. The total principal and interest remaining to be paid on the bonds is $22,783,592. Principal and interest paid for the current year and total pledged revenues were both $1,539,736.

The following is a summary of the lease revenue bond transactions for the year ended December 31, 2008.

	Balance 1-1-08	Increases	Decreases	Balance 12-31-08
Lease revenue bonds	$ 18,255,254	$ 5,650,000	$ 6,875,254	$ 17,030,000

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

I. 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 12-31-08
2002A Lease Revenue Bonds	07-15-02	03-01-20	4.90-5.60%	$ 7,345,000	$ 665,000
2007A Lease Revenue Refunding Bonds	02-21-07	03-01-20	3.50-4.20%	8,915,000	8,750,000
2007B Lease Revenue Bonds	07-12-07	06-01-19	3.70-4.35%	2,015,000	1,965,000
2008A Lease Revenue Refunding Bonds	06-19-08	03-01-25	4.00-6.75%	2,640,000	2,640,000
2008B Lease Revenue Refunding Bonds	08-29-08	03-01-14	4.15-5.30%	3,010,000	3,010,000
Totals					$ 17,030,000

Debt service requirements to maturity are as follows:

Calendar Year	Principal	Interest	Totals
2009	$ 830,000	$ 760,476	$ 1,590,476
2010	975,000	721,239	1,696,239
2011	1,080,000	675,785	1,755,785
2012	1,175,000	623,524	1,798,524
2013	1,230,000	568,002	1,798,002
2014	1,355,000	509,296	1,864,296
2015	1,480,000	447,583	1,927,583
2016	1,515,000	384,951	1,899,951
2017	1,565,000	319,087	1,884,087
2018	1,595,000	250,065	1,845,065
2019	1,640,000	178,188	1,818,188
2020	1,400,000	110,013	1,510,013
2021	225,000	71,313	296,313
2022	225,000	56,800	281,800
2023	225,000	42,063	267,063
2024	250,000	26,263	276,263
2025	265,000	8,944	273,944
Totals	$ 17,030,000	$ 5,753,592	$ 22,783,592

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

I. COMPONENT UNITS (cont.)

Community Development Authority (cont.)

e. Long-Term Obligations (cont.)

Prior-Year Defeasance of Debt

In prior years, the CDA defeased certain lease revenue bonds by placing the proceeds of net bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2008, $6,480,000 outstanding are considered defeased. The bonds are callable on March 1, 2012.

There were no advance refundings in 2008.

Current Refundings

On June 19, 2008, the CDA issued $2,640,000 in lease revenue bonds with an average interest rate of 5.7% to current refund $3,483,066 of outstanding 2000A bonds, with an average interest rate of 11.50%. The net proceeds of $2,568,291 (after payment of $33,000 in underwriting fees, insurance and other issuance costs) were used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the refunded bonds and notes prior to the current refunding was $16,805,000 from 2008 through 2024. The cash flow requirements on the 2008 refunding bonds are $4,201,923 from 2008 through 2025. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $4,187,844.

On August 29, 2008, the CDA issued $3,010,000 in lease revenue bonds with an average interest rate of 4.75% to current refund $2,945,000 of outstanding 2002B bonds with an average interest rate of 6.77%. The net proceeds of $2,941,638 (after payment of $37,625 in underwriting fees, insurance, and other issuance costs) were used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the refunded bonds and notes prior to the current refunding was $3,597,044 from 2008 through 2014. The cash flow requirements on the 2008 refunding bonds are $3,469,985 from 2008 through 2014. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $52,674.

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.

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

I. COMPONENT UNITS (cont.)

Community Development Authority (cont.)

g. Lease Disclosures

Refer to Note IV.G.

h. Net Assets

Net assets at December 31, 2008 includes the following:

Invested in capital assets	
Land	$ 414,539
Construction in progress	70,094
Other capital assets, net of accumulated depreciation	2,439,567
Total Invested in Capital	2,924,200
Restricted	
Section 8 Rental Voucher program	817,864
Low Rent Public Housing	429,838
Total Restricted	1,247,702
Unrestricted	630
Total Net Assets	$ 4,172,532

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	$ 126,713	$ 133,829	Custodial credit risk
Total Cash and Investments	$ 126,713	$ 133,829	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	$ 126,713		

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

I. COMPONENT UNITS (cont.)

City of Beloit Business Improvement District (cont.)

b. Deposits and Investments (cont.)

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

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

The business improvement district does not have an investment policy.

Custodial Credit Risk

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

As of December 31, 2008, none of the BID's total bank balances was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ -
Total	$ -

Beloit Public Library Foundation, Inc.

a. Organization

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

b. Summary of Significant Accounting Policies

1. The Foundation's financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America as promulgated by the American Institute of Certified Public Accountants.

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

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

I. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc. (cont.)

b. Summary of Significant Accounting Policies (cont.)

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:

	12/31/08
Library building fund	$ 5,433

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.

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

I. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc. (cont.)

e. Investments

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

	2008	
	Market	Cost
Mutual Funds	$ 213,903	$ 338,139
Fixed Income	144,693	144,169
Stocks	795	734
Total	$ 359,391	$ 438,042

Current unrealized losses of $132,137 have been reflected in the Statement of Activities for 2008. Cumulative unrealized losses amounted to $78,651 as of December 31, 2008.

f. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2008 are as follows:

		Fair Value Measurements at Reporting Date Using
December 31, 2008	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Short-term investments	$ 332,653	$ 332,653
Long-term investments	26,738	26,738
Total	$ 359,391	$ 359,391

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

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

I. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc. (cont.)

g. Income Taxes

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

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises." FSP Fin 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48 (interpretation 48), *Accounting for Uncertainty in Income Taxes,* to its annual financial statements for fiscal years beginning after December 15, 2008. The Foundation has elected to defer the application of Interpretation 48 for the year ending December 31, 2008. The Foundation evaluates its uncertain tax positions, if any, using the provisions of FASB Statement 5, *Accounting for Contingencies.* Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax provision or for all uncertain tax positions in the aggregate could differ from the amount recognized.

h. Related Organization

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

i. Library Campaign Pledge

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

j. Library Campaign Deposits

The Foundation has agreed to accept Beloit Public Library Capital Campaign contributions which are deposited into a separate account. As funds are collected, a monthly transfer is made to the City of Beloit. These campaign deposits are not reported as income of the Foundation. As of December 31, 2008, an accounts payable in the amount of $14,000 has been reported in the Statement of Financial Position to reflect amounts collected but not remitted to the City of Beloit as of that date.

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 6.0% of their salary (3.0% for Executives and Elected Officials, 3.4% for Protective Occupations with Social Security, and 5.1% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for City employees covered by the system for the year ended December 31, 2008 was $21,173,010; the employer's total payroll was $22,044,707. The total required contribution for the year ended December 31, 2008 was $3,195,616 or 12% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2007 and 2006 were $3,134,647 and $2,883,406, respectively, equal to the required contributions for each year.

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

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

Protective employees of the City hired prior to 1948 are covered under the City's Police and Firemen's Pension Funds established under Chapter 62 of the Wisconsin Statutes. The City has not obtained an actuarial valuation of these pension plans which were assumed by the Wisconsin Retirement Fund as of April 1, 1978. The total City contribution to the fund during 2008 was $62,989.

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.

NOTE V – OTHER INFORMATION (cont.)

B. *RISK MANAGEMENT* (cont.)

Self Insurance

The City has a limited risk management program for employee health and dental benefits with claims processed by a third party claims administrator on behalf of the City. The claims are being paid out of the internal service fund, and are funded by allocations charged to other funds. Interfund premiums are based on claims experience. As a part of the plan a reinsurance policy has been purchased which picks up claims in excess of $100,000 per individual up to a maximum of $2 million. Total amounts charged back to the various departments during the year were $5,438,493.

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, 2008:

Reported and Known Claims	$ 629,561
Incurred but not Reported Claims	1,278,875
Total	$ 1,908,436

Changes in the claims payable follow:

	Balance January 1	Incurred Claims	Claims Paid	Balance December 31
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
2008	1,732,416	7,849,273	7,673,253	1,908,436

Public Entity Risk Pool

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

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

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

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Public Entity Risk Pool (cont.)

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

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

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

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

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

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

The City pays an annual premium to CVMIC for its general automobile, public official, and liability insurance, which provides coverage up to $5,000,000 per occurrence, less the City's retained liability. The City's retained liability is limited to $50,000 per occurrence and an annual aggregate limit of $200,000. An actuarially determined estimate has been recorded for this liability, as well as for claims incurred but not reported at December 31, 2008. A total liability of approximately $167,042 at December 31, 2008 was recorded as claims payable in the internal service fund.

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 2008, TMI is protected by a $2,000,000 self-insurance liability policy and $500,000 physical damage 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 for liability and a $9,500,000 for physical damages, both issued by General Reinsurance Corporation effective January 1, 2008 through January 1, 2009.

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 4.05% of physical damage and 1.52% of all other liability. A list of the other members is available in the TMI report.

C. *COMMITMENTS AND CONTINGENCIES*

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

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

During 2008 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 $3,416,049 at year end and is included in reserve for encumbrances.

NOTE V – OTHER INFORMATION (cont.)

C. *COMMITMENTS AND CONTINGENCIES* (cont.)

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

Over the years, the City of Beloit has entered into several developer agreements with different companies. As of December 31, 2008, no certain obligations have arisen from these agreements.

D. *OTHER POSTEMPLOYMENT BENEFITS*

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

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the City and the union. The City makes the same monthly health insurance contribution on behalf of the retiree as it makes on behalf of all other active employees during that year. The City contributes 100% and 100% of the current year premiums for a family and a single plan, respectively, for eligible retired plan members and their spouses. For fiscal year 2008, the City contributed $1,790,501 to the plan. Fire and police plan members receiving benefits contribute 0% and 0% of their premium costs for a family plan and a single plan, respectively. All others pay $618 per month. For fiscal year 2008, total member contributions were $0. Administrative costs of the plan are financed through investment earnings.

NOTE V – OTHER INFORMATION (cont.)

D. *OTHER POSTEMPLOYMENT BENEFITS* (cont.)

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

Annual required contribution	$ 4,651,901
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	4,651,901
Contributions made	(1,790,501)
Increase in Net OPEB Obligation (Asset)	2,861,400
Net OPEB Obligation (Asset) – Beginning of Year	-
Net OPEB Obligation (Asset) – End of Year	$ 2,861,400

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/08	$ 4,651,901	38%	$ 2,861,400

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

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

NOTE V – OTHER INFORMATION (cont.)

D. *OTHER POSTEMPLOYMENT BENEFITS* (cont.)

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

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

In the City's actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% investment rate of return and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% after nine years. Both rates include a 3.0% inflation assumption. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008 was 29 years.

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, 2008:

	Water – 2008		Sewer – 2008	
	Customers	CCF	Customers	CCF
Residential	14,006	951,574	12,016	813,681
Commercial	1,652	506,442	1,492	335,680
Industrial	10	602,464	13	565,188
Public Authority	58	69,658	58	22,898
Totals	15,726	2,130,138	13,579	1,737,447

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.

	Sewer – 2008	Water – 2008
Operating revenues	$ 7,189,691	$ 4,693,431
Investment income	305,789	158,553
Operating expenses excluding depreciation	(4,613,801)	(1,914,142)
Defined Earnings	$ 2,881,679	$ 2,937,842
Annual debt service on revenue bonds	$ 3,048,500	$ 1,655,887
Coverage factor	x 1.10	x 1.25
Required Net Earnings	$ 3,353,350	$ 2,069,859

Management is carefully monitoring the earnings and cash reserves of the sewer utility during the final years of the debt service to ensure adequate rates are in place.

F. SUBSEQUENT EVENTS

On June 15, 2009, the City ratified the issuance of two State Trust Fund Loans in the amounts of $915,000 and $1,645,000. The loans will be used to finance various capital improvement projects.

On May 28, 2009, the City issued general obligation corporate purpose bonds in the amount of $7,390,000 with an interest rate of 1.1 – 4.65%. The amount will be used for various projects such as street improvements, storm sewer improvements, TIF 6 projects and the refunding of various obligations of the City.

On May 28, 2009, the City issued water system revenue bonds in the amount of $3,910,000 with an interest rate of 3.5 - 5.0%. The amount will be used for financing additions, extensions and improvements to and acquisition of property for the City's water system.

The Community Development Authority of the City of Beloit issued $5,340,000 of Lease Revenue Bonds, Series 2009 on June 15, 2009. This amount is being issued to pay the cost of road, water, and sewer projects in TIF No. 10 as part of Phase II of the Gateway Project.