

CITY OF BELOIT

Beloit, Wisconsin

COMPREHENSIVE ANNUAL FINANCIAL REPORT

As of and for the Year Ended
December 31, 2012

Prepared By:

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES

Paul E. York, Director

Laureen Presny, Director of Accounting and Purchasing

CITY OF BELOIT

COMPREHENSIVE ANNUAL FINANCIAL REPORT As of and for the Year Ended December 31, 2012

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City of
BELOIT, Wisconsin

CITY MANAGER • CITY HALL • 100 STATE STREET • BELOIT, WI 53511

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www.ci.beloit.wi.us

Equal Opportunity Employer

July 9, 2013

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, 2012. Wisconsin State Statutes, the Wisconsin Administrative Code, and the Municipal Code of the City of Beloit require that, at the end of the fiscal year, a full and complete examination of all books and accounts of the City be made by a certified public accountant and that the report be filed with the City Clerk as a matter of public record. This CAFR fulfills these requirements.

This CAFR was prepared by the City's finance department and consists of management's representations concerning the finances of the City of Beloit. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. Management has established a comprehensive internal control framework that is designed to provide sufficient reliable information for the preparation of the City of Beloit's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The system of internal control has been designed to provide reasonable assurance that the financial statements will be free from material misstatement. Because the cost of an internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements of fact. To the best of our knowledge and belief, the presented financial information is complete and reliable in all material aspects and is reported in a manner that presents fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial position have been included in this CAFR.

In compliance with the above statutory requirements, the City has retained the services of Baker Tilly Virchow Krause, LLP, Certified Public Accountants, to audit all books and accounts of the City. They have concluded, based upon auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, that the City's financial statements for the year ended December 31, 2012, are fairly presented in all material respects in accordance with GAAP. Their report is located at the beginning of the financial section of this CAFR.

To the City Council and
Citizens of the City of Beloit, Wisconsin
July 9, 2013

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

PROFILE of the CITY OF BELOIT

Beloit is located in Rock County Wisconsin just north of the Wisconsin/Illinois border along Interstate Highway 39/90, which travels south to Chicago and north to the state capitol Madison, and is directly connected to Milwaukee to the east via Interstate Highway 43. The City covers approximately 17 square miles. The most recent estimate indicates the City is home to 36,850 residents as well as more than 90 industrial firms, 850 retail establishments, several corporate headquarters, a minor league baseball team, and several museums. The City is also home to Beloit College; founded in 1846 it is Wisconsin's oldest college in continuous operation and is internationally renowned for its scholastic excellence. The college's over 1,200 students come from nearly every state and 40 nations worldwide.

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

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

To the City Council and
Citizens of the City of Beloit, Wisconsin
July 9, 2013

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

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

The annual budget provides the foundation for the City's financial planning and control. The budget is prepared by fund, function and department. Departmental budgets are prepared by department heads and are submitted each year in July for examination. After review by the Manager and budget committee, the proposed budget is prepared and submitted to the Council for consideration by their first meeting in October. Workshops and a public hearing are held by the Council in October. The Council normally adopts the budget by their first meeting in November for the ensuing fiscal year. Once adopted, transfers among departments or supplemental appropriations require approval of the Council; the Manager is authorized to make adjustments within departments. Budget to actual comparisons are provided in this CAFR for each governmental fund for which an annual budget has been adopted. This information can be found in the Required Supplementary Information and Supplementary Information sections of the CAFR beginning on page 93.

ECONOMIC CONDITION / MAJOR INITIATIVES

The local economy continues its slow recovery from the recent recession. The City's unemployment rate, at 10.9% in April, is the second highest in the State of Wisconsin. This is a significant improvement over a recession high of over 18% in 2009. This compares to an unemployment rate of 7.1% for the State of Wisconsin and 7.6% nationally. Fortunately, the City's large cluster of food processing industries continued to experience strong performance during this period. Several of these industries actually added employees and production lines in response to growing sales, despite the generally weak

To the City Council and
Citizens of the City of Beloit, Wisconsin
July 9, 2013

economy. During the past year, 7 projects were completed that provided over \$20 million in new investment, 350,000 square feet of building space and 130 new jobs.

The City's Tax Increment District No. 10 continues to be its major economic development driver. Several major employers are now located in the TID including Kerry Ingredients and Flavours America's headquarters, Kettle Foods and the Staples Order Fulfillment Center; collectively all development in the TID has added \$159 million to the City's tax base and has provided over 760 new jobs. We continue to remain optimistic of the City's economic future and devote considerable time and resources to economic development efforts. The City currently has nine active Tax Increment Districts with over 1,200 acres of land available for development.

The City's economy historically and presently remains largely reliant on manufacturing and industry while offering a diversified employment base in the areas of metal fabrication, food processing, medical services, biotechnology, retail, and education. Located at the intersections of Interstates 90/39, that serves Chicago to the south and Madison to the north, and Interstate 43, providing a direct link east to Milwaukee, the City is marketed as the location of one of the Midwest's major distribution centers.

Additional economic and demographic data can be found in the MD&A and Statistical Sections of this report.

LONG-TERM FINANCIAL PLANNING

Each year the City prepares, as part of the budget process, a formal five year capital improvement plan for upgrades and replacement of public infrastructure and the management of related costs. This plan includes a funding methodology for each project utilizing the City's ability to borrow and other sources, primarily operating budgets and Federal and State grants. For budgetary and planning purposes, the City has policy guidelines establishing the appropriate levels and uses of unassigned general fund balance (15% of operating revenues or three months average expenditures whichever is greater). The City budgeted \$589,028 of its unassigned general fund balance as a funding source for the budget for the year ended December 31, 2013, which was within these guidelines. The City also has a debt service policy, which is consistent with its long range Financial Management Plan that was approved in 1998. This Plan established bond-rating objectives, use of debt policies, and debt load indicators that are reviewed annually. Standard and Poor's has assigned an "A+" rating to City's general obligation debt and "A+" and "A" for its utility revenue bonded debt. The general obligation rating was affirmed by Standard and Poor's on May 17, 2013.

To the City Council and
Citizens of the City of Beloit, Wisconsin
July 9, 2013

AWARDS and ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Beloit for its CAFR for the fiscal year ended December 31, 2011. This was the tenth consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning January 1, 2013. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communication device. This is the fifteenth year the City has received this award and it too is valid for only one year.

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

Respectfully submitted,



Larry N. Arft
City Manager



Paul E. York
Finance and Administrative Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Beloit
Wisconsin

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

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.



Christopher P. Moivell
President

Jeffrey R. Emer
Executive Director

**City of Beloit, Wisconsin
List of Elected and Appointed Officials
December 31, 2012**

CITY COUNCIL MEMBERS

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

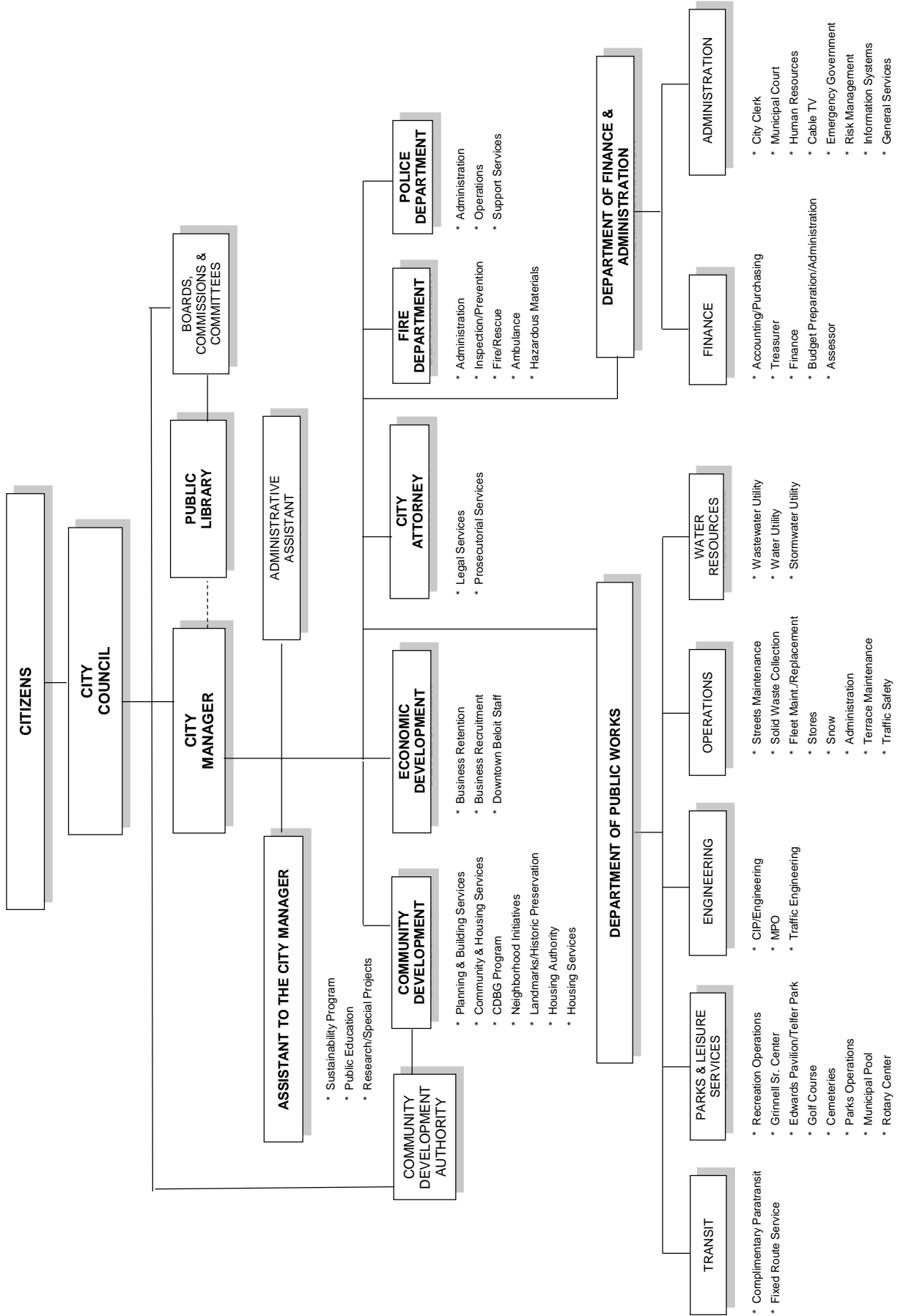
CITY MANAGER

Larry N. Arft

DEPARTMENT DIRECTORS

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

CITY OF BELOIT, WISCONSIN ORGANIZATIONAL CHART 2012



INDEPENDENT AUDITORS' REPORT

To the City Council
City of Beloit
Beloit, Wisconsin

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City of Beloit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Beloit Public Library Foundation, Inc., or the limited liability corporations (LLCs) presented as component units of the City of Beloit Community Development Authority (CDA). The Beloit Public Library Foundation Inc. represents 1 percent, 5 percent and 2 percent, respectively, of the assets, net position and revenues of the discretely presented component units. The LLCs of the CDA represent 42 percent, 51 percent, and 28 percent, respectively, of the assets, net position, and operating revenues of the CDA component unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Beloit Public Library Foundation, Inc. and the limited liability corporations (LLCs) presented as component units of the City of Beloit Community Development Authority (CDA), is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The Beloit Public Library Foundation, Inc., a component unit of the City of Beloit and the LLCs of the CDA were not audited in accordance with *Government Auditing Standards*.

To the City Council
City of Beloit

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the City of Beloit's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City of Beloit's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, as of December 31, 2012 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note I, the City of Beloit adopted the provisions of GASB Statement No. 63, *Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective January 1, 2012. Our opinions are not modified with respect to this matter.

Other Matters

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

To the City Council
City of Beloit

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beloit's basic financial statements. The Combining Statements and Schedules, Budget and Actual Schedules, Detailed Schedule of Revenues and Expenses to WisDOT and Federal Recognized Revenues and Expenses and the Computation of the Deficit Distribution Among the Subsidiary Grantors are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the Combining Statements and Schedules, Budget and Actual Schedules, Detailed Schedule of Revenues and Expenses to WisDOT and Federal Recognized Revenues and Expenses and the Computation of the Deficit Distribution Among the Subsidiary Grantors are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beloit's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2013 on our consideration of the City of Beloit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Beloit's internal control over financial reporting and compliance.



Madison, Wisconsin
July 9, 2013

CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For Year Ended December 31, 2012

As management of the City of Beloit, Wisconsin, we offer readers of the city's financial statements this narrative overview and analysis of the financial activities of the city for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, the basic financial statements, and related notes, all of which are contained in this comprehensive annual financial report (CAFR).

FINANCIAL HIGHLIGHTS

- The assets of the City of Beloit exceeded its liabilities as of December 31, 2012, by \$128,991,281 (*net position*). Of this amount, \$5,446,870 is unrestricted and may be used to meet the city's ongoing obligations to its citizens and creditors.
 - The city's total net position increased \$11,413,599 largely due to several major capital infrastructure projects completed last year including the Henry Avenue Bridge, Gateway Boulevard Extension and Riverside Drive Improvements.
 - As of December 31, 2012, the city's governmental funds reported combined ending fund balances of \$27,355,494, a decrease of \$5,512,766 from the prior year. Of this amount, \$4,572,421 or 17% is unassigned and is available for spending at the government's discretion. The decrease in fund balance was due to the refunding of debt that occurred in 2012.
 - As of December 31, 2012, the unassigned fund balance for the general fund was \$9,144,726 or 31.6% of total general fund expenditures.
 - The business-type activities total net position at December 31, 2012, was \$74,459,989, which represents a decrease of \$750,884 from the prior year. Of this amount, \$60,323,671 represents the business-type activities net investment in capital assets.
 - Total liabilities as of December 31, 2012, were \$160,017,093, which is an increase of \$1,421,958 from the prior year, and of this amount, \$130,777,931 is for long-term liabilities. This increase is related to an increase in accounts payables and deferred revenues.
-

OVERVIEW OF THE FINANCIAL STATEMENTS

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

CITY OF BELOIT, WISCONSIN

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

For Year Ended December 31, 2012

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 a private-sector business.

The **statement of net position** presents information on all of the city's assets, liabilities and deferred inflows/outflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the city that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the city include general government, economic development, public library, public safety, public works, and community development. The business-type activities of the city include the water and sewer utilities, which are considered major funds.

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

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

Fund Financial Statements

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

Governmental Funds – Most of the city's basic services are included in governmental funds. Fund based statements for these funds focus on how resources flow into and out of those funds and the balances left at year end that are available for future spending. These funds are reported

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) (UNAUDITED) For Year Ended December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

on the modified accrual basis of accounting, this measures cash and other liquid assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term or current financial resources view that helps the reader determine the financial resources that can be spent in the near future to finance the city's programs and services.

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

The city maintains 23 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, general debt service fund, equipment replacement fund, TIF district No. 10 – special revenue fund, and capital improvements – capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this CAFR.

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

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

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

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds are reported using the full accrual basis of accounting method. The city's proprietary funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows. The city uses enterprise funds to account for its water and sewer utilities, which are considered major funds. Data from the other proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of combining statements elsewhere in this CAFR. The basic proprietary fund financial statements can be found on pages 8 to 12 of this CAFR.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) (UNAUDITED) For Year Ended December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support city programs or services. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 to 92 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 detailed budgetary comparison schedules for the general fund and TIF District No. 10 to demonstrate compliance with their budgets. These schedules can be found on pages 93 to 99 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 102 to 107 of this CAFR.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

As noted earlier, over time net position may serve as a useful indicator of the city's financial position. In the case of the City of Beloit, assets exceeded liabilities by \$128,991,281 as of December 31, 2012. This is an increase of \$11,413,599 over the previous year. This increase is largely attributed to the completion of several major public infrastructure projects in 2012. The Henry Avenue Bridge and Gateway Boulevard Extension projects alone totaled approximately \$17 million.

The largest portion of the City of Beloit's net position (approximately 84%) reflects its investment in capital assets (e. g., land, buildings, machinery, improvements, construction in progress, and equipment) net of any debt used to acquire those assets that is still outstanding. The city uses these assets to provide services to its citizens; consequently, these assets are not available to fund city operations. Although the City of Beloit's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)
For Year Ended December 31, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Current and other assets	\$ 68.1	\$ 66.3	\$ 19.1	\$ 18.9	\$ 87.2	\$ 85.2
Capital assets	<u>93.0</u>	<u>109.6</u>	<u>96.0</u>	<u>94.2</u>	<u>189.0</u>	<u>203.8</u>
Total Assets	<u>161.1</u>	<u>175.9</u>	<u>115.1</u>	<u>113.1</u>	<u>276.2</u>	<u>289.0</u>
Long-term liabilities	93.2	93.7	38.1	37.1	131.3	130.8
Other liabilities	<u>25.5</u>	<u>27.7</u>	<u>1.8</u>	<u>1.6</u>	<u>27.3</u>	<u>29.3</u>
Total Liabilities	<u>118.7</u>	<u>121.4</u>	<u>39.9</u>	<u>38.7</u>	<u>158.6</u>	<u>160.1</u>
Net position:						
Net investment in capital assets,	32.7	54.3	63.0	60.3	90.0	114.6
Restricted	15.7	11.6	3.2	3.2	18.8	14.8
Unrestricted	<u>(6.0)</u>	<u>(11.3)</u>	<u>9.0</u>	<u>11.0</u>	<u>8.8</u>	<u>(0.3)</u>
Total Net Position	<u>\$ 42.4</u>	<u>\$ 54.6</u>	<u>\$ 75.2</u>	<u>\$ 74.5</u>	<u>\$ 117.6</u>	<u>\$ 129.0</u>

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

An additional portion of the city's net position (approximately 11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$5,446,870, is available to meet the city's ongoing obligations to its citizens and creditors.

Analysis of City Operations – The following table provides a summary of the city's operations for the year ended December 31, 2012. Governmental activities increased the city's net position by \$12.2 million and business-type activities decreased the city's net position by \$750,884.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)
For Year Ended December 31, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
REVENUES						
Program Revenues:						
Charges for services	\$ 8.8	\$ 5.4	\$ 14.9	\$ 15.5	\$ 23.7	\$ 20.9
Operating grants & contributions	2.6	2.2	-	-	2.6	2.2
Capital grants & contributions	0.5	14.4	-	-	0.5	14.4
General Revenues:						
Property taxes	19.3	20.2	0.6	0.5	19.9	20.7
Other taxes	0.6	0.6	-	-	0.6	0.6
Intergovernmental	22.0	21.7	1.2	1.2	23.2	22.9
Investment income	1.0	1.2	0.5	0.6	1.5	1.8
Gain on the sale of property	-	-	-	-	-	-
Miscellaneous	1.6	1.7	-	0.1	1.6	1.8
Total Revenues	<u>56.4</u>	<u>67.4</u>	<u>17.2</u>	<u>17.9</u>	<u>73.6</u>	<u>85.3</u>
EXPENSES						
General government	0.8	0.8	-	-	0.8	0.8
Finance and Administration	9.0	4.2	-	-	9.0	4.2
Community development	4.0	3.6	-	-	4.0	3.6
Economic development	0.3	0.3	-	-	0.3	0.3
Police services	14.8	15.0	-	-	14.8	15.0
Fire services	9.8	10.2	-	-	9.8	10.2
Public works	12.8	16.7	-	-	12.8	16.7
Library	2.3	2.2	-	-	2.3	2.2
Interest & fiscal charges	3.0	3.0	-	-	3.0	3.0
Water utility	-	-	4.5	4.4	4.5	4.4
Sewer utility	-	-	8.0	8.4	8.0	8.4
Other non-major proprietary funds	-	-	5.0	5.1	5.0	5.1
Total Expenses	<u>56.9</u>	<u>56.0</u>	<u>17.5</u>	<u>17.9</u>	<u>74.3</u>	<u>73.9</u>
Change in net position before transfers	(0.5)	11.4	(0.3)	0.0	(0.7)	11.4
Transfers	<u>(0.7)</u>	<u>0.8</u>	<u>0.7</u>	<u>(0.8)</u>	<u>-</u>	<u>-</u>
Change in net position	(1.1)	12.2	0.4	(0.8)	(0.7)	11.4
Net position - beginning	<u>43.5</u>	<u>42.4</u>	<u>74.8</u>	<u>75.2</u>	<u>118.3</u>	<u>117.6</u>
Net position - ending	<u>\$ 42.4</u>	<u>\$ 54.5</u>	<u>\$ 75.2</u>	<u>\$ 74.5</u>	<u>\$ 117.6</u>	<u>\$ 129.0</u>

Columns may not total due to rounding.

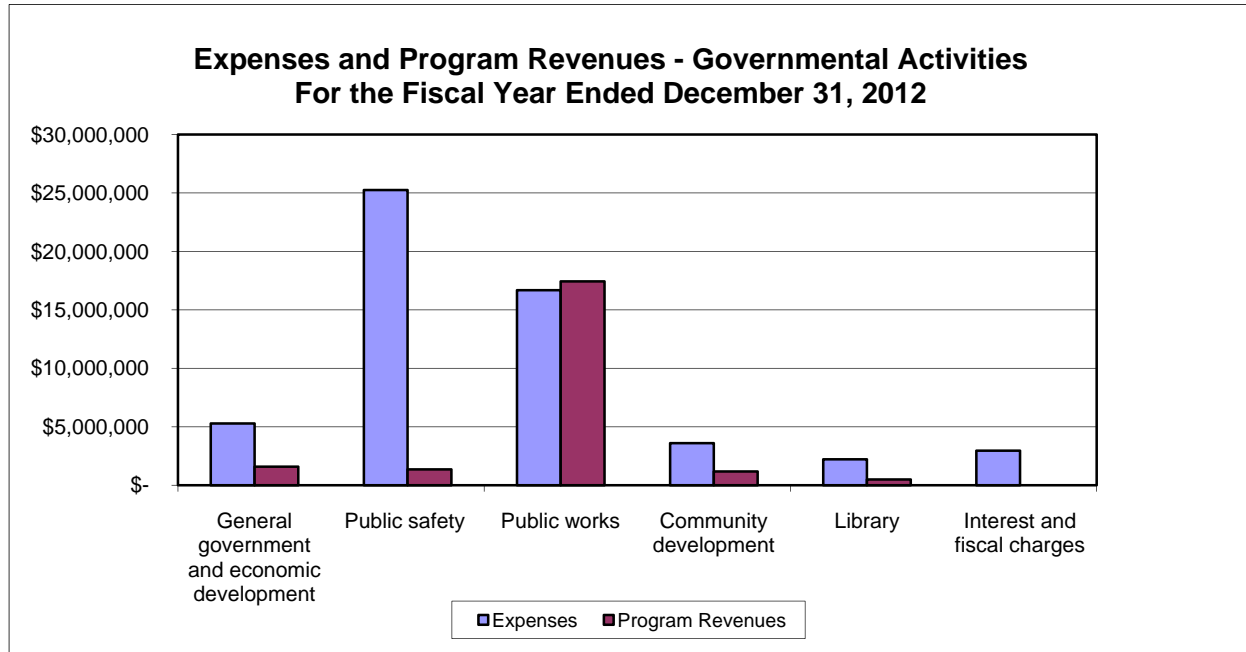
CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)
For Year Ended December 31, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

For 2012, revenues increased \$11,574,817 over the prior year. The city's property tax levy increased \$830,000 in 2012, largely because of increased levy for debt service costs and tax increment in the city's TIF Districts. Water user fees increased in 2012 as a result of increased usage attributed to last summer's weather and severe drought resulting in additional revenues of \$210,000 for the water utility. There was also an increase of \$13,901,301 in capital grants and contributions because of the previously mentioned Henry Avenue Bridge, Gateway Boulevard Extension and Riverside Drive Improvements projects.

Expenses decreased slightly from the previous year largely due to the changes implemented with the 2012 budget to reduce staffing and requiring employee's to pay a portion of their pension contributions.

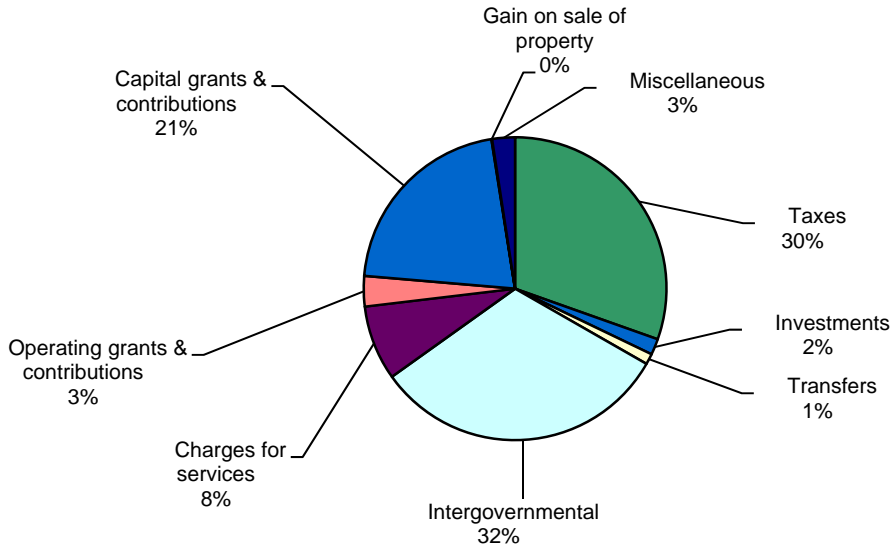


CITY OF BELOIT, WISCONSIN

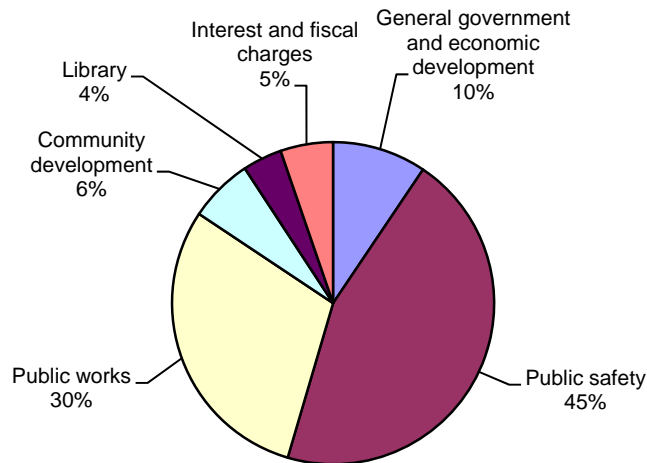
MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)
For Year Ended December 31, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

Revenue by Source - Governmental Activities



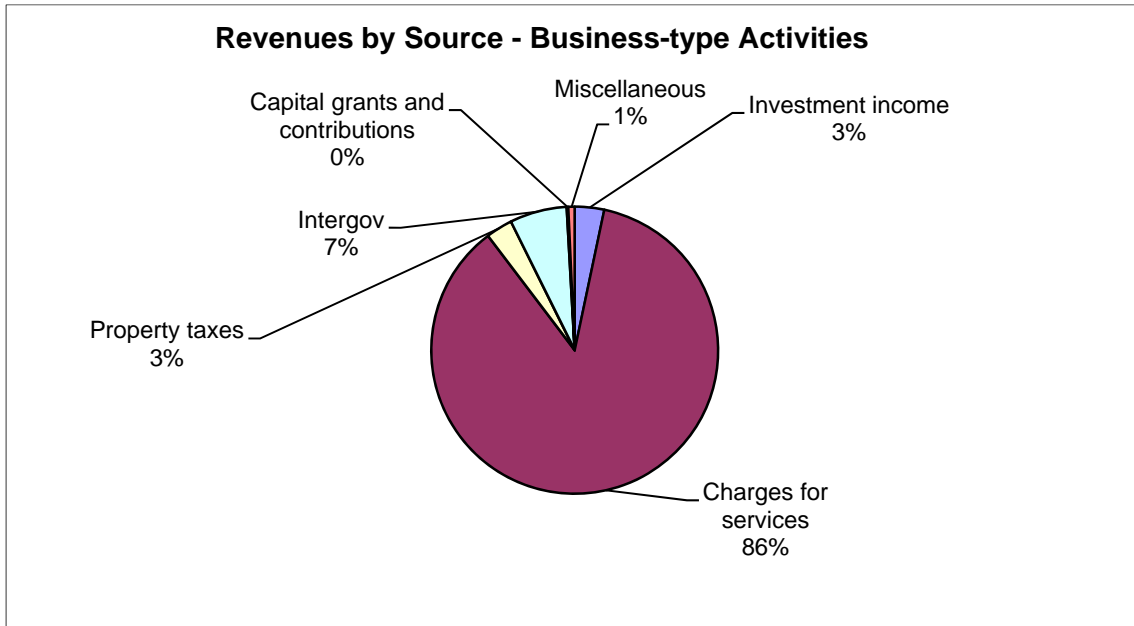
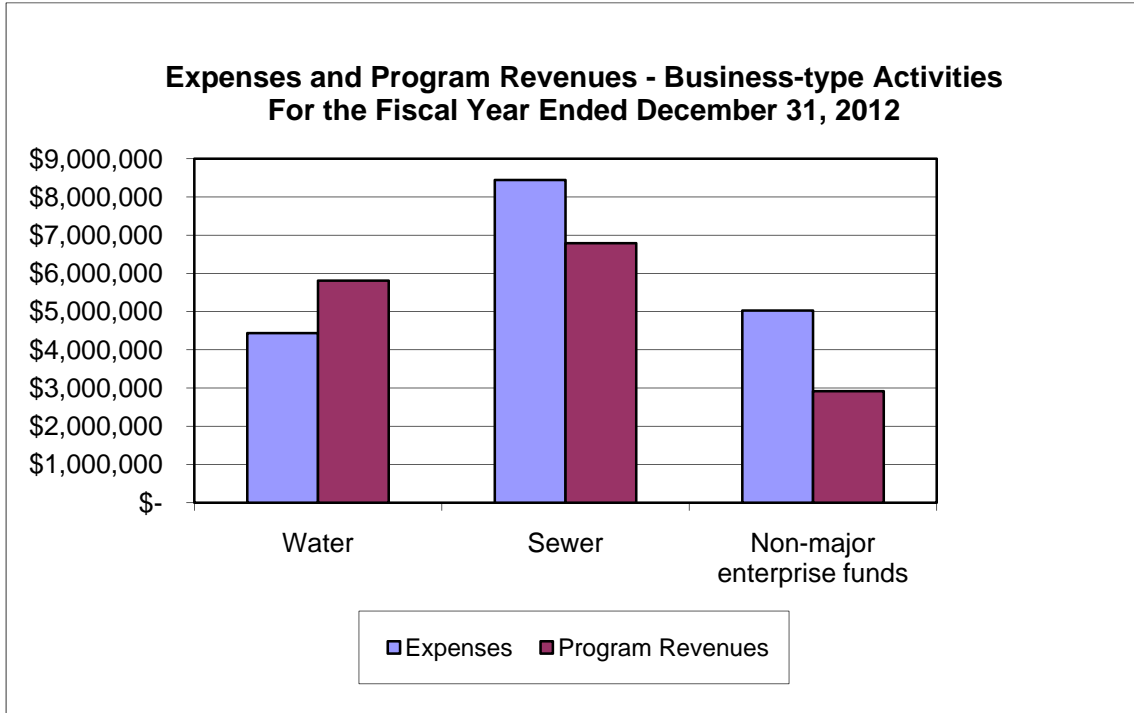
Expenses by Function - Governmental Activities



CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)
For Year Ended December 31, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)



CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) (UNAUDITED) For Year Ended December 31, 2012

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

As of December 31, 2012, the City of Beloit's governmental funds reported combined ending fund balances of \$27,355,494. This is a decrease of \$5,512,766 from the previous year. Approximately 17% of this total or \$4,572,421 constitutes unassigned fund balance, which is available for spending at the government's discretion. This decrease is largely a result of refunding debt transactions that occurred last year decreasing the fund balance of the Debt Service Fund.

The remainder of fund balance is restricted, assigned or non-spendable. Restricted fund balance totals \$9,892,961 and can be used for only those purposes established by parties outside the government. The largest single component being \$2,627,124 restricted for debt service. Other restrictions in this category are for capital projects, economic development, library operations and cemetery perpetual care. Assigned fund balance totals \$11,255,211 and reflects the governments intended use of fund balances with such uses established by the City Council. This primarily includes funds assigned for capital projects and equipment replacement. The non-spendable portion of fund balance totals \$1,634,901 and is comprised primarily of advances to other funds, prepaids and supply inventories. Due to the inherent nature of these resources, they are considered non-spendable in their current form.

General Fund: The general fund is the primary operating fund of the city and is used to account for all financial resources except those required to be accounted for in another fund. The general fund has a detailed fund balance reserve policy that insures financial stability for the City of Beloit. The policy stipulates that the unrestricted fund balance will be either 15% of operating revenues or 3 months of estimated General Fund expenditures whichever is greater. As of December 31, 2012, the total fund balance of the general fund was \$11,368,655, of which \$9,733,754 was unrestricted (*assigned and unassigned*). This unrestricted fund balance represents 33.6% of general fund expenditures. The city's total general fund balance increased \$593,386, from the prior year due to a budgeted deficit of \$671,319 not realized as actual expenditures were under budget by \$784,897. This can be attributed to reduced staff costs and vacancies that occurred during the year as well as reduced snow/ice removal costs due to the relatively mild winter of 2011/2012. The \$479,808 revenue variance was due to the mark to market adjustment made to investments in the city's portfolio and increased tax equivalent from the water utility.

Tax Increment Financing District No. 10: This tax increment district accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing. It includes the Gateway Business Park, a mixed-use project comprising over 1,227 acres of land.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) (UNAUDITED) For Year Ended December 31, 2012

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

Since its inception in 2000, the TID has accounted for over 760 new jobs and additional tax base valued in excess of \$159 million. The premier projects in the TID are Kettle Foods, Kerry Ingredients and Flavours North American Headquarters and Staples Order Fulfillment facility which combined represents a tax base investment in excess of \$116 million. The district is scheduled to close in 2024.

In late 2012 the City entered into an agreement with MLG Investments to purchase 56 acres of land located within the TID as well as their development interests in the TID for \$2.5 million. This transaction reduced the fund balance to \$14,454. The annual tax increment of the TID exceeds \$4.9 million.

General Debt Service Fund: The general debt service fund is used to accumulate resources for the payments of general long-term debt principal, interest, and related costs. It has a fund balance of \$2,276,357 which is restricted for the payment of principal and interest on outstanding debt.

Equipment Replacement Fund: The equipment replacement fund is used to accumulate resources for the purpose of replacing fleet vehicles and heavy equipment once their useful lives have been met. A depreciation schedule for each piece of equipment has been established and the user department makes an annual contribution to the fund for the future replacement of the equipment based on the annual depreciation contribution. For the past several years, due to limited budget resources, we have been unable to make contributions to this fund from the city's general fund. Contributions have continued to be made by the special revenue and enterprise funds. The fund balance as of December 31, 2012, was \$7,552,434 an increase of \$655,439 from the prior year.

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, 2012 is \$4,293,205 all of which is programmed to be used for capital projects and public infrastructure improvements. The city spent \$12.7 million on capital improvement projects last year including several major road, highway, bridge and parks improvements.

The aggregate non-major governmental funds column includes several special revenue and capital projects funds that are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Most of these are the remaining tax incremental financing districts. The cumulative fund balances for these funds is \$1,850,389 an increase of \$822,710 from last year. There are several tax increment districts that have deficit fund balances as of December 31, 2012.

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.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) (UNAUDITED) For Year Ended December 31, 2012

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

Sewer Utility: The sewer utility realized an operating loss of \$1,529,918 in 2012 compared to a loss of \$1,166,569 for 2011. This loss is largely the result of increased operating and maintenance costs and depreciation expense on plant and equipment. Operating revenues increased slightly in 2012 due to increased water consumption as a result of the hot dry weather during last summer. There was no change in the user fees assessed for sanitary sewer services. The rates for sewer services have not changed since 2003 and have not increased since the 1990's. Net position decreased \$1,300,157 due primarily to the increase in operating costs and depreciation. Cash flow remains positive for the sewer utility with an increase in cash and cash equivalents of \$482,001 from the prior year. The city serves 13,461 sewer customers with a wastewater treatment facility that has the capacity to treat 11 MGD of flow. The city maintains approximately 170 miles of sanitary sewer mains.

Water Utility: The water utility realized operating income of \$2,821,327 in 2012 compared to \$2,492,663 in 2011. This \$328,664 increase is due to increased consumption resulting from last summer's drought. The change in net position in 2012 was an increase of \$839,194. Most of this increase can be attributed to the increase in operating revenues. The city serves 15,279 water customers and maintains seven wells and approximately 200 miles of water mains.

The net position of the city's Enterprise Funds as of December 31, 2012 was \$74,459,989. The water and sewer utility's net position accounted for \$60,393,174 or 81% of this total.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund final amended budget appropriations, which include expenditures and other financing uses, totaled \$29,739,629. The final actual expenditures and other financing uses of \$28,954,732 were \$784,897 less than the final budget appropriations. This was due to reduced operating expenditures that occurred during the year and lower than anticipated snow and ice removal costs due to the mild winter of 2011-12.

The actual revenues and other financing sources were \$29,548,118, which was \$479,808 more than the final budgeted amount. Investment income in 2012 was \$570,534 and of this amount, \$394,000 was for the mark to market adjustment recorded for the underlying securities, and \$177,000 were interest earnings. Interest rates continue to remain at all-time historic lows without any sign of improvement in the near future. At \$6,167,786, the property tax levy is the largest local source revenue in the general fund. Property taxes exceeded the final budget by \$9,533. The most significant revenue items in the general fund are the Aids to Local Government payments the city receives from the State of Wisconsin. In 2012, these payments totaled \$19,447,592. This represents 66% of total general fund revenues and other financing sources and is consistent with prior year's totals. Revenues and other financing sources were \$593,386 more than expenditures and other financing uses, which is the net change in fund balance for 2012. As was previously mentioned, a deficit of \$671,319 was budgeted for the general fund in 2012.

CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) (UNAUDITED) For Year Ended December 31, 2012

GENERAL FUND BUDGETARY HIGHLIGHTS (cont.)

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

- General government expenditures were \$212,977 less than budget largely related to reduced staffing costs and the contingency reserve not being fully used in the Finance and Administrative Services department.
- Actual expenditures for the Public Safety departments were \$131,029 less than the final budget amount. This was again due to reduced personnel costs related to position vacancies that occurred during the year.
- Public Works department expenditures were \$444,500 less than budgeted amounts due to reduced snow removal and parks maintenance costs.
- Overall, general fund expenditures and other financing uses were \$784,897 less than final budgeted amounts.
- Tax revenues were slightly higher than budget primarily due to additional tax collections and payment in lieu of taxes received from the Beloit Housing Authority.
- The city's largest source of revenue for its general fund comes from funding it receives from the State of Wisconsin. In 2012 the city received \$19,447,592 in intergovernmental aid from the State to support municipal services and transportation. This amounts to 66% of total general fund revenues.
- License and permit revenues were \$53,773 more than budget projections showing some positive signs of recovery from the recession.
- Fines, forfeitures and penalties were \$122,694 less than budget largely due to decreased fines collected for non-traffic related offenses and parking violations as well as late penalties assessed on delinquent property taxes.
- Fees and charges departments make for services provided were \$40,603 less than budget largely due to reduced fire inspection fees and miscellaneous charges.

CAPITAL ASSETS

The City of Beloit's investment in capital assets for its governmental and business-type activities as of December 31, 2012, was \$203,822,858 (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 \$14,867,323 from last year. This increase is the result of the city's investment in public infrastructure improvements within its tax increment districts and utility enterprise funds.

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

- Several street and highway construction projects totaling over \$17 million were either completed or started last year. Some of the more significant projects included the completion of the street and parking lot reconstruction projects in tax increment district No.5, the new north Riverside Park entrance feature, Riverside Drive Improvements, Gateway Boulevard Extension and the most prominent project completed in 2012 was the reconstruction of the Henry Avenue Bridge over the Rock River.

CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)
For Year Ended December 31, 2012

CAPITAL ASSETS (cont.)

- The city replaced its public safety radio network with new low band digital radios at a cost in excess of \$1.5 million.
- The city added over \$10 million of various improvements to its water and sewer utility funds with a new well #14 that was placed in service last year for the water utility and a new sludge de-watering system that was placed in service at the water pollution control facility.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land	\$ 5.0	\$ 5.0	\$ 3.6	\$ 3.8	\$ 8.6	\$ 8.8
Construction in progress	-	-	7.8	-	7.8	-
Land improvements	-	-	0.1	0.1	0.1	0.1
Buildings	15.8	15.7	6.9	7.0	22.7	22.7
Machinery & equipment	11.1	10.8	3.4	3.2	14.5	14.0
Other improvements	2.9	2.8	-	-	2.9	2.8
Streets	48.4	58.2	-	-	48.4	58.2
Street lights	4.4	5.1	-	-	4.4	5.1
Traffic signals	1.1	1.0	-	-	1.1	1.0
Bridges	3.9	11.1	-	-	3.9	11.1
Intangibles	-	-	4.0	-	4.0	-
Storm sewer infrastructure	-	-	9.8	9.7	9.8	9.7
Water plant & equipment	-	-	23.2	30.7	23.2	30.7
Sewer plant & equipment	-	-	37.1	39.8	37.1	39.8
Totals	<u>\$ 93.0</u>	<u>\$ 109.6</u>	<u>\$ 95.9</u>	<u>\$ 94.2</u>	<u>\$ 188.9</u>	<u>\$ 203.8</u>

Columns may not total due to rounding.

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

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) (UNAUDITED) For Year Ended December 31, 2012

LONG-TERM OBLIGATIONS

In 2012, the city issued \$8,148,662 in bonds, refunding bonds and notes and retired debt of \$14,496,265 resulting in \$87,041,461 in outstanding general obligation and revenue bonds and notes payable at the end of 2012. The per capita general obligation debt ratio was \$1,505 at the end of 2012. Of the total bonded debt outstanding, \$55,448,817 is backed by the full faith and credit of the government. Under Wisconsin State Statutes, the city's aggregate general obligation indebtedness may not exceed 5% of the equalized assessed value of taxable property located within the city. The total debt applicable to the statutory limit is 74% of the maximum allowed of \$75,398,895. The city's general obligation notes and bonds are rated "A+" and the utility revenue bonds are rated "A" by Standard and Poor's. Both of these ratings were affirmed in 2012.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
General obligation bonds	\$ 55.5	\$ 50.2	\$ 5.6	\$ 5.2	\$ 61.1	\$ 55.4
Revenue bonds	-	-	32.4	31.6	32.4	31.6
Debt Outstanding	<u>\$ 55.5</u>	<u>\$ 50.2</u>	<u>\$ 38.0</u>	<u>\$ 36.8</u>	<u>\$ 93.5</u>	<u>\$ 87.0</u>

Columns may not total due to rounding.

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

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

The city's economy historically and currently remains largely reliant on manufacturing and industry which are sectors of the economy that were most negatively impacted by the recent recession. As of late there have been recent improvements to the local economy but the city remains on a path to full recovery. The city's unemployment rate in April 2013 was 10.9%, second highest in the State of Wisconsin. In April 2009, the city's unemployment rate was 18.3%, which was the highest in the State. Although this trend is positive and has continued to improve, the local economy in particular, job creation and unemployment continues to lag behind both State and National levels.

Due to the city's proximity to metropolitan Chicago to the southeast and Madison to the north via Interstates 39/90, and Milwaukee to the east via Interstate 43, there is reason to be optimistic that the city's economy stands to continue to improve. Beloit has a unique opportunity to serve the Midwestern United States as a center for industry and manufacturing. This fact has become obvious from the economic development activity and growth being realized in the city's

CITY OF BELOIT, WISCONSIN

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

For Year Ended December 31, 2012

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS (cont.)

Tax Increment District No.10 which is located at the intersection of these highways. Since its inception in 2000, TID No.10 has realized an additional tax base value in excess of \$159 million with over 760 new jobs. We are optimistic that this linkage will further enhance the development potential of TID #10 and provide additional economic development opportunities for the city. As mentioned earlier the city purchased 56 acres of land in the TID in late 2012. This gives the city over 500 acres of land it controls for development in the TID.

Another project that will have a profound impact on the city's economy is the potential for an Indian gaming casino in the city. Last year, the Ho Chunk Nation entered into an Inter-governmental Agreement with the city and Rock County to construct and operate a gaming casino in the city. They have since submitted an application to the United States Department of the Interior Bureau of Indian Affairs seeking approval to operate a full class III gaming casino in Beloit. If approved, the tribe plans to construct a 700,000 sq.ft. facility for the casino and a 300 room hotel, conference and convention facility. The projected total investment is expected to be close to \$200 million. Once operational the facility is expected to provide approximately 2,000 new jobs in the city. The city will receive impact fee payments amounting to several million dollars to cover the costs of new infrastructure improvements to serve the facility as well as a share of net gaming proceeds. It is estimated the net gaming proceeds could possibly total \$5 to \$7 million per year. Earlier this year the city entered into a contract with the Ho Chunk Nation for the purchase of 41.6 acres of city owned land which is contiguous to the casino site which the tribe expects to develop as part of the casino project. These additional development opportunities will further add to the impact of the casino on the city's economy by creating more jobs and adding to the tax base.

In 2012, the city's tax base decreased \$50,740,500 or 3.2% to \$1,507,977,900. Most of this decrease occurred in residential and commercial property values. This trend is expected to continue in 2013 albeit at a slower pace as property values have not completely stabilized from the recession. There has been very little new development in Beloit the last two years to offset declining market values. In 2012 the city issued seven building permits for new construction with a total value of \$4.5 million.

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 POSITION
As of December 31, 2012

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Totals	
ASSETS				
Cash and investments	\$ 27,862,114	\$ 8,135,378	\$ 35,997,492	\$ 1,754,133
Receivables (net of allowance for uncollectibles)				
Taxes	21,197,380	554,367	21,751,747	-
Delinquent personal property taxes	121,243	-	121,243	-
Accounts	1,553,410	3,982,178	5,535,588	93,473
Special assessments	1,709,837	-	1,709,837	121,952
Loans	3,682,333	-	3,682,333	-
Accrued interest	96,575	-	96,575	107
Other	73,015	509,742	582,757	-
Due from other governmental units	386,988	148,324	535,312	29,322
Internal balances - interfunds	140,553	(140,553)	-	-
Internal balances - advances	826,000	(826,000)	-	-
Due from component unit	193,204	-	193,204	-
Inventories	593,334	134,950	728,284	-
Financing costs	-	-	-	25,943
Tax credit fees	-	-	-	218,541
Prepaid items	174,959	-	174,959	7,392
Lease receivable from primary government	-	-	-	20,446,434
Restricted Assets				
Temporarily Restricted				
Cash and investments	-	6,171,929	6,171,929	2,761,509
Deposit with risk pool	1,575,475	-	1,575,475	-
Other assets	630,564	247,718	878,282	-
Land held for resale	5,450,499	-	5,450,499	-
Capital Assets				
Land	4,971,936	3,752,041	8,723,977	601,285
Construction in progress	-	-	-	5,994
Capital assets net of depreciation	104,663,154	90,435,727	195,098,881	19,626,589
Total Assets	<u>175,902,573</u>	<u>113,105,801</u>	<u>289,008,374</u>	<u>45,692,674</u>
LIABILITIES				
Accounts payable	3,891,040	698,374	4,589,414	280,471
Accrued liabilities	404,716	246,788	651,504	1,778,675
Claims payable	2,237,118	-	2,237,118	-
Due to primary government	-	-	-	194,817
Other liabilities	-	59,912	59,912	-
Unearned revenues	21,146,847	554,367	21,701,214	1,390,012
Deposits	-	-	-	68,403
Noncurrent liabilities				
Due within one year	8,388,410	2,030,758	10,419,168	2,300,000
Due in more than one year	85,303,150	35,055,613	120,358,763	28,614,190
Total Liabilities	<u>121,371,281</u>	<u>38,645,812</u>	<u>160,017,093</u>	<u>34,626,568</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	54,274,785	60,323,671	108,794,859	909,544
Members' equity	-	-	-	4,296,072
Restricted for debt service	1,871,641	437,602	2,309,243	-
Restricted for library operations	641,610	-	641,610	-
Restricted for replacement	-	2,731,400	2,731,400	-
Restricted for economic development	1,548,971	-	1,548,971	-
Restricted for grant programs	4,978,082	-	4,978,082	5,305,234
Restricted for solid waste	264,216	-	264,216	-
Restricted for cemetery perpetual care	2,184,141	-	2,184,141	-
Restricted for park activities	91,889	-	91,889	-
Unrestricted (deficit)	(11,324,043)	10,967,316	5,446,870	555,256
TOTAL NET POSITION	<u>\$ 54,531,292</u>	<u>\$ 74,459,989</u>	<u>\$ 128,991,281</u>	<u>\$ 11,066,106</u>

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government				
City Council, Manager, Attorney	\$ 747,997	\$ 35,761	\$ -	\$ -
Finance and Administrative Services	4,249,269	1,181,472	374,813	-
Community Development	3,593,036	115,177	1,066,417	-
Economic Development	283,643	-	-	-
Public Safety				
Police Services	15,044,071	1,254,166	315	-
Fire Services	10,210,826	38,329	59,656	-
Public works	16,676,877	2,631,861	403,977	14,404,161
Library	2,211,860	188,106	307,008	-
Interest and fiscal charges	2,956,048	-	-	-
Total Governmental Activities	55,973,627	5,444,872	2,212,186	14,404,161
Business-type Activities				
Water	4,436,025	5,812,294	-	-
Sewer	8,445,553	6,792,043	-	-
Golf course	524,091	430,943	-	-
Cemeteries	321,069	185,348	-	-
Ambulance	1,054,949	1,088,359	-	-
Storm sewer	982,245	941,597	-	32,203
Transit	2,146,847	240,181	-	-
Total Business-type Activities	17,910,779	15,490,765	-	32,203
Total Primary Government	\$ 73,884,406	\$ 20,935,637	\$ 2,212,186	\$ 14,436,364
Component Units - Business-type Activities				
Community Development Authority	\$ 6,180,997	\$ 375,113	\$ 3,905,507	\$ 1,623,716
Business Improvement District	199,290	124,118	85,132	-
Beloit Public Library Foundation, Inc.	34,118	-	38,191	-
Total Component Units	\$ 6,414,405	\$ 499,231	\$ 4,028,830	\$ 1,623,716

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 position

NET POSITION - Beginning

NET POSITION - ENDING

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Totals	
\$ (712,236)	\$ -	\$ (712,236)	\$ -
(2,692,984)	-	(2,692,984)	-
(2,411,442)	-	(2,411,442)	-
(283,643)	-	(283,643)	-
(13,789,590)	-	(13,789,590)	-
(10,112,841)	-	(10,112,841)	-
763,122	-	763,122	-
(1,716,746)	-	(1,716,746)	-
(2,956,048)	-	(2,956,048)	-
<u>(33,912,408)</u>	<u>-</u>	<u>(33,912,408)</u>	<u>-</u>
-	1,376,269	1,376,269	-
-	(1,653,510)	(1,653,510)	-
-	(93,148)	(93,148)	-
-	(135,721)	(135,721)	-
-	33,410	33,410	-
-	(8,445)	(8,445)	-
<u>-</u>	<u>(1,906,666)</u>	<u>(1,906,666)</u>	<u>-</u>
<u>-</u>	<u>(2,387,811)</u>	<u>(2,387,811)</u>	<u>-</u>
(33,912,408)	(2,387,811)	(36,300,219)	-
-	-	-	(276,661)
-	-	-	9,960
-	-	-	4,073
			<u>(262,628)</u>
6,167,786	537,256	6,705,042	-
4,873,523	-	4,873,523	-
7,126,775	-	7,126,775	-
1,990,780	-	1,990,780	-
567,650	-	567,650	-
21,707,260	1,154,514	22,861,774	-
1,163,493	592,441	1,755,934	979,456
52,738	-	52,738	-
1,651,813	127,789	1,779,602	77,649
775,073	(775,073)	-	-
<u>46,076,891</u>	<u>1,636,927</u>	<u>47,713,818</u>	<u>1,057,105</u>
12,164,483	(750,884)	11,413,599	794,477
<u>42,366,809</u>	<u>75,210,873</u>	<u>117,577,682</u>	<u>10,271,629</u>
<u>\$ 54,531,292</u>	<u>\$ 74,459,989</u>	<u>\$ 128,991,281</u>	<u>\$ 11,066,106</u>

CITY OF BELOIT

BALANCE SHEET - GOVERNMENTAL FUNDS
As of December 31, 2012

	General	TIF District No. 10	General Debt Service	Capital Improvements	Equipment Replacement	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 9,245,451	\$ 244,595	\$ 1,134,692	\$ 2,777,358	\$ 7,542,615	\$ 6,318,865	\$ 27,263,576
Receivables							
Taxes	7,026,415	4,913,954	4,445,195	94,864	-	4,716,952	21,197,380
Delinquent personal property taxes	40,608	-	-	74,822	-	5,813	121,243
Accounts (net)	561,020	-	-	12,000	-	854,158	1,427,178
Special assessments	-	-	-	1,709,837	-	-	1,709,837
Loans	-	-	-	-	-	3,682,333	3,682,333
Accrued interest	61,971	-	-	-	16,976	17,628	96,575
Other	73,015	-	-	-	-	-	73,015
Due from other governmental units	-	-	-	-	-	386,988	386,988
Due from other funds	1,775,327	-	-	-	-	-	1,775,327
Due from component units	-	-	-	-	-	193,204	193,204
Inventories	593,334	-	-	-	-	-	593,334
Prepaid items	174,959	-	-	-	-	-	174,959
Advances to other funds	826,000	-	1,141,665	2,951,069	-	-	4,918,734
TOTAL ASSETS	\$ 20,378,100	\$ 5,158,549	\$ 6,721,552	\$ 7,619,950	\$ 7,559,591	\$ 16,175,941	\$ 63,613,683
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 1,654,155	\$ 126,791	\$ -	\$ 1,447,222	\$ 7,157	\$ 530,164	\$ 3,765,489
Due to other funds	-	103,350	-	-	-	1,114,407	1,217,757
Deferred revenue	7,355,290	4,913,954	4,445,195	1,879,523	-	8,588,247	27,182,209
Advances from other funds	-	-	-	-	-	4,092,734	4,092,734
Total Liabilities	9,009,445	5,144,095	4,445,195	3,326,745	7,157	14,325,552	36,258,189
Fund Balances							
Nonspendable	1,634,901	-	-	-	-	-	1,634,901
Restricted	-	14,454	2,276,357	1,692,037	-	5,910,113	9,892,961
Assigned	589,028	-	-	2,601,168	7,552,434	512,581	11,255,211
Unassigned (deficit)	9,144,726	-	-	-	-	(4,572,305)	4,572,421
Total Fund Balances	11,368,655	14,454	2,276,357	4,293,205	7,552,434	1,850,389	27,355,494
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,378,100	\$ 5,158,549	\$ 6,721,552	\$ 7,619,950	\$ 7,559,591	\$ 16,175,941	
Amounts reported for governmental activities in the statement of net position 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.							109,620,149
Land held for resale is not reported in the funds							5,450,499
Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements. See Note IV.B.							6,035,362
Internal service funds are reported in the statement of net position as governmental funds							(464,500)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II.A.							(93,465,712)
NET POSITION OF GOVERNMENTAL ACTIVITIES							\$ 54,531,292

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended December 31, 2012

	General	TIF District No. 10	General Debt Service
REVENUES			
Taxes	\$ 6,246,022	\$ 4,041,474	\$ 4,873,523
Intergovernmental	19,447,592	99,809	125,309
Licenses and permits	650,825	-	-
Fines, forfeitures and penalties	1,137,302	-	-
Fees and service charges	616,013	-	-
Rent	3,615	-	-
Special assessments	-	-	-
Investment income	570,534	56,350	34,452
Public charges for services	-	-	-
Other	37,093	-	263,775
Total Revenues	<u>28,708,996</u>	<u>4,197,633</u>	<u>5,297,059</u>
EXPENDITURES			
Current			
General government	3,752,347	-	-
Community development	1,191,448	-	-
Public safety	18,552,993	-	-
Public works	5,457,944	-	-
Parks, recreation, and education	-	-	-
Capital Outlay	-	4,662,600	-
Debt Service			
Principal retirement	-	909,849	10,447,981
Interest and fiscal charges	-	933,685	1,975,524
Total Expenditures	<u>28,954,732</u>	<u>6,506,134</u>	<u>12,423,505</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(245,736)</u>	<u>(2,308,501)</u>	<u>(7,126,446)</u>
OTHER FINANCING SOURCES (USES)			
Debt issued	-	-	-
Debt issued - refunding	-	-	3,706,200
Capital lease	-	-	-
Sale of city property	50,129	-	-
Payment into escrow	-	-	(2,458,608)
Debt premium	-	-	98,060
Transfers in	788,993	-	1,794,177
Transfers out	-	(264,204)	-
Total Other Financing Sources (Uses)	<u>839,122</u>	<u>(264,204)</u>	<u>3,139,829</u>
Net Change in Fund Balances	593,386	(2,572,705)	(3,986,617)
FUND BALANCES - Beginning	<u>10,775,269</u>	<u>2,587,159</u>	<u>6,262,974</u>
FUND BALANCES - ENDING	<u>\$ 11,368,655</u>	<u>\$ 14,454</u>	<u>\$ 2,276,357</u>

<u>Capital Improvements</u>	<u>Equipment Replacement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 5,064,477	\$ 20,225,496
272,296	-	3,667,485	23,612,491
-	-	1,716	652,541
13,846	-	-	1,151,148
-	-	48,309	664,322
-	-	-	3,615
204,105	-	-	204,105
22,888	279,541	199,728	1,163,493
-	-	2,642,302	2,642,302
689,958	884,016	967,632	2,842,474
<u>1,203,093</u>	<u>1,163,557</u>	<u>12,591,649</u>	<u>53,161,987</u>
-	-	17,615	3,769,962
-	-	3,032,668	4,224,116
-	-	565,577	19,118,570
-	-	2,500,239	7,958,183
-	-	2,036,683	2,036,683
6,053,725	552,587	2,795,205	14,064,117
-	-	595,059	11,952,889
-	-	176,409	3,085,618
<u>6,053,725</u>	<u>552,587</u>	<u>11,719,455</u>	<u>66,210,138</u>
<u>(4,850,632)</u>	<u>610,970</u>	<u>872,194</u>	<u>(13,048,151)</u>
3,753,800	-	-	3,753,800
-	-	-	3,706,200
-	-	1,498,489	1,498,489
-	44,469	12,000	106,598
-	-	-	(2,458,608)
41,853	-	-	139,913
30,000	-	-	2,613,170
-	-	(1,559,973)	(1,824,177)
<u>3,825,653</u>	<u>44,469</u>	<u>(49,484)</u>	<u>7,535,385</u>
(1,024,979)	655,439	822,710	(5,512,766)
<u>5,318,184</u>	<u>6,896,995</u>	<u>1,027,679</u>	<u>32,868,260</u>
<u>\$ 4,293,205</u>	<u>\$ 7,552,434</u>	<u>\$ 1,850,389</u>	<u>\$ 27,355,494</u>

See accompanying notes to financial statements.

CITY OF BELOIT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2012

Net change in fund balances - total governmental funds	\$	(5,512,766)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position 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		14,074,117
Less: Some items are reported as capital outlay but not capitalized		(8,657,538)
Depreciation is reported in the government-wide statements		(2,997,225)
Change in land held for resale		1,316,119

Contributed capital assets are reported as revenues in the government-wide financial statements.		14,409,937
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Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net position.		(192,791)
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Receivables not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.		(104,730)
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Debt and lease issues provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which issues (\$7,460,000 G.O. debt and \$1,498,489 capital leases) were more than payments/defeasances (\$12,687,551 G.O. debt, \$10,000 other debt, and \$1,531,906 capital leases).		5,270,968
Other post-employment benefit liability		(5,771,036)

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.		105,598
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences		(116,684)
Accrued interest on debt		66,101

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 position of the internal service funds is reported in the governmental activities.		274,413
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>12,164,483</u>
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See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
As of December 31, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Nonmajor Enterprise Funds	Totals	
ASSETS					
Current Assets					
Cash and investments	\$ 1,881,493	\$ 5,173,167	\$ 1,080,718	\$ 8,135,378	\$ 598,538
Receivables					
Taxes	-	-	554,367	554,367	-
Accounts	873,254	2,458,020	650,904	3,982,178	126,232
Other	52,811	450,632	6,299	509,742	-
Due from other governmental units	-	-	148,324	148,324	-
Current portion of advance	-	212,161	-	212,161	-
Inventories	13,296	-	121,654	134,950	-
Restricted Assets					
Bond redemption account	383,039	104,911	44,466	532,416	-
Total Current Assets	<u>3,203,893</u>	<u>8,398,891</u>	<u>2,606,732</u>	<u>14,209,516</u>	<u>724,770</u>
Noncurrent Assets					
Restricted Assets					
Bond reserve account	2,306,365	-	126,444	2,432,809	-
Construction account	475,304	-	-	475,304	-
Replacement account	-	2,731,400	-	2,731,400	-
Deposit with risk pool	-	-	-	-	1,575,475
Total Restricted Assets	<u>2,781,669</u>	<u>2,731,400</u>	<u>126,444</u>	<u>5,639,513</u>	<u>1,575,475</u>
Capital Assets					
Land	1,095,760	1,386,281	1,270,000	3,752,041	-
Land improvements	-	-	702,418	702,418	-
Buildings	4,441,696	71,122,807	4,845,648	80,410,151	-
Machinery, equipment, and vehicles	2,305,111	1,528,728	4,250,200	8,084,039	67,165
Infrastructure	42,644,929	17,041,137	12,158,603	71,844,669	-
Less: Accumulated depreciation	<u>(14,358,664)</u>	<u>(49,385,319)</u>	<u>(6,861,567)</u>	<u>(70,605,550)</u>	<u>(52,224)</u>
Total Capital Assets, Net	<u>36,128,832</u>	<u>41,693,634</u>	<u>16,365,302</u>	<u>94,187,768</u>	<u>14,941</u>
Other Assets					
Advances to other funds	-	223,015	-	223,015	-
Unamortized debt issuance costs	199,693	9,094	38,931	247,718	-
Total Other Assets	<u>199,693</u>	<u>232,109</u>	<u>38,931</u>	<u>470,733</u>	<u>-</u>
Total Noncurrent Assets	<u>39,110,194</u>	<u>44,657,143</u>	<u>16,530,677</u>	<u>100,298,014</u>	<u>1,590,416</u>
Total Assets	<u>42,314,087</u>	<u>53,056,034</u>	<u>19,137,409</u>	<u>114,507,530</u>	<u>2,315,186</u>

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Nonmajor Enterprise Funds	Totals	
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 322,421	\$ 259,598	\$ 116,355	\$ 698,374	\$ 125,551
Accrued liabilities	12,415	5,412	7,703	25,530	-
Claims payable	-	-	-	-	2,237,118
Due to other funds	-	-	146,254	146,254	411,316
Compensated absences	23,381	124,059	119,098	266,538	-
Current maturities of general obligation debt	145,013	87,444	184,003	416,460	-
Current portion of advances	212,161	-	-	212,161	-
Unearned revenue	-	-	554,367	554,367	-
Other current liabilities	-	-	13,491	13,491	-
Current Liabilities Payable From Restricted Assets					
Current maturities of revenue debt	1,155,000	137,760	55,000	1,347,760	-
Accrued interest	190,464	13,071	17,723	221,258	-
Total Current Liabilities	2,060,855	627,344	1,213,994	3,902,193	2,773,985
Noncurrent Liabilities					
General obligation debt, less current maturities	2,136,172	1,066,059	1,607,205	4,809,436	-
Compensated absences	15,721	99,837	29,787	145,345	-
Other post-employment benefits	23,154	102,262	92,590	218,006	-
Revenue debt, less current maturities	25,582,045	3,129,884	1,310,000	30,021,929	-
Unamortized loss on advance refunding	(135,822)	-	(3,281)	(139,103)	-
Deferred credits	46,421	-	-	46,421	-
Advances from other funds	223,015	-	826,000	1,049,015	-
Total Noncurrent Liabilities	27,890,706	4,398,042	3,862,301	36,151,049	-
Total Liabilities	29,951,561	5,025,386	5,076,295	40,053,242	2,773,985
NET POSITION (DEFICIT)					
Net investment in capital assets	9,792,610	37,279,755	13,251,306	60,323,671	14,941
Restricted for debt service	192,575	91,840	153,187	437,602	-
Restricted for replacement	-	2,731,400	-	2,731,400	-
Unrestricted (deficit)	2,377,341	7,927,653	656,621	10,961,615	(473,740)
TOTAL NET POSITION (DEFICIT)	\$ 12,362,526	\$ 48,030,648	\$ 14,061,114	\$ 74,454,288	\$ (458,799)
Amounts reported for business-type activities in the statement of net position are different because:					
Portion of internal service fund net position reported in the business-type activities as an interfund				5,701	
NET POSITION OF BUSINESS-TYPE ACTIVITIES				\$ 74,459,989	

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION (DEFICIT) - PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Nonmajor Enterprise Funds	Totals	
OPERATING REVENUES					
Charges for services	\$ 5,097,477	\$ 6,600,978	\$ 2,848,041	\$ 14,546,496	\$ 11,561,934
Other	714,817	191,065	38,387	944,269	-
Total Operating Revenues	<u>5,812,294</u>	<u>6,792,043</u>	<u>2,886,428</u>	<u>15,490,765</u>	<u>11,561,934</u>
OPERATING EXPENSES					
Operation and maintenance	1,487,843	4,687,936	4,119,792	10,295,571	10,820,966
Contractual services	322,714	1,115,889	302,167	1,740,770	457,464
Depreciation	1,180,410	2,518,136	468,747	4,167,293	2,940
Total Operating Expenses	<u>2,990,967</u>	<u>8,321,961</u>	<u>4,890,706</u>	<u>16,203,634</u>	<u>11,281,370</u>
Operating Income (Loss)	<u>2,821,327</u>	<u>(1,529,918)</u>	<u>(2,004,278)</u>	<u>(712,869)</u>	<u>280,564</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	-	1,154,514	1,154,514	534
Investment income	62,211	183,269	113,592	359,072	-
Interest charged to construction	195,070	38,299	-	233,369	-
Interest expense	(1,286,338)	(118,660)	(139,539)	(1,544,537)	-
Amortization of debt issuance costs and premiums	(164,083)	(936)	(4,274)	(169,293)	-
General property taxes	-	-	537,256	537,256	-
Interest subsidy received on Build America Bonds	-	-	32,203	32,203	-
Miscellaneous	-	127,789	-	127,789	-
Total Nonoperating Revenues (Expenses)	<u>(1,193,140)</u>	<u>229,761</u>	<u>1,693,752</u>	<u>730,373</u>	<u>534</u>
Income (loss) before contributions and transfers	1,628,187	(1,300,157)	(310,526)	17,504	281,098
Capital contributions	-	-	13,920	13,920	-
Transfers out	<u>(788,993)</u>	<u>-</u>	<u>-</u>	<u>(788,993)</u>	<u>-</u>
Change in Net Position	839,194	(1,300,157)	(296,606)	(757,569)	281,098
TOTAL NET POSITION (DEFICIT) - Beginning	<u>11,523,332</u>	<u>49,330,805</u>	<u>14,357,720</u>		<u>(739,897)</u>
TOTAL NET POSITION (DEFICIT) - ENDING	<u>\$ 12,362,526</u>	<u>\$ 48,030,648</u>	<u>\$ 14,061,114</u>		<u>\$ (458,799)</u>
Amounts reported for business-type activities in the Statement of Activities are different because:					
Portion of internal service funds change in net position reported in business-type activities				<u>6,685</u>	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES				<u>\$ (750,884)</u>	

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Nonmajor Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	\$ 5,982,753	\$ 6,736,543	\$ 2,727,294	\$ 15,446,590	\$ 11,476,347
Paid to suppliers for goods and services	(1,316,620)	(4,196,068)	(2,169,568)	(7,682,256)	(10,841,131)
Payments to employees for services	(580,891)	(1,658,564)	(2,281,930)	(4,521,385)	(541,948)
Net Cash Flows from Operating Activities	<u>4,085,242</u>	<u>881,911</u>	<u>(1,724,204)</u>	<u>3,242,949</u>	<u>93,268</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants received	-	-	1,196,067	1,196,067	-
Transfers in (out)	(788,993)	-	-	(788,993)	-
Property taxes received	-	-	537,256	537,256	-
Advances to other funds	-	201,835	-	201,835	-
Intergovernmental grants	-	-	2,947	2,947	534
Non-capital advance (and repayment)	-	-	112,803	112,803	-
Net Cash Flows from Noncapital Financing Activities	<u>(788,993)</u>	<u>201,835</u>	<u>1,849,073</u>	<u>1,261,915</u>	<u>534</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Debt retired	(1,250,831)	(212,571)	(241,883)	(1,705,285)	-
Interest paid	(1,293,149)	(117,436)	(140,997)	(1,551,582)	-
Interest subsidy received on BABs	-	-	25,005	25,005	-
Proceeds from issuance of new debt	3,027	535,206	47,000	585,233	-
Acquisition and construction of capital assets	(1,342,739)	(990,213)	(71,828)	(2,404,780)	-
Construction grants received	-	-	53,894	53,894	-
Cost of removal of property retired	(15,920)	-	-	(15,920)	-
Capital advances from other funds receipts (payments)	(201,835)	-	-	(201,835)	-
Net Cash Flows from Capital and Related Financing Activities	<u>(4,101,447)</u>	<u>(785,014)</u>	<u>(328,809)</u>	<u>(5,215,270)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	<u>62,212</u>	<u>183,269</u>	<u>113,483</u>	<u>358,964</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>62,212</u>	<u>183,269</u>	<u>113,483</u>	<u>358,964</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(742,986)	482,001	(90,457)	(351,442)	93,802
CASH AND CASH EQUIVALENTS - Beginning	<u>5,789,187</u>	<u>7,527,477</u>	<u>1,342,085</u>	<u>14,658,749</u>	<u>504,736</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 5,046,201</u>	<u>\$ 8,009,478</u>	<u>\$ 1,251,628</u>	<u>\$ 14,307,307</u>	<u>\$ 598,538</u>

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Nonmajor Enterprise Funds	Totals	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (Loss)	\$ 2,821,327	\$ (1,529,918)	\$ (2,004,278)	\$ (712,869)	\$ 280,564
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities					
Nonoperating income	-	127,789	7,198	134,987	-
Depreciation charged to other funds	121,962	-	-	121,962	-
Depreciation expense	1,180,410	2,518,136	468,747	4,167,293	2,940
Changes in Assets and Liabilities					
Accounts receivable	23,497	(209,643)	(166,332)	(352,478)	(85,587)
Inventories	1,397	-	1,805	3,202	-
Accounts payable	(87,484)	(41,548)	17,601	(111,431)	86,399
Due to/from other funds	-	26,354	-	26,354	-
Accrued compensated absences	-	287	-	287	-
Other post-employment benefits	(2,987)	(13,193)	(12,195)	(28,375)	-
Cash deficit	-	-	-	-	(66,857)
Due to other funds	-	-	(10,731)	(10,731)	361,268
Compensated absences	2,495	-	(22,558)	(20,063)	-
Other current liabilities	-	3,647	(3,461)	186	-
Unearned revenues	24,625	-	-	24,625	-
Claims payable	-	-	-	-	(485,459)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 4,085,242	\$ 881,911	\$ (1,724,204)	\$ 3,242,949	\$ 93,268

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

Cash and investments - statement of net position	\$ 1,881,493	\$ 5,173,167	\$ 1,080,718	\$ 8,135,378	\$ 598,538
Restricted cash and investments - statement of net position					
Bond redemption account	383,039	104,911	44,466	532,416	-
Replacement account	-	2,731,400	-	2,731,400	-
Construction account	475,304	-	-	475,304	-
Bond reserve account	2,306,365	-	126,444	2,432,809	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,046,201	\$ 8,009,478	\$ 1,251,628	\$ 14,307,307	\$ 598,538

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During 2012, \$195,070 of water interest was capitalized.
During 2012, \$30,000 of water refunding bonds were issued to advance refund \$26,973 of debt and finance \$3,027 of issuance costs.
During 2012, \$38,299 of sewer interest was capitalized.
During 2012, \$80,000 of sewer refunding bonds were issued to advance refund \$76,458 of debt and finance \$3,542 of issuance costs.
During 2012, \$13,920 of transit capital grants were accrued.

CITY OF BELOIT

STATEMENT OF ASSETS AND LIABILITIES AGENCY FUNDS As of December 31, 2012

	<u>Agency Fund</u>
	<u>Tax Collection Fund</u>
ASSETS	
Cash and investments	\$ 6,612,316
Property taxes receivable	<u>17,604,787</u>
TOTAL ASSETS	<u>\$ 24,217,103</u>
LIABILITIES	
Accounts payable	\$ 2,104
Due to other taxing units	<u>24,214,999</u>
TOTAL LIABILITIES	<u>\$ 24,217,103</u>

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF NET POSITION - COMPONENT UNITS As of December 31, 2012

	Major Community Development Authority	Nonmajor	Totals
ASSETS			
Current Assets			
Cash and investments	\$ 969,743	\$ 784,390	\$ 1,754,133
Receivables			
Accounts	93,473	-	93,473
Special assessments	-	121,952	121,952
Accrued interest	-	107	107
Lease receivable from primary government	2,250,000	-	2,250,000
Due from other governmental units	29,322	-	29,322
Financing costs	25,943	-	25,943
Tax credit fees	218,541	-	218,541
Prepaid items	7,392	-	7,392
Total Current Assets	3,594,414	906,449	4,500,863
Noncurrent Assets			
Restricted Assets			
Cash and investments	2,761,509	-	2,761,509
Capital Assets			
Land	601,285	-	601,285
Land improvements	553,476	-	553,476
Construction in progress	5,994	-	5,994
Buildings	2,113,133	-	2,113,133
Building improvements	17,458,912	-	17,458,912
Machinery, equipment, furnishings and vehicles	793,190	-	793,190
Less: Accumulated depreciation	(1,292,122)	-	(1,292,122)
Total Capital Assets, Net	20,233,868	-	20,233,868
Other Assets			
Lease receivable from primary government	18,196,434	-	18,196,434
Total Noncurrent Assets	41,191,811	-	41,191,811
Total Assets	44,786,225	906,449	45,692,674
LIABILITIES			
Current Liabilities			
Accounts payable	42,535	17,134	59,669
Construction payables	220,802	-	220,802
Accrued liabilities	1,778,675	-	1,778,675
Due to primary government	101,319	93,498	194,817
Unearned revenues	1,268,060	121,952	1,390,012
Deposits	68,403	-	68,403
Lease revenue bonds payable	2,250,000	-	2,250,000
Library campaign pledge	-	50,000	50,000
Total Current Liabilities	5,729,794	282,584	6,012,378
Noncurrent Liabilities			
Compensated absences	31,139	-	31,139
Mortgage notes payable	7,633,051	-	7,633,051
Lease revenue bonds payable	20,900,000	-	20,900,000
Library campaign pledge	-	50,000	50,000
Total Noncurrent Liabilities	28,564,190	50,000	28,614,190
Total Liabilities	34,293,984	332,584	34,626,568
NET POSITION			
Net investment in capital assets	909,544	-	909,544
Members' equity	4,296,072	-	4,296,072
Restricted for grant programs	5,297,197	8,037	5,305,234
Unrestricted	(10,572)	565,828	555,256
TOTAL NET POSITION	\$ 10,492,241	\$ 573,865	\$ 11,066,106

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF ACTIVITIES - COMPONENT UNITS For the Year Ended December 31, 2012

	Major Community Development Authority	Nonmajor	Totals
EXPENSES			
Community development	\$ 4,773,096	\$ -	\$ 4,773,096
Economic development	-	199,290	199,290
Library services	-	34,118	34,118
Total Expenses	4,773,096	233,408	5,006,504
PROGRAM REVENUES			
Charges for services	375,113	124,118	499,231
Operating grants and contributions	3,905,507	123,323	4,028,830
Other revenue	55,412	-	55,412
Total Program Revenues	4,336,032	247,441	4,583,473
Net Revenues (Expenses)	(437,064)	14,033	(423,031)
GENERAL REVENUES (EXPENSES)			
Investment income	909,270	70,186	979,456
Interest and amortization	(1,201,553)	-	(1,201,553)
Loss on disposal of capital assets	(206,348)	-	(206,348)
Miscellaneous	15,217	7,020	22,237
Total General Revenues (Expenses)	(483,414)	77,206	(406,208)
Revenues (Expenses) Before Contributions and Transfers	(920,478)	91,239	(829,239)
CAPITAL CONTRIBUTIONS	1,623,716	-	1,623,716
Change in Net Position	703,238	91,239	794,477
TOTAL NET POSITION - Beginning	9,789,003	482,626	10,271,629
TOTAL NET POSITION - ENDING	\$ 10,492,241	\$ 573,865	\$ 11,066,106

CITY OF BELOIT

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CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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.1.). As a component unit, the CDA's financial statements are shown as a discrete column (proprietary) in the financial statements. The CDA's financial statements include transactions of two limited liability companies which are used to promote redevelopment of CDA properties. The information presented is for the fiscal year ended December 31, 2012. The CDA does not issue separate financial statements. Additional information may be obtained from the CDA's office.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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, 2012. 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, 2012 (see Note IV.I.). Separately issued financial statements of the Foundation may be obtained from the Foundation's office.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

In June 2011, the GASB issued Statement No. 63 – *Financing Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for those elements, which are distinct from assets and liabilities.

The City made the decision to implement this standard effective January 1, 2012.

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

Government-Wide Financial Statements (cont.)

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

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net position/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 nonmajor 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/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major governmental funds:

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

TIF District No. 10 – Special Revenue Fund – accounts for receipts of district "incremental" property taxes and other revenues that are legally restricted or committed to supporting expenditures of the district.

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

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

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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 nonmajor governmental and enterprise funds:

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

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

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

Computer Replacement

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

Golf Course
Cemeteries
Ambulance
Storm Sewer
Transit System

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

Fund Financial Statements

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

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

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues. At December 31, 2012, there were \$1,163,597 of unrecorded deferred assessments which are not recorded as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

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

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

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

Fund Financial Statements (cont.)

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 POSITION OR EQUITY

1. Deposits and Investments

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

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

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

1. Deposits and Investments (cont.)

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

Investment of most trust funds including the cemetery perpetual care fund, is regulated by Chapter 881 of the Wisconsin Statutes. This section gives broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

The City has adopted an investment policy. That policy follows the state statute for allowable investments. The policy includes custodial credit risk, credit risk, and concentration of credit risk.

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2012, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV.A. for further information.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

D. ASSETS, LIABILITIES, AND NET POSITION 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 position.

Property tax calendar – 2012 tax roll:

Lien date and levy date	December 2012
Tax bills mailed	December 2012
Payment in full, or	January 31, 2013
First installment due	January 31, 2013
Second installment due	March 31, 2013
Third installment due	May 31, 2013
Fourth installment due	July 31, 2013
Personal property taxes in full	January 31, 2013
Tax sale – 2012 delinquent real estate taxes	October 2015

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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

2. Receivables (cont.)

Loans

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as economic development and housing rehabilitation loans receivable has been reduced by an allowance for uncollectible accounts of \$6,273.

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

Government-Wide Statements

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

D. ASSETS, LIABILITIES, AND NET POSITION 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. \$233,369 of interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

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

Fund Financial Statements

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

6. Other Assets

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

D. ASSETS, LIABILITIES, AND NET POSITION 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, 2012 are determined on the basis of current salary rates and include salary related payments.

8. Long-Term Obligations/Conduit Debt

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

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

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

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 \$335,111, made up of one issue.

9. Claims and Judgments

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

10. Equity Classifications

Government-Wide Statements

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

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The net position 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 “net investment in capital assets,” and an increase in “unrestricted” net position, shown only in the total column of \$5,803,597.

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

Fund Statements

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

- a. Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted – Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City that originally created the commitment.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

10. Equity Classifications (cont.)

Fund Statements (cont.)

- d. Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The city council may take official action to assign amounts, 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned – Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

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

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

See Note IV. H. for further information.

11. Basis for Existing Rates

Water Utility

The water utility was authorized current rates by the Public Service Commission (PSC) effective December 1, 2010 and is allowed to earn a 5.05% rate of return.

Sewer Utility

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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 POSITION

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

Land	\$ 4,971,936
Land improvements	67,854
Buildings and improvements	20,930,395
Machinery and equipment	22,062,780
Other improvements	5,335,614
Infrastructure	90,958,691
Less: Accumulated depreciation	(34,692,180)
Less: Internal service fund capital assets, net of depreciation	<u>(14,941)</u>
 Capital Assets	 <u>\$ 109,620,149</u>

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. 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 position.” The details of this \$93,465,712 difference in liabilities are as follows:

Bonds and notes payable	\$ 50,222,921
Unamortized debt premium/discount/cost of issuance/loss on advance refunding	(1,440,529)
Compensated absences	2,354,486
Other post-employment benefit liabilities	20,930,694
Other debt	80,000
Capital leases	20,913,424
Accrued interest	<u>404,716*</u>
 Net Adjustment to Reduce Fund Balance – Total Governmental Funds to Arrive at Net Position – Governmental Activities	 <u>\$ 93,465,712</u>

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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 fund – the Perpetual Care Fund.

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

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

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

Every appropriation lapses at December 31, to the extent that it has not been expended, encumbered or administratively carried over to the next year. Operating account appropriations which are administratively carried forward are reviewed and approved by the city council. An appropriation for a capital expenditure or a major repair continues in force until the purpose for which it was made has been accomplished or abandoned. There were no carryovers to 2013. Budgets are adopted at the department level of expenditure.

The budgeted amounts are as originally adopted by the City Council. The city manager may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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, 2012:

	Excess
TIF District No. 10 (major fund)	\$ 32,654
General Debt Service (major fund)	5,498,880
Capital Improvements Fund (major fund)	907,249
Rental Rehab (WRRP/HOME) (nonmajor fund)	13,658
TIF District No. 5 (nonmajor fund)	24,404
TIF District No. 9 (nonmajor fund)	205
TIF District No. 11 (nonmajor fund)	4,094
TIF District No. 12 (nonmajor fund)	150
Fire Multi-Year Grants (nonmajor fund)	26,070
Computer Replacement (nonmajor fund)	25,096

C. DEFICIT BALANCES

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

As of December 31, 2012, the following individual funds held a deficit balance:

Fund	Amount	Reason
Special Revenue – TIF District No. 6	\$ 519,806	Excess expenditures over revenues
Special Revenue – TIF District No. 8	1,069,875	Excess expenditures over revenues
Special Revenue – TIF District No. 9	2,982,624	Excess expenditures over revenues
Internal Service – Retiree Health Insurance	328,677	Excess expenses over revenues
Internal Service – Health Insurance	1,949,842	Excess expenses over revenues

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

D. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 32 (2011), legislation was passed that limits the City's future tax levies. Generally, the City is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the City's equalized value due to new construction, or zero percent for the 2011 levy collected in 2012 and thereafter. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Statement Balance	Associated Risks
Demand deposits	\$ 9,146,075	\$ 9,704,315	Custodial credit risk
U.S. agencies – implicitly guaranteed	4,674,739	4,674,739	Custodial credit risk, interest rate risk, credit risk, concentration of credit risk
Municipal bonds	6,403,494	6,403,494	Custodial credit risk, interest rate risk, credit risk, concentration of credit risk
Corporate bonds	8,131,510	8,131,510	Credit risk, custodial credit risk, concentration of credit risk, interest rate risk
Certificates of deposit	750,045	750,045	Custodial credit risk, interest rate risk, credit risk, concentration of credit risk
LGIP	19,666,941	19,666,941	Credit risk
Petty cash	8,933	-	N/A
Total Cash and Investments	\$ 48,781,737	\$ 49,331,044	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 35,997,492		
Restricted cash and investments	6,171,929		
Per statement of net position –			
Fiduciary Funds			
Agency	6,612,316		
Total Cash and Investments	\$ 48,781,737		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction accounts through December 31, 2012. On January 1, 2013, the temporary unlimited coverage for noninterest bearing transaction accounts expired. Therefore, demand deposit amounts (interest bearing and noninterest bearing) are insured for a total of \$250,000 beginning January 1, 2013. In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

A. DEPOSITS AND INVESTMENTS (cont.)

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

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

The City maintains collateral agreements with its banks. At December 31, 2012, the banks had pledged various government securities in the amount of \$10,283,374 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, 2012, the City had no bank balances exposed to custodial credit risk.

As of the December 31, 2012, 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.

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, 2012, the City's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>	<u>Fitch Ratings</u>	<u>Moody's Investor Service</u>
U.S. agencies	AA+	N/A	AAA
Municipal bonds	AA- to AA	N/A	AA1 to AA3
Corporate bonds	AA- to AAA	N/A	A2 to AA2

The City also had investments in the following which are not rated:

LGIP – external pool
Certificates of deposit

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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

A. DEPOSITS AND INVESTMENTS (cont.)

Concentration of Credit Risk

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

As of December 31, 2012, of the City's total portfolio, 8% was invested in FHLB investments.

Concentration of Credit Risk (by Dealer):

Dealer	Fair Value	Percentage of Portfolio
Multi-Bank Securities, Inc.	\$ 7,059,890	18%
Vining Sparks	7,863,169	20
Coastal Securities	4,286,684	11
 Total Concentrated Investments	 \$ 19,209,743	 49%

According to the City's investment policy, the City will diversify its investments by security type and institution. No more than 40% of the City of Beloit's total investment portfolio will be invested in a single security type or with a single financial institution. The portfolio is currently in compliance with the City's investment policy.

Interest Rate Risk

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

As of December 31, 2012, the City's investments were as follows:

Investment Type	Fair Value	Percentage of Portfolio	Maturity			
			Less than 1 Yr.	1 to 5 Yrs.	6 to 10 Yrs.	More Than 10
Federal Agency Coupon Securities	\$ 4,492,730	22%	\$ -	\$ 505,790	\$ 2,006,620	\$ 1,980,320
Pass Through Securities	182,009	1	-	182,009	-	-
Municipal Bonds	6,403,494	32	-	255,770	397,219	5,750,505
Corporate Bonds	8,131,510	41	507,280	6,407,670	1,216,560	-
Certificates of deposit	750,045	4	-	750,045	-	-
 Totals	 \$ 19,959,788		 \$ 507,280	 \$ 8,101,284	 \$ 3,620,399	 \$ 7,730,825

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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	\$	40,608
General Fund – accounts receivable		214,000
Capital Projects – capital improvement – special assessments		1,709,837
Nonmajor Governmental Funds – loans		3,211,271
Total Amount Not Expected to be Collected Within One Year	\$	5,175,716

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	\$ 516,155	\$ (516,155)
Governmental Fund Types – economic development loans	6,273	-
Business Type – ambulance receivables	77,610	(77,610)
Total Uncollectibles	\$ 600,038	\$ (593,765)

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	\$ -	\$ 21,083,742	\$ 21,083,742
Loans receivable	3,694,973	-	3,694,973
Accounts receivable – noncurrent	538,102	-	538,102
Investment income – noncurrent	17,628	-	17,628
Special assessments	1,784,659	-	1,784,659
Government grants	-	63,105	63,105
Total Deferred/Unearned Revenue for Governmental Funds	\$ 6,035,362	\$ 21,146,847	\$ 27,182,209

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long Term Debt Accounts

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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, 2012:

	Water	Sewer	Storm
Bond redemption account	\$ 383,039	\$ 104,911	\$ 44,466
Equipment replacement account	-	2,731,400	-
Construction account	475,304	-	-
Bond reserve account	2,306,365	-	126,444
Total Enterprise Fund Restricted Assets	\$ 3,164,708	\$ 2,836,311	\$ 170,910

Impact Fee Account

In 2012, the City received impact fees of \$617 which must be spent in accordance with local ordinance and state statutes. Any unspent funds must be refunded to the current property owner. As of December 31, 2012 the City had accumulated a total of \$91,889 in impact fees.

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 4,971,936	\$ -	\$ -	\$ 4,971,936
Total Capital Assets Not Being Depreciated	4,971,936	-	-	4,971,936
Capital assets being depreciated				
Land improvements	67,854	-	-	67,854
Buildings	20,605,571	324,824	-	20,930,395
Machinery, equipment, and vehicles	21,347,029	908,154	192,403	22,062,780
Other improvements	5,335,614	-	-	5,335,614
Streets	58,898,615	10,453,567	207,291	69,144,891
Structures	345,804	59,880	-	405,684
Street lights	5,237,938	815,682	22,463	6,031,157
Traffic signals	2,562,159	-	-	2,562,159
Bridges	5,550,391	7,264,409	-	12,814,800
Total Capital Assets Being Depreciated	119,950,975	19,826,516	422,157	139,355,334

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

D. CAPITAL ASSETS (cont.)

Governmental Activities (cont.)	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Less: Accumulated depreciation for				
Land improvements	\$ (58,016)	\$ (3,054)	\$ -	\$ (61,070)
Buildings	(4,807,997)	(386,717)	-	(5,194,714)
Machinery, equipment, and vehicles	(10,202,106)	(1,233,189)	(160,658)	(11,274,637)
Other improvements	(2,351,070)	(149,443)	-	(2,500,513)
Streets	(10,508,355)	(902,241)	(61,595)	(11,349,001)
Structures	(3,450)	(16,231)	-	(19,681)
Street lights	(834,437)	(105,261)	(7,113)	(932,585)
Traffic signals	(1,510,733)	(93,892)	-	(1,604,625)
Bridges	(1,645,217)	(110,137)	-	(1,755,354)
Total Accumulated Depreciation	<u>(31,921,381)</u>	<u>(3,000,165)</u>	<u>(229,366)</u>	<u>(34,692,180)</u>
Net Capital Assets Being Depreciated	<u>88,029,594</u>	<u>16,826,351</u>	<u>192,791</u>	<u>104,663,154</u>
Total Governmental Activities – Capital Assets, Net of Depreciation	<u>\$ 93,001,530</u>			<u>\$ 109,635,090</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
Finance and administrative services	\$ 168,761
Finance and administrative services (internal service)	2,940
Community development	1,770
Public safety – police	213,667
Public safety – fire	213,410
Public works, which includes the depreciation of infrastructure	2,261,662
Library	<u>137,955</u>
Total Governmental Activities Depreciation Expense	<u>\$ 3,000,165</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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	\$ 3,752,041	\$ -	\$ -	\$ 3,752,041
Construction in progress	<u>7,760,993</u>	<u>1,154,160</u>	<u>8,915,153</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>11,513,034</u>	<u>1,154,160</u>	<u>8,915,153</u>	<u>3,752,041</u>
Other capital assets				
Land improvements	702,418	-	-	702,418
Buildings	9,275,160	12,184	-	9,287,344
Machinery, equipment, and vehicles	8,087,529	5,750	9,240	8,084,039
Sewer mains	16,620,317	420,820	-	17,041,137
Sewer treatment facility	66,387,017	4,744,732	8,942	71,122,807
Water mains	37,573,894	5,084,605	13,570	42,644,929
Storm infrastructure	<u>12,158,603</u>	<u>-</u>	<u>-</u>	<u>12,158,603</u>
Total Capital Assets Being Depreciated	<u>150,804,938</u>	<u>10,268,091</u>	<u>31,752</u>	<u>161,041,277</u>
Less: Accumulated depreciation for				
Land improvements	(623,187)	(22,864)	-	(646,051)
Buildings	(2,091,545)	(157,220)	-	(2,248,765)
Machinery, equipment, and vehicles	(4,467,400)	(461,276)	(25,160)	(4,903,516)
Sewer mains	(3,933,942)	(151,706)	-	(4,085,648)
Sewer treatment facility	(41,956,743)	(2,298,975)	(8,942)	(44,246,776)
Water mains	(10,938,179)	(1,048,373)	(13,570)	(11,972,982)
Storm infrastructure	<u>(2,352,971)</u>	<u>(148,841)</u>	<u>-</u>	<u>(2,501,812)</u>
Total Accumulated Depreciation	<u>(66,363,967)</u>	<u>(4,289,255)</u>	<u>(47,672)</u>	<u>(70,605,550)</u>
Business-type Capital Assets, Net of Depreciation	<u>84,440,971</u>	<u>5,978,836</u>	<u>(15,920)</u>	<u>90,435,727</u>
Total Business-type Capital Assets, Net of Depreciation	<u>\$ 95,954,005</u>			<u>\$ 94,187,768</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 1,180,410
Sewer	2,518,136
Storm	148,841
Transit	288,757
Golf Course	28,127
Cemetery	<u>3,022</u>
Total Business-type Activities	
Depreciation Expense	<u>\$ 4,167,293</u>

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES, AND TRANSFERS

Interfund Receivables/Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Internal Service – Retiree Health Insurance	\$ 411,316
General	Enterprise – Cemetery	6,656
General	Enterprise – Transit System	139,598
General	Special Revenue – Fire Multi-Year Grants	2,914
General	Special Revenue – Community Development Block Grant	44,928
General	Special Revenue – Community Development	375,040
General	Special Revenue – TIF District No. 8	521,875
General	Special Revenue – TIF District No. 10	103,350
General	Special Revenue – Solid Waste	<u>169,650</u>
	Sub-total – Fund financial statements	1,775,327
	Less: Allocation of internal service funds	(5,701)
	Less: Fund eliminations	<u>(1,629,073)</u>
	Total – Government-Wide Statement of Net Position	<u>\$ 140,553</u>

All amounts are due within one year.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

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

Interfund Receivables/Payables (cont.)

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

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

Advances

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

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

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Totals	Amount Not Due in One Year
General	Enterprise – Golf course fund	\$ 826,000	\$ 826,000
General debt service	Special revenue – TIF District No. 8	550,000	550,000
General debt service	Special Revenue – TIF District No. 9	591,665	591,665
Capital improvement program	Special Revenue – TIF District No. 6	557,194	557,194
Capital improvement program	Special Revenue – TIF District No. 9	2,393,875	2,393,875
Enterprise – Sewer utility	Enterprise – Water utility	435,176	223,015
	Sub-Totals	5,353,910	5,141,749
	Less: Fund eliminations	(4,527,910)	(4,315,749)
	Totals	\$ 826,000	\$ 826,000

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

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

Advances (cont.)

Governmental Activities – Business-type activities	\$	826,000
Less: Business-type activities – Governmental activities		-
Total Government-wide Statement of Net Position		\$ 826,000

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

For the statement of net position, 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 1-1-12	Increases	Decreases	Balance 12-31-12
Advance from sewer utility	\$ 637,011	\$ -	\$ 201,835	\$ 435,176
Totals	\$ 637,011	\$ -	\$ 201,835	\$ 435,176

Advance repayment requirements to maturity are as follows:

Years	Principal	Interest
2013	\$ 212,161	\$ 16,941
2014	223,015	6,086
Totals	\$ 435,176	\$ 23,027

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

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

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Purpose</u>
General	Water Utility	\$ 788,993	Payment in lieu of tax
Debt Service – General Debt Service	Special Revenue – TIF District No. 5	504,557	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 6	525,704	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 8	257,491	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 9	14,600	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 10	264,204	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 11	72,010	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 12	65,273	Debt service
Debt Service – General Debt Service	Special Revenue – TIF District No. 13	<u>90,338</u>	Debt service
Total Debt Service – General		1,794,177	
Capital Projects – Capital Improvement Program	Special Revenue – DPW Multi-year Grants	<u>30,000</u>	Capital projects funding
Sub-Total – Fund Financial Statements		2,613,170	
Less: Capital contributions from Governmental Activities to Business-type Activities		(13,920)	
Less: Fund eliminations		<u>(1,824,177)</u>	
Total – Government-wide Statement of Activities		<u>\$ 775,073</u>	

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

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

Transfers (cont.)

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable					
General Obligation Debt					
General	\$ 55,450,472	\$ 7,460,000	\$ 12,687,551	\$ 50,222,921	\$ 4,529,415
Add/(Subtract) Deferred Amounts For:					
(Discounts)	(221,363)	-	(22,553)	(198,810)	-
Loss on advance refunding	(500,097)	(188,608)	(77,550)	(611,155)	-
Sub-totals	<u>54,729,012</u>	<u>7,271,392</u>	<u>12,587,448</u>	<u>49,412,956</u>	<u>4,529,415</u>
Other Liabilities					
Compensated Absences					
Sick leave	934,592	131,224	136,811	929,005	134,965
Vacation	1,303,210	1,425,481	1,303,210	1,425,481	1,425,481
Other post-employment benefit liability	15,159,658	5,771,036	-	20,930,694	-
Other Debt					
Town of Turtle	90,000	-	10,000	80,000	10,000
Capital Leases					
Payable to component unit	20,442,853	1,498,489	1,494,908	20,446,434	2,250,000
Other capital leases	503,988	-	36,998	466,990	38,549
Total Other Liabilities	<u>38,434,301</u>	<u>8,826,230</u>	<u>2,981,927</u>	<u>44,278,604</u>	<u>3,858,995</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 93,163,313</u>	<u>\$ 16,097,622</u>	<u>\$ 15,569,375</u>	<u>\$ 93,691,560</u>	<u>\$ 8,388,410</u>

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

F. LONG-TERM OBLIGATIONS (cont.)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable					
General obligation debt	\$ 5,577,580	\$ 157,000	\$ 508,684	\$ 5,225,896	\$ 416,460
Revenue bonds	29,495,000	-	1,170,000	28,325,000	1,210,000
CWFL revenue bond	2,866,012	531,662	130,030	3,267,644	137,760
Add/(Subtract) Deferred Amounts For					
Refundings (Losses)	(263,457)	-	(124,354)	(139,103)	-
(Discounts)	(242,171)	-	(19,216)	(222,955)	-
Sub-total	<u>37,432,964</u>	<u>688,662</u>	<u>1,665,144</u>	<u>36,456,482</u>	<u>1,764,220</u>
Other Liabilities					
Compensated absences	428,963	242,726	259,806	411,883	266,538
Other post-employment benefit liability	246,381	-	28,375	218,006	-
Sub-total	<u>675,344</u>	<u>242,726</u>	<u>288,181</u>	<u>629,889</u>	<u>266,538</u>
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 38,108,308</u>	<u>\$ 931,388</u>	<u>\$ 1,953,325</u>	<u>\$ 37,086,371</u>	<u>\$ 2,030,758</u>

General Obligation Debt

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

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2012, was \$75,398,895. Total general obligation debt outstanding at year end was \$55,448,817.

	Date of Issue	Due Date	Interest Rates	Original Indebted- ness	Balance 12-31-12
Governmental Activities – General Obligation Debt					
General obligation promissory notes Series 2003B	4-1-03	4-1-13	2.00-3.80%	\$ 2,753,366	\$ 129,798
General obligation corporate purpose bonds Series 2004B	3-1-04	3-1-24	2.00-4.35	3,845,000	185,000
General obligation community development bonds Series 2005C	5-1-05	5-1-21	4.80-5.25	1,295,000	970,000
General obligation corporate purpose bonds Series 2006A	5-1-06	5-1-26	4.00-4.375	7,587,545	3,558,333
General obligation promissory notes Series 2006B	5-1-06	5-1-16	4.00	639,754	290,091

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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 12-31-12
Governmental Activities – General Obligation Debt (cont.)					
General obligation corporate purpose bonds Series 2007A	6-1-07	6-1-27	4.00-4.75	\$11,249,589	\$ 9,529,996
General obligation promissory notes Series 2007B	6-1-07	6-1-17	3.60-4.00	3,259,405	1,957,281
General obligation corporate purpose bonds Series 2008	6-19-08	6-1-28	3.75-4.10	2,260,670	1,895,959
General obligation corporate purpose bonds Series 2009	5-28-09	5-1-29	1.10-4.60	7,057,000	3,725,000
2009 state trust fund loan	7-8-09	3-15-19	4.50	915,000	672,213
General obligation refunding bonds Series 2009	11-5-09	12-1-15	2.00-3.25	1,325,363	699,634
General obligation corporate purpose bonds Series 2010	4-22-10	4-1-30	1.20-6.00	3,862,587	3,607,587
2010 state trust fund loan	8-30-10	3-15-20	4.25	600,000	489,778
General obligation refunding bonds Series 2011A	10-21-11	4-1-25	2.45	9,726,168	9,637,427
General obligation refunding bonds Series 2011B	12-8-11	3-1-25	1.00-4.10	4,280,000	4,060,000
2011 state trust fund loan	8-1-11	3-15-21	3.75	1,500,000	1,354,824
General obligation corporate purpose bonds Series 2012A	6-21-12	3-1-32	2.00-3.25	7,130,000	7,130,000
2012 state trust fund loan	10-1-12	3-15-17	2.50	330,000	330,000
Total Governmental Activities – General Obligation Debt					\$ 50,222,921

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-12</u>
Business-type Activities – General Obligation Debt					
General obligation promissory notes Series 2003B	4-1-03	4-1-13	2.00-3.80	\$ 109,634	\$ 5,202
General obligation corporate purpose bonds Series 2006A	5-1-06	5-1-26	4.00-4.375	342,455	161,667
General obligation promissory notes Series 2006B	5-1-06	5-1-16	4.00	595,247	269,910
General obligation corporate purpose bonds Series 2007A	6-1-07	6-1-27	4.00-4.75	820,411	695,004
General obligation promissory notes Series 2007B	6-1-07	6-1-17	3.60-4.00	720,595	432,719
General obligation corporate purpose bonds Series 2008	6-19-08	6-1-28	3.75-4.10	1,954,330	1,639,041
General obligation corporate purpose bonds Series 2009	5-28-09	5-1-29	1.10-4.60	333,000	250,000
General obligation refunding bonds Series 2009	11-5-09	12-1-15	2.00-3.25	19,637	10,366
General obligation corporate purpose bond Series 2010	4-22-10	4-1-30	1.20-6.00	302,413	262,413
General obligation refunding bonds Series 2011A	10-21-11	4-1-25	2.45	1,353,832	1,342,574
General obligation corporate purpose bonds Series 2012A	6-21-12	3-1-32	2.00-3.25	110,000	110,000
2012 state trust fund loan	10-1-12	3-15-17	2.50	47,000	47,000
					<u>\$ 5,225,896</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>		<u>Business-type Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 4,529,415	\$ 1,666,369	\$ 416,460	\$ 178,840
2014	4,808,348	1,510,903	456,025	163,550
2015	4,533,598	1,364,486	483,536	147,692
2016	4,334,582	1,218,619	466,479	131,260
2017	4,450,182	1,072,613	400,742	116,173
2018 – 2022	15,413,989	3,602,108	1,445,458	423,082
2023 – 2027	10,077,085	1,391,092	1,352,915	171,485
2028 – 2032	2,075,722	160,047	204,281	9,231
Totals	<u>\$ 50,222,921</u>	<u>\$ 11,986,237</u>	<u>\$ 5,225,896</u>	<u>\$ 1,341,313</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Advance and Current Refunding

On June 21, 2012, the City issued \$7,240,000 in general obligation bonds with an average interest rate of 2.67% to advance refund \$2,380,000 of outstanding 2006A bonds with an average interest rate of 4.06%, current refund \$1,208,514 of outstanding 2009 state trust fund loan bonds with an average interest rate of 4.50%, and provide \$3,465,653 for future projects. Net proceeds of \$3,813,792 (after payment of \$52,094 in underwriting fees, insurance and other issuance costs) were used to prepay the outstanding debt service requirements and to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for \$2,578,745 of principal and interest payments on the series 2006A bonds. The City remains responsible for \$4,301,400 of future principal and interest payments on the 2006A bonds. As a result, a portion of the 2006A bonds are considered to be defeased and that portion of the liability for those bonds has been removed from these financial statements.

The cash flow requirements on the refunded bonds and notes prior to the advance refunding was \$4,870,070 from 2012 through 2026. The cash flow requirements on the refunding bonds are \$4,517,667 from 2012 through 2026. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$340,539.

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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

F. LONG-TERM OBLIGATIONS (cont.)

OTHER DEBT – GOVERNMENTAL ACTIVITIES

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

	Balance 1-1-12	Increases	Decreases	Balance 12-31-12
Town of Turtle	\$ 90,000	\$ -	\$ 10,000	\$ 80,000
Total Other Debt	\$ 90,000	\$ -	\$ 10,000	\$ 80,000

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities – Other Debt	
	Principal	Interest
2013	\$ 10,000	\$ -
2014	10,000	-
2015	10,000	-
2016	10,000	-
2017	10,000	-
2018 – 2020	30,000	-
Totals	\$ 80,000	\$ -

Revenue Debt

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

The water utility has pledged future sales revenues, net of specified operating expenses, to repay \$47,120,000 in water revenue bonds issued in 2003, 2007, 2009 and 2010. Proceeds from the bonds provided financing for the water systems. The bonds are payable solely from water revenues and are payable through 2030. Annual principal and interest payments on the bonds are expected to require 53% of net revenues. The total principal and interest remaining to be paid on the bonds is \$38,521,222. Principal and interest paid for the current year and total customer net revenues were \$2,298,233 and \$4,063,949, respectively.

The stormwater utility has pledged future sales revenues, net of specified operating expenses, to repay \$1,470,000 in stormwater revenue bonds issued in 2010. Proceeds from the bonds provided financing for the stormwater system. The bonds are payable solely from stormwater revenues and are payable through 2030. Annual principal and interest payments on the bonds are expected to require 47% of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,156,917. Principal and interest paid for the current year and total customer net revenues were \$126,444 and \$256,317 respectively.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Original Indebted- Ness</u>	<u>Balance 12-31-12</u>
Water Utility					
Revenue bonds	11-12-03	11-1-28	2.00-5.00%	\$ 25,210,000	\$ 6,455,000
Refunding revenue bonds	1-24-07	11-1-16	4.00-4.50	13,975,000	13,595,000
Revenue bonds	5-28-09	11-1-29	3.50-5.00	3,910,000	3,500,000
Revenue bonds	4-6-10	11-1-30	2.00-4.50	4,025,000	<u>3,410,000</u>
Total Water Utility Revenue Debt					26,960,000
Stormwater Utility					
Revenue bonds	4-6-10	5-1-30	1.50-6.25	1,470,000	<u>1,365,000</u>
Total Stormwater Utility Revenue Debt					<u>1,365,000</u>
Total Revenue Bonds					<u>\$ 28,325,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-type Activities – Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,210,000	\$ 1,212,990
2014	1,250,000	1,169,049
2015	1,295,000	1,121,823
2016	1,350,000	1,071,549
2017	1,400,000	1,017,635
2018 – 2022	7,930,000	4,150,369
2023 – 2027	9,750,000	2,294,799
2028 – 2030	<u>4,140,000</u>	<u>314,925</u>
Totals	<u>\$ 28,325,000</u>	<u>\$ 12,353,139</u>

Clean Water Fund Loan Revenue Bond

The sewer utility has entered into a loan agreement with the Wisconsin Department of Natural Resources for a loan up to and not exceeding \$3,481,777 at a fixed rate of 2.40% to fund the cost of constructing improvements to the City's sewerage system. The loan is payable from sewer revenues and are payable through 2031. As of December 31, 2012, the City has received \$3,397,674 in loan proceeds and paid \$130,030 and \$74,991 in principal and interest, respectively, in 2012.

	<u>Fund Retired By</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
CWFP Loan (No. 4139-05)	Sewer	\$ 2,866,012	\$ 531,662	\$ 130,030	\$ 3,267,644	\$ 137,760

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

F. LONG-TERM OBLIGATIONS (cont.)

Clean Water Fund Loan Revenue Bond (cont.)

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

Year Ending	Principal	Interest	Business-Type Activities
2013	\$ 137,760	\$ 76,771	\$ 214,531
2014	141,066	73,424	214,490
2015	144,452	69,998	214,450
2016	147,919	66,490	214,409
2017	151,469	62,897	214,366
2018 – 2022	813,650	257,504	1,071,154
2023 – 2027	916,088	153,838	1,069,926
2028 – 2031	815,240	39,710	854,950
Totals	<u>\$ 3,267,644</u>	<u>\$ 800,632</u>	<u>\$ 4,068,276</u>

Prior-Year Defeasance of Debt

In prior years, the water utility defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2012, \$12,950,000 of bonds outstanding are considered defeased. The bonds are callable on November 1, 2013.

In prior years and the current year, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2012, \$4,750,000 of bonds outstanding are considered defeased. The bonds are callable on March 1, 2013 and May 1, 2014.

G. LEASE DISCLOSURES

	Balance 1-1-12	Increases	Decreases	Balance 12-31-12
Capital Leases				
Governmental Activities (to Note IV.F.)				
Payable to component unit	\$ 20,442,853	\$ 1,498,489	\$ 1,494,908	\$ 20,446,434
Other capital leases	503,988	-	36,998	466,990
Totals	<u>\$ 20,946,841</u>	<u>\$ 1,498,489</u>	<u>\$ 1,531,906</u>	<u>\$ 20,913,424</u>

Lessee – Community Development Authority

The City, through TIF District No. 13, TIF District No. 10, TIF District No. 6, and TIF District No. 5, is obligated to make lease payments to the Community Development Authority of Beloit (CDA) to retire debt issued by the CDA for TIF purposes.

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

G. LEASE DISCLOSURES (cont.)

Lessee – Capital Asset Capital Leases

The Lease Rental Payments are expressly limited to: (i) tax increments generated by the tax incremental district No. 13, tax incremental district No. 10, tax incremental district No. 6, and tax incremental district No. 5; (ii) special assessments, as may be levied by the City for eligible projects; (iii) proceeds from a portion of land sales as provided in the Development Agreement by and among the City, the Authority, and the Lease; and (iv) gas and electric reimbursement amounts generated by the tax incremental district No. 13, tax incremental district No. 10, tax incremental district No. 6, and tax incremental district No. 5 (the “Rental Payments”).

The future minimum lease payments are required as follows:

Calendar Year	TIF No. 13	TIF No. 10	TIF No. 6	TIF No. 5
2013	\$ 100,510	\$ 2,133,414	\$ 235,251	\$ 662,016
2014	99,551	2,096,700	252,608	674,178
2015	98,365	2,157,813	244,358	679,217
2016	101,928	2,127,318	260,483	692,246
2017	100,213	2,108,124	250,976	702,944
2018	103,141	2,075,193	256,035	1,330,042
2019	100,816	2,033,865	255,438	-
2020	103,295	1,989,800	-	-
2021	105,382	758,663	-	-
2022	107,055	736,194	-	-
2023	103,433	717,313	-	-
2024	99,675	706,513	-	-
2025	95,872	689,069	-	-
2026	91,980	-	-	-
Sub-Totals	<u>1,411,216</u>	<u>20,329,979</u>	<u>1,755,149</u>	<u>4,740,643</u>
Less: Reserve funds to be applied to final principal payment	(107,062)	(1,990,839)	(151,512)	(454,159)
Less: Amount representing interest	<u>(311,216)</u>	<u>(4,209,975)</u>	<u>(240,148)</u>	<u>(325,642)</u>
Present Value of Minimum Lease Payments	<u>\$ 992,938</u>	<u>\$ 14,129,165</u>	<u>\$ 1,363,489</u>	<u>\$ 3,960,842</u>
Total TIF No. 13, TIF No. 10, TIF No. 6, and TIF No. 5				<u>\$20,446,434</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

G. LEASE DISCLOSURES (cont.)

Lessee – Other Capital Leases

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

Asset	<u>Governmental Activities</u>
Building improvements	\$ 394,912
Less: Accumulated depreciation	<u>(207,329)</u>
Total	<u><u>\$ 187,583</u></u>

The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2012, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Governmental Activities</u>
2013	\$ 38,549	\$ 19,581	\$ 58,130
2014	40,166	17,965	58,131
2015	41,850	16,280	58,130
2016	43,605	14,526	58,131
2017	45,433	12,697	58,130
2018 – 2022	<u>257,387</u>	<u>33,263</u>	<u>290,650</u>
	<u><u>\$ 466,990</u></u>	<u><u>\$ 114,312</u></u>	<u>581,302</u>
Less: Amount representing interest			<u>(114,312)</u>
Present Value of Minimum Lease Payments			<u><u>\$ 466,990</u></u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2012 includes the following:

Governmental Activities

Net investment in capital assets

Land	\$ 4,971,936
Other capital assets, net of accumulated depreciation	104,663,154
Less: Related long-term debt outstanding	(40,646,573)
Less: Capital leases – payable to component unit	(18,232,464)
Add: Unamortized debt discount/premium and loss on advance refunding	809,965
Add: Unspent capital bond proceeds	<u>2,708,767</u>
Total Net Investment in Capital Assets	<u>54,274,785</u>

Restricted

General debt service	1,871,641
TIF District No. 11 – special revenue fund	235,216
TIF District No. 12 – special revenue fund	38,566
TIF District No. 13 – special revenue fund	1,120,244
TIF District No. 14 – special revenue fund	154,945
Rental rehab (WRRP/HOME)	1,249,264
Community Development Block Grant	2,592,622
Fire – multi-year grants	43,876
DPW – multi-year grants	188,618
Community development	223,632
Library operations	641,610
Police	680,070
Cemetery perpetual care	2,184,141
Solid waste	264,216
Park activities	<u>91,889</u>
Total Restricted	<u>11,580,550</u>

Unrestricted (deficit)

(11,324,043)

Total Governmental Activities Net Position

\$ 54,531,292

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Activities (cont.)

Governmental fund balances reported on the fund financial statements at December 31, 2012 include the following:

	General	TIF District No. 10	General Debt Service	Capital Improvements	Equipment Replacement	Non-Major Governmental Funds	Total Governmental Funds
Fund Balances							
Nonspendable:							
Delinquent personal property taxes	\$ 40,608	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,608
Inventories	593,334	-	-	-	-	-	593,334
Prepaid items	174,959	-	-	-	-	-	174,959
Advances to other funds	<u>826,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>826,000</u>
Total Nonspendable	<u>1,634,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,634,901</u>
Restricted for:							
Debt service	-	-	2,276,357	-	-	350,767	2,627,124
Capital projects	-	-	-	1,600,148	-	-	1,600,148
Economic development	-	14,454	-	-	-	1,548,971	1,563,425
Grant programs	-	-	-	-	-	938,036	938,036
Library operations	-	-	-	-	-	641,610	641,610
Solid waste	-	-	-	-	-	264,216	264,216
Cemetery perpetual care	-	-	-	-	-	2,166,513	2,166,513
Park activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,889</u>	<u>-</u>	<u>-</u>	<u>91,889</u>
Total Restricted	<u>-</u>	<u>14,454</u>	<u>2,276,357</u>	<u>1,692,037</u>	<u>-</u>	<u>5,910,113</u>	<u>9,892,961</u>
Assigned to:							
Capital projects	-	-	-	2,601,168	7,552,434	512,581	10,666,183
Applied to subsequent year's expenditures	<u>589,028</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>589,028</u>
Total Assigned	<u>589,028</u>	<u>-</u>	<u>-</u>	<u>2,601,168</u>	<u>7,552,434</u>	<u>512,581</u>	<u>11,255,211</u>
Unassigned:	<u>9,144,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,572,305)</u>	<u>4,572,421</u>
Total Fund Balances	<u>\$ 11,368,655</u>	<u>\$ 14,454</u>	<u>\$ 2,276,357</u>	<u>\$ 4,293,205</u>	<u>\$ 7,552,434</u>	<u>\$ 1,850,389</u>	<u>\$ 27,355,494</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

	Water	Sewer	Nonmajor Proprietary Funds	Totals
Net investment in capital assets				
Land	\$ 1,095,760	\$ 1,386,281	\$ 1,270,000	\$ 3,752,041
Other capital assets, net of accumulated depreciation	35,033,072	40,307,353	15,095,302	90,435,727
Less: Related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(26,336,222)</u>	<u>(4,413,879)</u>	<u>(3,113,996)</u>	<u>(33,864,097)</u>
Total Net Investment in Capital Assets	<u>9,792,610</u>	<u>37,279,755</u>	<u>13,251,306</u>	<u>60,323,671</u>
Construction account	475,304	-	-	475,304
Redemption account	383,039	104,911	44,466	532,416
Replacement account	-	2,731,400	-	2,731,400
Reserve account	2,306,365	-	126,444	2,432,809
Less: Restricted assets not funded by revenues	<u>(2,781,669)</u>	<u>-</u>	<u>-</u>	<u>(2,781,669)</u>
Less: Current liabilities payable from restricted assets	<u>(190,464)</u>	<u>(13,071)</u>	<u>(17,723)</u>	<u>(221,258)</u>
Total Restricted Net Position	<u>192,575</u>	<u>2,823,240</u>	<u>153,187</u>	<u>3,169,002</u>
Unrestricted	<u>2,377,341</u>	<u>7,927,653</u>	<u>656,621</u>	<u>10,961,615</u>
Total Enterprise Funds Net Position	<u>\$ 12,362,526</u>	<u>\$ 48,030,648</u>	<u>\$ 14,061,114</u>	
Add: Portion of internal service funds net position allocated to business-type activities				<u>5,701</u>
Total Business-type Activities Net Position				<u>\$ 74,459,989</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS

This report contains the City of Beloit Community Development Authority (“CDA”), the Beloit Apartments Redevelopment – Phase 1 and 2, LLC’s, component units of the CDA, the City of Beloit’s Business Improvement District (“district”), and the Beloit Public Library Foundation, Inc. (“foundation”) which are included as component units. Financial information is presented as a discrete column in the statement of net position and statement of activities.

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

Community Development Authority – Primary Government

a. Basis of Accounting/Measurement Focus

The CDA prepares its financial statements in accordance with generally accepted accounting principles. The accounting records are kept on the accrual basis of accounting and flow of economic resources measurement focus.

b. Cash and Investments

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

	Carrying Value	Statement Balance	Associated Risks
Demand deposits	\$ 944,979	\$ 1,073,041	Custodial credit risk
Mutual fund (U.S. agencies)	2,703,566	2,703,566	Credit risk, interest rate risk
Total Cash and Investments	\$ 3,648,545	\$ 3,776,607	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 944,979		
Restricted cash and investments	2,703,566		
Total Cash and Investments	\$ 3,648,545		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction accounts through December 31, 2012. On January 1, 2013, the temporary unlimited coverage for noninterest bearing transaction accounts expired. Therefore demand deposit amounts (interest bearing and noninterest bearing) are insured for a total of \$250,000 beginning January 1, 2013. In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

Community Development Authority – Primary Government (cont.)

b. Cash and Investments (cont.)

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

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

Custodial Credit Risk

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

As of December 31, 2012, \$474,857 of the CDA's total bank balances of \$944,979 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 474,857</u>
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Credit Risk

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

As of December 31, 2012, the CDA's investments were rated as follows:

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

Interest Rate Risk

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

As of December 31, 2012, the CDA's investments were as follows:

Investment Type	Fair Value	Maturity (In months) Less than 1 month
Mutual Fund – U.S. Agencies	<u>\$ 2,703,566</u>	<u>\$ 2,703,566</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

Community Development Authority – Primary Government (cont.)

c. Restricted Assets

Restricted assets at December 31, 2012, consist of the following:

Cash and cash equivalents – bond redemption and construction accounts	<u>\$ 2,703,566</u>
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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 2012 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 414,539	\$ -	\$ -	\$ 414,539
Construction in progress	-	5,994	-	5,994
Total Capital Assets Not Being Depreciated	414,539	5,994	-	420,533
Capital assets being depreciated				
Buildings	869,691	112,423	73,961	908,153
Furniture, equipment, and machinery-dwellings	58,950	31,198	43,185	46,963
Furniture, equipment, and machine-administrative	556,740	3,124	383,986	175,878
Total Capital Assets Being Depreciated	1,485,381	146,745	501,132	1,130,994
Less: Accumulated Depreciation	(827,429)	(29,824)	215,270	(641,983)
Total Capital Assets, Net of Depreciation	\$ 1,072,491			\$ 909,544

e. Long-Term Obligations

Lease Revenue Bonds

The CDA has pledged future revenues from the City of Beloit resulting from TIF increments to repay \$23.2 million in lease revenue bonds issued between 2007-2012. Proceeds from the bonds provided financing for infrastructure improvements and other TIF district investments. The bonds are payable solely from TIF increment revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require 100% of TIF increment lease payments. The total principal and interest remaining to be paid on the bonds is \$28,236,980. Principal and interest paid for the current year and total pledged revenues were both \$3,025,132.

The following is a summary of the lease revenue bond transactions for the year ended December 31, 2012.

	Balance 1-1-12	Increases	Decreases	Balance 12-31-12
Lease revenue bonds	\$ 23,400,000	\$ 1,665,000	\$ 1,915,000	\$ 23,150,000

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

Community Development Authority – Primary Government (cont.)

e. Long-Term Obligations (cont.)

Lease Revenue Bonds (cont.)

Title of Issue	Date of Issue	Due Date	Interest Rates	Original Indebted- Ness	Balance 12-31-12
2007A Lease Revenue Refunding Bonds	02-21-07	03-01-20	3.50-4.20%	\$ 8,915,000	\$ 8,010,000
2007B Lease Revenue Bonds	07-12-07	06-01-19	3.70-4.35%	2,015,000	1,515,000
2008A Lease Revenue Refunding Bonds	06-19-08	03-01-25	4.00-6.75%	2,640,000	2,415,000
2008B Lease Revenue Refunding Bonds	08-29-08	03-01-14	4.15-5.30%	3,010,000	1,030,000
2009A Lease Revenue Bonds	07-01-09	03-01-25	1.30-5.00%	5,340,000	4,665,000
2011A Lease Revenue Bonds	06-27-11	06-01-18	1.00-3.05%	3,175,000	2,750,000
2011B Lease Revenue Bonds	06-27-11	06-01-26	2.90-4.40%	1,165,000	1,100,000
2012A Lease Revenue Bonds	06-21-12	06-01-18	0.80-1.82%	1,665,000	<u>1,665,000</u>
Totals					<u>\$ 23,150,000</u>

Debt service requirements to maturity are as follows:

Calendar Year	Principal	Interest	Totals
2013	\$ 2,250,000	\$ 881,191	\$ 3,131,191
2014	2,320,000	803,037	3,123,037
2015	2,460,000	719,752	3,179,752
2016	2,550,000	631,973	3,181,973
2017	2,625,000	537,257	3,162,257
2018	3,335,000	429,410	3,764,410
2019	2,065,000	325,119	2,390,119
2020	1,855,000	238,095	2,093,095
2021	685,000	179,045	864,045
2022	700,000	143,249	843,249
2023	715,000	105,745	820,745
2024	740,000	66,187	806,187
2025	760,000	24,940	784,940
2026	<u>90,000</u>	<u>1,980</u>	<u>91,980</u>
Totals	<u>\$ 23,150,000</u>	<u>\$ 5,086,980</u>	<u>\$ 28,236,980</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

Community Development Authority – Primary Government (cont.)

e. Long-Term Obligations (cont.)

There were no current or advance refundings in 2012.

f. Employee Retirement System

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

g. Lease Disclosures

Refer to Note IV.G.

h. Net Position

Net position at December 31, 2012 includes the following:

Net investment in capital assets	
Land	\$ 414,539
Construction in progress	5,994
Other capital assets, net of accumulated depreciation	489,011
Total Net Investment in Capital Assets	<u>909,544</u>
Restricted	
Members’ Equity	4,296,072
Section 8 Rental Voucher Program	715,987
Low Rent Public Housing	4,581,210
Total Restricted	<u>9,593,269</u>
Unrestricted (deficit)	<u>(10,572)</u>
Total Net Position	<u>\$ 10,492,241</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

a. Nature of Business and Significant Accounting Policies

Nature of Business

Beloit Apartments Redevelopment – Phase 1, LLC (the company) was organized on January 14, 2009, as a limited liability company (LLC) formed under the Wisconsin Limited Liability Company Act (the Act). The company was formed to acquire, rehabilitate, and operate a 39 building, 65-unit duplex and single family home complex located on scattered sites in Beloit, Wisconsin, called Beloit Apartments Redevelopment, Phase 1 (the project). The project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The original property, including the buildings and land, was acquired under a capital lease dated September 22, 2010. The company completed the rehabilitation of 14 units on various dates in December 2010 and completed the rehabilitation of the remaining 51 units on various dates from January through July of 2011.

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

The company's income tax filings are subject to audit by various taxing authorities. Open periods subject to audit for federal and Wisconsin purposes are generally the previous three and four years of tax returns filed, respectively. There were no interest or penalties recorded for the period ended December 31, 2012.

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

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

Significant Accounting Policies

A summary of significant accounting policies follows:

Use of Estimates

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

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

Significant Accounting Policies (cont.)

Cash and Cash Equivalents

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

Accounts Receivable and Revenue Recognition

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

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

Rental Property

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

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

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

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

Impairment of Long-Lived Assets

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

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

Significant Accounting Policies (cont.)

Financing Costs

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

Amortized costs included in interest expense amounted to \$378 for the year ended December 31, 2012.

Tax Credit Fees

In connection with obtaining an allocation of low-income housing tax credits, the company paid fees totaling \$114,034 to the Wisconsin Housing and Economic Development Authority (WHEDA). The company is amortizing these fees over the related tax credit compliance period of 15 years using the straight-line method.

Deferred Revenue

Governmental agencies have provided grant funding to the company to encourage the development of affordable housing. The company received funds under the Tax Credit Exchange Program (TCEP) (See Note I.h. in this section). The deferred revenue relating to this grant is recognized as other income in the statement of operations (shown as amortization of deferred revenue) under the straight-line method over the estimated useful lives of the underlying assets purchased or constructed.

Current Vulnerability Due to Certain Concentrations

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

Subsequent Events

These financial statements have not been updated for subsequent events occurring after July 9, 2013, which is the date these financial statements were available to be issued. The company has no responsibility to update these financial statements for events and circumstances occurring after this date.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

b. Restricted Cash

Restricted cash is comprised of the following:

Tenants' security deposits	\$ <u>32,507</u>
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Replacement Reserve

Commencing on completion of the rehabilitation of the project, the operating agreement and R&O Agreement require the company to make monthly deposits to the replacement reserve initially equal to \$300 per unit per year, and increasing annually by 3%. Disbursements are restricted to capital improvements and repairs of the project. Disbursements in excess of \$5,000 or 10% of the balance in the reserve at such time will require written approval of the investor members. Any funds remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement. The replacement reserve has not been funded as of December 31, 2012.

Operating Reserve

The R&O Agreement and the operating agreement require the company to fund and maintain an operating reserve in the amount of \$100,000, commencing on the placed in service date. The operating reserve shall be funded before any payment of fees or other payments to the managing member and its affiliates. To the extent funds in the reserve fall below the initial deposit, the managing member must replenish the reserve from available cash flow as defined in the operating agreement. Disbursements in excess of \$10,000 or 10% of the then balance of the reserve require written approval from the investor members. The operating reserve has not been funded as of December 31, 2012.

Rent-up Reserve

The operating agreement requires the managing member to establish a rent-up reserve in the amount of \$45,000. The funds shall be used to pay for costs incurred during the initial lease-up period. Any funds remaining after the initial lease up period is completed shall be deposited in the operating reserve. The rent-up reserve has not been funded as of December 31, 2012.

c. Rental Property, Net

Rental property, net is comprised of the following:

Land	\$ 11,349
Land and buildings under capital lease	1,950,000
Building improvements	8,244,008
Land improvements	164,412
Furnishings and equipment	<u>260,718</u>
	10,630,487
Less: Accumulated depreciation	<u>529,240</u>
Total	<u>\$ 10,101,247</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

d. Mortgage Notes Payable

Mortgage notes payable consists of the following:

BMO Harris Bank (BMO), investor member, (construction loan); interest at a variable rate based on the LIBOR Rate plus 4.0%, but no less than 5.5%; interest rate was 5.5% as of December 31, 2012; due March 22, 2012; guaranteed by the CDA; collateralized by assignment of interest under the capital lease agreement; capitalized interest was \$0 for the year ended December 31, 2012; interest expense totaled \$31,008 for the year ended December 31, 2012; accrued interest was \$14,278 as of December 31, 2012. \$ 285,177

CDA; managing member; non-recourse mortgage note payable under the capital lease described in Note I.e.; due in one installment on September 21, 2050, together with interest at 4.47% compounded annually; collateralized by a mortgage on the project's rental property; interest expense totaled \$92,239 for the year ended December 31, 2012; accrued interest was \$205,747 as of December 31, 2012. 1,950,000

CDA; non-recourse mortgage note in the original amount of \$500,000; non-interest bearing; due in one installment on September 21, 2040; collateralized by a mortgage on the project's rental property. 493,937

CDA; non-recourse mortgage note in the original amount of \$619,253; non-interest bearing; due in one installment on September 21, 2040; collateralized by a mortgage on the project's rental property; the mortgage note was not funded as of December 31, 2012. -

CDA; non-recourse mortgage note in the original amount of \$350,000; due in one installment on September 23, 2040, together with interest at 4.0% compounded annually; collateralized by a security interest on the project's rental property; interest incurred and accrued was \$11,667 for the year ended December 31, 2012. 350,000

City of Beloit; non-recourse mortgage note in the original amount of \$170,639; non-interest bearing; principal due in one installment on September 21, 2040; collateralized by a mortgage on the project's rental property; the mortgage note was not funded as of December 31, 2012. -

Total \$ 3,079,114

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

d. Mortgage Notes Payable (cont.)

Repayment of principal on the mortgage notes payable as of December 31, 2012, is as follows:

Year Ending December 31,

2013	\$ 285,177
2014	-
2015	-
2016	-
2017	-
Thereafter	<u>2,793,937</u>
Total	<u>\$ 3,079,114</u>

e. Capital Lease

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

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

In accordance with accounting principles generally accepted in the United States of America, the land and building are capitalized as a single unit and amortized over the lease term of 98 years. Accumulated depreciation on the land and buildings under the capital lease was \$44,770 as of December 31, 2012.

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

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

f. Members' Capital Contributions

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

The CDA is required to make capital contributions of \$100,000. Of this amount, there have been no contributions made as of December 31, 2012. The investor members are required to make capital contributions totaling \$6,439,817 as of December 31, 2012. Of this amount, \$5,741,408 has been contributed as of December 31, 2012. Subscriptions receivable were \$798,409 as of December 31, 2012.

g. Related Party Transactions

Development Fee

The company has entered into a development agreement with the CDA (developer). The agreement provides for the payment of a development fee of \$1,026,632. The entire fee has been capitalized into building costs. It is anticipated that the development fee will be paid from proceeds of mortgage notes and capital contributions. Development fee payable was \$615,979 as of December 31, 2012.

Accounts Payable

Included in accounts payable are amounts owed to the CDA for reimbursement of operating expenses totaling \$3,979 as of December 31, 2012.

Property Management Agreement

The company has entered into a property management agreement with the CDA under which the company is obligated to pay a property management fee equal to 5% of gross residential rents on a monthly basis. The agreement is automatically renewed from year to year unless otherwise terminated. Property management fees totaled \$6,055 for the period ended December 31, 2012.

Asset Management Fee

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

g. Related Party Transactions (cont.)

PILOT

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

Operating Deficit Guaranty

The managing member is obligated, after all funds in the operating reserve account have been depleted, to fund operating deficits during the operating deficit guaranty period. The operating deficit guaranty period is defined as the period beginning with the date of achievement of breakeven operations and ending on the later of the third anniversary of the date of achievement of breakeven operations or when the project has maintained the operating reserve target amount of \$100,000 during the compliance period and the project has made all required deposits to the replacement reserve. The obligation to fund operating deficits shall be limited to \$145,000. Such loans are non-interest bearing and repayable solely from available cash flow as defined in the operating agreement. There were no operating deficit loans as of December 31, 2012.

Development Completion Guaranty

Under terms of the operating agreement, the managing member is obligated to complete the required rehabilitation of the project. In the event the company lacks sufficient funds from the member capital contributions and proceeds from the construction and permanent mortgages to pay for the rehabilitation costs, the managing member is obligated to provide such funds to the company in the form of capital contributions or an unsecured loan. Any loans under this agreement shall not bear interest and shall be payable in accordance with the operating agreement. There were no development completion loans as of December 31, 2012.

R&O Agreement

The company has entered into an R&O Agreement with the CDA. Provisions of the agreement require the company to maintain all units as public housing units. The CDA is to pay operating subsidies to the company equal to the project expenses less project income. The agreement will expire upon the earliest to occur of the expiration of 40 years from the date of first occupancy (December 2050) or at the option of the project at the close of the first project year of which the CDA ceases to pay operating subsidies. Operating subsidies totaling \$107,032 were earned during the period ended December 31, 2012. Included in accounts receivable are operating subsidies of \$16,982 as of December 31, 2012.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

h. Commitments and Contingencies

Land Use Restriction Agreement (LURA)

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

Tax Credit Exchange Program (TCEP)

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

i. Subsequent Events

On January 10, 2013, the company received the investor members' final equity installment of \$698,409. The company used these funds to pay off the construction loan and related interest, and to pay down the construction payables and development fee payable.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

a. Nature of Business and Significant Accounting Policies

Nature of Business

Beloit Apartments Redevelopment – Phase 2, LLC (the company) was organized on March 5, 2010, as a limited liability company (LLC) formed under the Wisconsin Limited Liability Company Act (the Act). The company was formed to acquire, rehabilitate, develop, and operate a 66-unit project comprised of 41 elderly and 25 family residential units, located on scattered sites in Beloit, Wisconsin, called Beloit Apartments Redevelopment – Phase 2, LLC (the project). The project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The original property, including the buildings and land, was acquired under a capital lease dated October 14, 2011. The company completed the rehabilitation of the existing structures on various dates from January through May of 2012. The new construction portion of the projects was placed in service on various dates in August and December 2012.

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

The company's income tax filings are subject to audit by various taxing authorities. Open periods subject to audit for federal and Wisconsin purposes are generally the previous three and four years of tax returns filed, respectively. There were no interest or penalties recorded for the period ended December 31, 2012.

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

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

Significant Accounting Policies

A summary of significant accounting policies follows:

Use of Estimates

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

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

Significant Accounting Policies (cont.)

Cash and Cash Equivalents

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

Accounts Receivable and Revenue Recognition

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

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

Rental Property

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

	<u>Years</u>
Land and buildings under capital lease	98
Buildings and improvements	27.5
Land improvements	15
Furnishings and equipment	5

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

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

Impairment of Long-Lived Assets

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

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

Significant Accounting Policies (cont.)

Financing Costs

Financing costs incurred by the company totaled \$12,000. The company is amortized these costs into interest expense on the straight-line method over 39 years and 9 months, the life of the loans. The use of the straight-line method rather than the effective interest method has no material effect on the financial statements. Amortized costs included in interest expense amounted to \$302 for the period ended December 31, 2012.

Tax Credit Fees

In connection with obtaining an allocation of low-income housing tax credits from the Wisconsin Housing and Economic Authority (WHEDA), the company incurred fees totaling \$128,263. The company is amortizing these fees over the related tax credit compliance period of 15 years using the straight-line method.

Current Vulnerability Due to Certain Concentrations

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

Subsequent Events

These financial statements have not been updated for subsequent events occurring after July 9, 2013, which is the date these financial statements were available to be issued. The company has no responsibility to update these financial statements for events and circumstances occurring after this date.

b. Restricted Cash

Restricted cash is comprised of the following:

Tenants' security deposits	\$	22,831
Construction cash		<u>2,605</u>
Total	\$	<u>25,436</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

b. Restricted Cash (cont.)

Replacement Reserve

Commencing on completion of the rehabilitation of the project, the operating agreement and R&O Agreement require the company to make monthly deposits to the replacement reserve initially equal to \$300 per unit per year, and increasing annually by 3%. Disbursements are restricted to capital improvements and repairs of the project. Disbursements in excess of \$5,000 in the aggregate in any given month will require written approval of the managing member and the asset manager. Any funds remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement. The replacement reserve has not been funded as of December 31, 2012.

Operating Reserve

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

Annual Contributions Contract (ACC) Reserve

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

c. Rental Property, Net

Rental property, net is comprised of the following:

Land	\$	175,397
Land and buildings under capital lease		1,410,000
Buildings and improvements		9,214,904
Land improvements		389,064
Furnishings and equipment		309,631
		<u>11,498,996</u>
Less: Accumulated depreciation		<u>120,899</u>
Total	\$	<u>11,378,097</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

d. Mortgage Notes Payable

Mortgage notes payable consists of the following:

Wisconsin Bank & Trust (construction loan); interest at a variable rate based on the Prime Rate plus 1.0%, but no less than 5.25%; interest rate was 5.25% as of December 31, 2012; due October 14, 2013; guaranteed by the CDA; collateralized by a mortgage under the capital lease agreement; subject to a prepayment penalty if repayment is financed through another financial institution. \$ 7,347,874

CDA; managing member; non-recourse mortgage note payable under the capital lease described in Note I.e.; due in one installment on October 13, 2051, together with interest at 4.19% compounded annually; collateralized by a mortgage on the project's rental property; interest expense totaled \$59,608 for the period ended December 31, 2012; accrued interest was \$72,233 as of December 31, 2012. 1,410,000

CDA; non-recourse mortgage note in the original amount of \$230,074; due in one installment on October 13, 2051, together with interest at 0.50%; collateralized by a mortgage on the project's rental property; the mortgage note was not funded as of December 31, 2012. -

CDA; non-recourse mortgage note in the original amount of \$256,500; due in one installment on October 13, 2051, together with interest at 0.50%; collateralized by a mortgage on the project's rental property; the mortgage note was not funded as of December 31, 2012. -

CDA; non-recourse mortgage note in the original amount of \$540,000; non-interest bearing; due in one installment on October 13, 2051, collateralized by a mortgage on the project's rental property; the mortgage note was not funded as of December 31, 2012. -

CDA; non-recourse mortgage note in the original amount of \$600,000; principal due in one installment on October 13, 2051, together with interest at 0.50%; collateralized by a mortgage on the project's rental property; the mortgage note was not funded as of December 31, 2012. -

Total \$ 8,757,874

Interest capitalized into building costs amounted to \$136,251 for the period ended December 31, 2012.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

d. Mortgage Notes Payable (cont.)

Repayment of principal on the mortgage notes payable as of December 31, 2012, is as follows:

Year Ending December 31,

2013	\$ 7,347,874
2014	-
2015	-
2016	-
2017	-
Thereafter	<u>1,410,000</u>
Total	<u>\$ 8,757,874</u>

Interest capitalized into building costs amounted to \$136,251 for the period ended December 31, 2012.

e. Capital Lease

The company has entered into a capital lease agreement with the CDA dated October 14, 2011, to operate and manage the project during the term of the capital lease in accordance with all applicable public housing requirements. Rental property recorded under this non-cancellable capital lease consists of:

Land	\$ 770,000
Buildings	<u>640,000</u>
Total	<u>\$ 1,410,000</u>

In accordance with accounting principles generally accepted in the United States of America, the land and building are capitalized as a single unit and amortized over the lease term of 98 years. Accumulated depreciation on the land and building under the capital lease was \$17,985 as of December 31, 2012.

Base rent under the lease was payable in a single installment of \$1,410,000 on October 14, 2011. The balance of unpaid base rent accrues interest at 4.19%, compounded annually (see Note I.d. in this section). Payments made by the company shall be applied first to accrued interest and then against the unpaid base rent amount. The base rent and all accrued interest thereon is due October 13, 2051. The capital lease obligation is secured by a mortgage note as described in Note I.d. The lease expires October 13, 2109.

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

f. Members' Capital Contributions

The company has one managing member, the CDA, which has a .01% interest, and one investor member, NEF Assignment Corporation (NEF), as nominee, which has a 99.99% interest. The CDA is required to make capital contributions of \$100. Of this amount, no contributions were made as of December 31, 2012. NEF is required to make capital contributions totaling \$9,436,984. Of this amount, \$1,827,642 was contributed and \$7,609,342 remains receivable as of December 31, 2012.

During 2012, the managing member made contributions of rental property in the amount of \$28,880.

g. Related Party Transactions

Development Fee

The company has entered into a development agreement with the CDA (developer). The agreement provides for the payment of a development fee of \$1,140,900. It is anticipated that the development fee will be paid from proceeds of mortgage notes and capital contributions. As of December 31, 2012, \$1,140,900 of development fee was earned and capitalized into the cost of the buildings. Development fee payable was \$753,300 as of December 31, 2012. If there are any unpaid development fees by the end of the twelfth year of compliance period, the operating agreement requires the managing member to make a capital contribution to the company in an amount sufficient to enable the company to pay the outstanding amount.

Construction Payable

Included in construction payable are amounts owed to the CDA for reimbursement of construction costs totaling \$157,461 as of December 31, 2012.

Accounts Payable

Included in accounts payable are amounts owed to the CDA for reimbursement of operating expenses totaling \$10,199 as of December 31, 2012.

Property Management Agreement

The company has entered into a property management agreement with the CDA under which the company is obligated to pay a property management fee equal to 5% of gross residential rents on a monthly basis. The agreement is automatically renewed from year to year unless otherwise terminated. Property management fees totaled \$7,039 for the period ended December 31, 2012.

Asset Management Fee

The company is obligated to pay an affiliate of the investor member, NEF Community Investments, Inc., an annual asset management fee of \$6,600, increasing annually by 3%. The fee shall begin accruing as of the placed in service date of the final building (December 12, 2012). The fee is payable solely from cash flow as defined in the operating agreement and shall be cumulative and accrued if not paid. Asset management fees incurred and included in accrued expenses were \$344 for the period ended December 31, 2012.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

g. Related Party Transactions (cont.)

Development Completion Guaranty

Under terms of the operating agreement, the managing member is obligated to complete the required rehabilitation of the project. In the event the company lacks sufficient funds from the member capital contributions and proceeds from the construction and permanent mortgages to pay for the rehabilitation costs, the managing member is obligated to provide such funds to the company in the form of capital contributions or an unsecured loan. The managing member is also required to fund any operating deficits until the project achieves stabilized occupancy. Any loans under this agreement shall not bear interest and shall be payable in accordance with the operating agreement. There was no development completion guaranty loan as of December 31, 2012.

Operating Deficit Guaranty

The managing member is obligated, after all funds in the operating reserve account have been depleted, to fund operating deficits during the operating deficit guaranty period. The operating deficit guaranty period is defined as the period beginning with the date of achievement of stabilized occupancy and ending on after achievement of 36 consecutive months with an expense coverage ratio of 1.00 or better commencing on or after the second anniversary of the later of the achievement of stabilized occupancy or repayment in full of the construction loan. The obligation to fund operating deficits shall be limited to \$190,000. Such loans are non-interest bearing and repayable solely from available cash flow as defined in the operating agreement. There was no operating deficit guaranty loans as of December 31, 2012.

R&O Agreement

The company has entered into an R&O Agreement with the CDA. Provisions of the agreement require the company to maintain all units as public housing units. The CDA is to pay operating subsidies to the company equal to the project expenses less project income. The agreement will expire upon the earliest to occur of the expiration of 40 years from the date of first occupancy or at the option of the project at the close of the first project year of which the CDA ceases to pay operating subsidies. Operating subsidies totaling \$64,118 were earned during the period ended December 31, 2012. Included in accounts receivables are operating subsidies receivable of \$9,836 as of December 31, 2012.

PILOT

The company and the CDA entered into a PILOT agreement with the City, in which the company will make an annual PILOT payment to the City beginning in 2011 and ending in the final calendar year of the project's compliance period (2026). The PILOT shall be equal to 10% of the difference between the annual tenant's portion of the collected rents for all of the residential rental units in the buildings and the annual utility bills incurred by the company with respect to the project. The PILOT is required for as long as the land and building under capital lease constitutes property of the CDA that is exempt from taxation under the Wisconsin Statutes.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

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

h. Company Profits and Losses and Distributions

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

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

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

1. To all members having negative balances in their capital accounts prior to the distribution of any sale or refinancing proceeds, an amount of such gain to increase their negative balance to zero.
2. To all members until their capital account balances are equal to net projected tax liabilities as defined in the company agreement.
3. The remainder of such gain, if any, 99.99% to the investor member and .01% to the managing member.

i. Commitments and Contingencies

Land Use Restriction Agreement (LURA)

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

Affordable Housing Program (AHP)

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

City of Beloit Business Improvement District

a. Basis of Accounting/Measurement Focus

The Business Improvement District prepares its financial statements in accordance with generally accepted accounting principles. The accounting records are kept on the accrual basis of accounting and the flow of economic resources focus.

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	\$ 173,706	\$ 174,849	Custodial credit risk
Total Cash and Investments	<u>\$ 173,706</u>	<u>\$ 174,849</u>	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction accounts through December 31, 2012. On January 1, 2013, the temporary unlimited coverage for noninterest bearing transaction accounts expired. Therefore, demand deposit accounts (interest bearing and noninterest bearing) are insured for a total of \$250,000 beginning January 1, 2013.

Bank (and credit union) 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.

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, 2012, none of the BID's total bank balances was exposed to custodial credit risk.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc.

a. Organization

The Beloit Public Library Foundation, Inc., (Foundation) is organized to raise and provide support monies for the Beloit, Wisconsin Public Library (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 accounts for contributions in accordance with generally accepted accounting principles (GAAP). All contributions are considered to be available for the general programs of the Foundation unless specifically restricted by the donor. The Foundation reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donated cash. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net position is reclassified to unrestricted net position and reported in the Statement of Activities as net position 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 Position

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

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

	<u>12-31-12</u>
Library building fund	<u>\$ 8,037</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc. (cont.)

e. Investments

In accordance with GAAP, 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:

	2012	
	Market	Cost
Mutual Funds -		
Equity	\$ 359,775	\$ 306,794
Fixed income	208,300	198,944
Stocks	-	-
Totals	<u>\$ 568,075</u>	<u>\$ 505,738</u>

Unrealized gains amounted to \$62,337 as of December 31, 2012. Current unrealized gains of \$39,126 have been reflected in the Statement of Activities for 2012.

Interest and dividends earned on the above investments amounted to \$13,929 for 2012. Investments are exposed to potential risks including interest rate risk, credit risk, and overall market volatility. Accordingly, it is reasonably possible that changes in the value of investments will occur in the near term and such changes could be material in amount.

f. Income Taxes

The Foundation is a nonprofit organization and is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and, therefore, there is no provision for income taxes in the financial statements.

Management of the Foundation has evaluated for uncertain tax positions and has determined that there are no uncertain tax positions as of December 31, 2012. The Foundation is subject to income taxes in the United States Federal jurisdiction and the State of Wisconsin. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. Tax returns remain open for federal examination for the past three years and state examination for the past four years.

g. 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, Wisconsin. Program services expenses of the Foundation are for the benefit of the Library.

h. Library Campaign Pledge

During 2008, the Foundation approved a \$250,000 pledge to the Beloit Public Library renovation and relocation project. This pledge is being paid over a five year period at \$50,000 per year beginning in March 2010.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc. (cont.)

i. 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, 2012, contributions received in the amount of \$4,125 are recorded as an accounts payable to be transferred to the City of Beloit.

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system (PERS). All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year, and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year, and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Prior to June 29, 2011, covered employees in the General category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2012 are:

	<u>Employee</u>	<u>Employer</u>
General	5.9%	5.9%
Executives and Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.0%
Protective without Social Security	5.9%	11.3%

The payroll for City employees covered by WRS for the year ended December 31, 2012 was \$21,239,188; the employer's total payroll was \$21,901,080. The total required contribution for the year ended December 31, 2012 was \$3,506,565 or 16.5 percent of covered payroll. Of this amount, 100 percent was contributed for the current year. Total contributions for the years ending December 31, 2011 and 2010 were \$3,493,443 and \$3,314,512, respectively, equal to the required contributions for each year.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting an application 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 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

WRS also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. WRS 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 2012 was \$38,519.

B. RISK MANAGEMENT

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

Self Insurance

The City has a limited risk management program for employee health and dental benefits with claims processed by a third party claims administrator on behalf of the City. The claims are being paid out of the internal service fund, and are funded by allocations charged to other funds. Interfund premiums are based on claims experience. As a part of the plan a reinsurance policy has been purchased which picks up claims in excess of \$100,000 per individual with an unlimited lifetime limit of liability per covered participant. A separate insurance rider provides transplant coverage with a lifetime maximum of \$1 million. Settled claims have exceeded this stop-loss amount per individual in each of the past three years. Total amounts charged back to the various departments during the year were \$6,369,240.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Self Insurance (cont.)

The estimated liability for self-funded losses is based on reported claims for the year and those received subsequent to year end. The City does not allocate overhead costs or other nonincremental costs to the claims liability. The liability is considered a current liability of the City as incurred but not reported claims are normally paid within two months of year end and represent the majority of claims payable at December 31, 2012. The estimated liability for self insured losses for this program consisted of the following at December 31, 2012:

Reported and Known Claims	\$ 897,189
Incurred but not Reported Claims	<u>1,230,218</u>
Total	<u>\$ 2,127,407</u>

Changes in the claims payable follow:

	<u>Balance January 1</u>	<u>Incurred Claims</u>	<u>Claims Paid</u>	<u>Balance December 31</u>
2011	\$ 2,258,270	\$ 9,470,799	\$ 9,235,894	\$ 2,493,175
2012	2,493,175	6,666,030	7,031,798	2,127,407

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.

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%.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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.)

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, 2012. A total liability of approximately \$109,711 at December 31, 2012 was recorded as claims payable in the internal service fund.

Transit Mutual Insurance Corporation of Wisconsin (TMI)

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

In 2011, TMI issued to the City an auto liability insurance policy with a \$250,000 per person policy limit and a \$7,000,000 per accident policy limit. Of the per accident policy limit, TMI insures \$2,000,000 and reinsures \$5,000,000 with Genesis Insurance. In addition, the City's policy provides for \$25,000 per person and \$50,000 per accident in uninsured motorist insurance.

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

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

Premiums are determined in advance of each premium year, which begins on January 1. TMI is an assessable mutual; accordingly, the board of directors may require that supplemental contributions be made by members to ensure adequate funds are available to meet the obligations applicable to the premium year. Members are required by Wisconsin statute and TMI bylaws to fund any deficit attributable to a premium year during which they were a member. TMI was incorporated in 1985 and began issuing insurance policies in 1986; there has never been a member assessment beyond the annual premiums.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

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

The City's share of this corporation is 1.38% for auto liability and 2.80% of physical damage liability. A list of the other members and their share of participation is available in the TMI report which is available from TMI, 2575 S. Memorial Drive, Suite 105, Appleton, WI 54915-1483 or by email from tmi@new.rr.com.

C. COMMITMENTS AND CONTINGENCIES

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

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

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, 2012, no certain obligations have arisen from these agreements.

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

Capital Improvements Fund	\$	266,868
Nonmajor Funds		883,399

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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE V – OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

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 2012, the City contributed \$2,470,000 to the plan. Fire and police plan members receiving benefits contribute 0% and 0% of their premium costs for a family plan and a single plan, respectively. The City offered an early retirement incentive program to employees who were age 60 or over and had 20 or more years of service with the City, effective July 2010. These employees had to retire on or before December 31, 2010. The City pays 100% of the premium for pre-Medicare coverage for these retirees. All others pay 100% of their premiums. For fiscal year 2012, total member contributions were \$0 and there were 343 active and 165 retiree plan participants.

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	\$	8,225,499
Interest on net OPEB obligation		500,696
Adjustment to annual required contribution		<u>(513,534)</u>
Annual OPEB cost		8,212,661
Contributions made		<u>(2,470,000)</u>
Increase in Net OPEB Obligation		5,742,661
Net OPEB Obligation – Beginning of Year		<u>15,406,039</u>
Net OPEB Obligation – End of Year	\$	<u><u>21,148,700</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2011 and 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/12	\$ 8,212,660	30%	\$ 21,148,700
12/31/11	7,068,406	31%	15,406,039
12/31/10	6,745,932	30%	10,528,326

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE V – OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The funded status of the plan as of January 1, 2012, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 130,931,944
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 130,931,944</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 19,598,021
UAAL as a percentage of covered payroll	668.09%

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 3.25% investment rate of return and an annual healthcare cost trend rate of 4.60% initially, reduced by decrements to an ultimate rate of 4.70%. Both rates include a 3.5% inflation assumption. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2012 was 30 years.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE V – OTHER INFORMATION (cont.)

E. BOND COVENANT DISCLOSURES

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

Sales

The following is the customer count and water volume basis for water revenues as of December 31, 2012:

	Water – 2012	
	Customers	Gallons
Residential	13,712	730,720
Commercial	1,508	377,939
Industrial	13	370,743
Public Authority	46	89,013
Totals	15,279	1,568,415

Debt Coverage

The revenue bond resolutions require revenue less operating expenses excluding depreciation and tax equivalent (defined net earnings) to exceed 1.25 times in the water and storm water utilities the corresponding principal and interest. The Clean Water Fund revenue bonds require revenue less operating expenses excluding depreciation to exceed 1.10 times in the sewer utility the corresponding principal and interest.

	Water – 2012	Storm Water – 2012	Sewer – 2012
Operating revenues	\$ 5,812,294	\$ 941,597	\$ 6,792,043
Investment income	62,212	17,259	183,269
Operating expenses excluding depreciation	(1,810,557)	(702,539)	(5,803,825)
Defined Earnings	\$ 4,063,949	\$ 256,317	\$ 1,171,487
Annual debt service on revenue bonds	\$ 2,298,233	\$ 126,444	\$ 205,021
Coverage factor	x 1.25	x 1.25	x 1.10
Required Net Earnings	\$ 2,872,791	\$ 158,055	\$ 225,523

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE V – OTHER INFORMATION (cont.)

F. SUBSEQUENT EVENTS

On February 13, 2013, the City issued General Obligation Refunding Bonds in the amount of \$7,330,000. The amount will be used to complete a partial refunding of Series 2006A Bonds, 2007A Bonds and 2007B Notes.

On February 13, 2013, the City issued Water System Revenue Refunding Bonds in the amount of \$5,745,000. The amount will be used to complete a total refunding of Water System Revenue Bonds, Series 2003.

On February 13, 2013, the City issued Taxable General Obligation Refunding Bonds in the amount of \$885,000. The amount will be used to complete a total refunding of Taxable General Obligation Community Development Bonds, Series 2005C.

On June 13, 2013, the City issued General Obligation Corporate Purpose Bonds in the amount of \$7,735,000. The amount will be used to refund the 2009 State Trust Fund Loan, 2010 State Trust Fund Loan, Series 2010 Bonds, and to finance the City's Capital Improvement Program.

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 65, *Items Previously Reported as Assets and Liabilities*; Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*; Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; and Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BELOIT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance with Final Budget
TAXES			
Current Levy	\$ 6,158,253	\$ 6,167,786	\$ 9,533
Mobile home taxes	12,000	15,267	3,267
Prior year tax collection/rescinded taxes	3,000	(5,420)	(8,420)
Payment in lieu of taxes - housing authority	-	10,822	10,822
Motel tax	50,000	57,567	7,567
Total Taxes	<u>6,223,253</u>	<u>6,246,022</u>	<u>22,769</u>
INTERGOVERNMENTAL			
Shared aidable revenue	16,176,491	16,177,085	594
Fire distribution fee	56,440	59,656	3,216
Expenditure restraint payment	655,728	655,729	1
State highway aids	1,870,317	1,870,317	-
State aid - connecting streets	257,911	258,900	989
Military affairs - emergency management	-	108,580	108,580
Motor vehicle registration	290,000	267,455	(22,545)
Municipal service payment	20,000	17,460	(2,540)
Computer exemption aid	50,000	32,410	(17,590)
Total Intergovernmental Revenues	<u>19,376,887</u>	<u>19,447,592</u>	<u>70,705</u>
LICENSES AND PERMITS			
Licenses			
Liquor - malt permits	52,505	61,212	8,707
Cable TV	360,000	382,864	22,864
Other licenses	13,050	15,596	2,546
Total Licenses	<u>425,555</u>	<u>459,672</u>	<u>34,117</u>
Permits			
Construction permits	124,587	143,536	18,949
Other permits	44,110	45,111	1,001
Underground storage tank inspection	2,800	2,506	(294)
Total Permits	<u>171,497</u>	<u>191,153</u>	<u>19,656</u>
Total Licenses and Permits	<u>597,052</u>	<u>650,825</u>	<u>53,773</u>

CITY OF BELOIT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2012**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
FINES, FORFEITURES AND PENALTIES			
Municipal court costs	\$ 150,000	\$ 143,716	\$ (6,284)
Nontraffic fines	425,000	383,576	(41,424)
Traffic fines	200,000	216,095	16,095
Parking fines	250,000	211,039	(38,961)
Penalties on taxes	160,000	111,658	(48,342)
Other	74,996	71,218	(3,778)
Total Fines, Forfeitures and Penalties	<u>1,259,996</u>	<u>1,137,302</u>	<u>(122,694)</u>
FEES AND SERVICE CHARGES			
Animal shelter	7,400	6,304	(1,096)
Recreation			
Other recreation	96,579	97,403	824
Telfer Park and Rivercenter	118,523	107,407	(11,116)
Swimming pool	63,204	74,334	11,130
Total Recreation	<u>278,306</u>	<u>279,144</u>	<u>838</u>
Other General Revenue			
Fire inspection fees	140,500	116,794	(23,706)
Property transfer certificates	14,100	19,924	5,824
In-house fees	40,500	36,507	(3,993)
Hazardous material response	25,000	25,548	548
Donations and miscellaneous	81,310	61,233	(20,077)
Nutrition coordinator	7,500	7,191	(309)
Recoveries from city	2,000	346	(1,654)
Cable access fees	-	-	-
Miscellaneous police revenues	60,000	63,022	3,022
Total Other General Revenue	<u>370,910</u>	<u>330,565</u>	<u>(40,345)</u>
Total Fees and Service Charges	<u>656,616</u>	<u>616,013</u>	<u>(40,603)</u>

CITY OF BELOIT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2012**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
RENT	\$ 31,000	\$ 3,615	\$ (27,385)
INVESTMENT INCOME	229,800	570,534	340,734
OTHER	37,093	37,093	-
Total Revenues	<u>28,411,697</u>	<u>28,708,996</u>	<u>297,299</u>
OTHER FINANCING SOURCES			
Sale of city property	15,000	50,129	35,129
Transfers in - tax equivalent	<u>641,613</u>	<u>788,993</u>	<u>147,380</u>
Total Other Financing Sources	<u>656,613</u>	<u>839,122</u>	<u>182,509</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 29,068,310</u>	<u>\$ 29,548,118</u>	<u>\$ 479,808</u>

CITY OF BELOIT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2012

CURRENT EXPENDITURES	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
GENERAL GOVERNMENT			
City Council, Manager, Attorney			
Council	\$ 46,486	\$ 46,460	\$ 26
City manager	324,253	318,603	5,650
City attorney	<u>393,207</u>	<u>394,840</u>	<u>(1,633)</u>
Total City Council, Manager and Attorney	<u>763,946</u>	<u>759,903</u>	<u>4,043</u>
Finance and Administrative Services			
Personnel and labor relations	282,262	253,194	29,068
Municipal court	353,934	339,016	14,918
Computer information systems	526,318	499,142	27,176
Records and elections	406,603	396,397	10,206
Property appraisal	191,747	176,070	15,677
Collections	78,294	76,549	1,745
Accounting	279,373	274,148	5,225
Financial management	293,126	285,954	7,172
Licenses and permits	199,018	108,616	90,402
Bad debts	3,000	3,231	(231)
Insurance	276,403	279,727	(3,324)
City hall operation	<u>311,300</u>	<u>300,400</u>	<u>10,900</u>
Total Finance and Administrative Services	<u>3,201,378</u>	<u>2,992,444</u>	<u>208,934</u>
Total General Government	<u>3,965,324</u>	<u>3,752,347</u>	<u>212,977</u>

CITY OF BELOIT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2012

CURRENT EXPENDITURES	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
COMMUNITY DEVELOPMENT			
City planning	359,156	367,164	(8,008)
Economic development	235,593	215,392	20,201
Code enforcement	<u>593,090</u>	<u>608,892</u>	<u>(15,802)</u>
Total Community Development	<u>1,187,839</u>	<u>1,191,448</u>	<u>(3,609)</u>
PUBLIC SAFETY			
Police Department			
Staff services	\$ 11,407,525	\$ 11,290,532	\$ 116,993
Total Police Department	<u>11,407,525</u>	<u>11,290,532</u>	<u>116,993</u>
Fire Department			
Staff services	566,260	588,587	(22,327)
Inspection and prevention	279,199	265,508	13,691
Fire fighting and rescue	<u>6,431,038</u>	<u>6,408,366</u>	<u>22,672</u>
Total Fire Department	<u>7,276,497</u>	<u>7,262,461</u>	<u>14,036</u>
Total Public Safety	<u>18,684,022</u>	<u>18,552,993</u>	<u>131,029</u>

CITY OF BELOIT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
PUBLIC WORKS			
DPW engineering			
DPW administration and engineering	\$ 765,953	\$ 670,895	\$ 95,058
Total DPW engineering	<u>765,953</u>	<u>670,895</u>	<u>95,058</u>
DPW operations			
Streets and sanitation	2,729,899	2,532,812	197,087
Central stores	<u>30,027</u>	<u>31,426</u>	<u>(1,399)</u>
Total DPW operations	<u>2,759,926</u>	<u>2,564,238</u>	<u>195,688</u>
DPW parks and recreation			
Parks	1,491,669	1,411,023	80,646
Recreation	316,865	267,117	49,748
Edwards pavilion	213,035	204,120	8,915
Senior center	131,157	122,740	8,417
Rotary river center	33,800	32,043	1,757
Swimming pools	<u>190,039</u>	<u>185,768</u>	<u>4,271</u>
Total DPW parks and recreation	<u>2,376,565</u>	<u>2,222,811</u>	<u>153,754</u>
Total Public Works	<u>5,902,444</u>	<u>5,457,944</u>	<u>444,500</u>
Total Expenditures	<u>29,739,629</u>	<u>28,954,732</u>	<u>784,897</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 29,739,629</u>	<u>\$ 28,954,732</u>	<u>\$ 784,897</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - TIF DISTRICT NO. 10 (MAJOR FUND)
For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 3,903,010	\$ 4,041,474	\$ 138,464
Intergovernmental	122,970	99,809	(23,161)
Investment income	27,600	56,350	28,750
Total Revenues	<u>4,053,580</u>	<u>4,197,633</u>	<u>144,053</u>
EXPENDITURES			
Capital Outlay	4,437,339	4,662,600	(225,261)
Debt Service			
Principal retirement	1,275,000	909,849	365,151
Interest and fiscal charges	761,141	933,685	(172,544)
Total Expenditures	<u>6,473,480</u>	<u>6,506,134</u>	<u>(32,654)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,419,900)</u>	<u>(2,308,501)</u>	<u>111,399</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(275,300)	(264,204)	11,096
Total Other Financing Sources (Uses)	<u>(275,300)</u>	<u>(264,204)</u>	<u>11,096</u>
Net Change in Fund Balance	(2,695,200)	(2,572,705)	122,495
FUND BALANCE - Beginning	<u>2,587,159</u>	<u>2,587,159</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ (108,041)</u>	<u>\$ 14,454</u>	<u>\$ 122,495</u>

See accompanying auditors' report and notes to required supplementary information.

CITY OF BELOIT

OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
For the Year Ended December 31, 2012

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit Actuarial Cost	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2012	\$	- \$ 130,931,944	\$ 130,931,944	0%	\$ 19,598,021	668.09%
1/1/2010		- 100,219,009	100,219,009	0%	20,844,743	480.78%
1/1/2008		- 66,942,287	66,942,287	0%	21,911,189	305.52%

See accompanying auditors' report and notes to required supplementary information.

CITY OF BELOIT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2012

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

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, 2012:

	<u>Excess</u>
General Fund	
Community Development Department	\$ 3,609

FUNDING PROGRESS DATA

Data in the schedule of funding progress was taken from the reports issued by the actuary.

SUPPLEMENTARY INFORMATION

CITY OF BELOIT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2012

	Special Revenue Funds					
	Rental Rehab (WRRP/HOME)	Community Development Block Grant	TIF District No. 5	TIF District No. 6	TIF District No. 8	TIF District No. 9
ASSETS						
Cash and investments	\$ 186,868	\$ -	\$ 594,688	\$ 61,667	\$ -	\$ 2,916
Receivables						
Taxes	-	-	930,892	892,032	121,871	92,978
Delinquent personal property taxes	-	-	-	-	-	-
Accounts (net)	-	-	14,246	-	2,000	61,722
Loans	1,063,804	2,498,552	-	-	-	-
Accrued interest	-	-	-	-	-	-
Due from other governmental units	3,000	254,249	-	-	-	-
Due from component unit	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,253,672	\$ 2,752,801	\$ 1,539,826	\$ 953,699	\$ 123,871	\$ 157,616
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ 4,408	\$ 97,125	\$ 258,167	\$ 24,279	\$ -	\$ -
Due to other funds	-	44,928	-	-	521,875	-
Deferred revenue	1,063,804	2,511,192	930,892	892,032	121,871	154,700
Advances from other funds	-	-	-	557,194	550,000	2,985,540
Total Liabilities	<u>1,068,212</u>	<u>2,653,245</u>	<u>1,189,059</u>	<u>1,473,505</u>	<u>1,193,746</u>	<u>3,140,240</u>
Fund Balances (Deficits)						
Restricted	185,460	99,556	350,767	-	-	-
Assigned	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	(519,806)	(1,069,875)	(2,982,624)
Total Fund Balances (Deficits)	<u>185,460</u>	<u>99,556</u>	<u>350,767</u>	<u>(519,806)</u>	<u>(1,069,875)</u>	<u>(2,982,624)</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,253,672	\$ 2,752,801	\$ 1,539,826	\$ 953,699	\$ 123,871	\$ 157,616

Special Revenue Funds						
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
\$ 235,216	\$ 38,566	\$ 1,147,902	\$ 154,945	\$ 44,776	\$ 133,602	\$ -
115,520	76,803	493,904	42,575	-	25,000	-
-	-	-	-	-	-	-
-	63,867	-	-	2,914	61,825	183,226
-	-	-	-	-	-	119,977
-	-	-	-	-	-	-
-	-	-	-	-	-	116,916
-	-	-	-	-	-	193,204
<u>\$ 350,736</u>	<u>\$ 179,236</u>	<u>\$ 1,641,806</u>	<u>\$ 197,520</u>	<u>\$ 47,690</u>	<u>\$ 220,427</u>	<u>\$ 613,323</u>
\$ -	\$ -	\$ 27,658	\$ -	\$ 900	\$ 6,809	\$ 25,492
-	-	-	-	2,914	-	375,040
115,520	140,670	493,904	42,575	-	25,000	161,790
-	-	-	-	-	-	-
<u>115,520</u>	<u>140,670</u>	<u>521,562</u>	<u>42,575</u>	<u>3,814</u>	<u>31,809</u>	<u>562,322</u>
235,216	38,566	1,120,244	154,945	43,876	188,618	51,001
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>235,216</u>	<u>38,566</u>	<u>1,120,244</u>	<u>154,945</u>	<u>43,876</u>	<u>188,618</u>	<u>51,001</u>
<u>\$ 350,736</u>	<u>\$ 179,236</u>	<u>\$ 1,641,806</u>	<u>\$ 197,520</u>	<u>\$ 47,690</u>	<u>\$ 220,427</u>	<u>\$ 613,323</u>

CITY OF BELOIT

Continued From
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COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (cont.)
As of December 31, 2012

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Library	Police	Solid Waste	Perpetual Care	Computer Replacement	
ASSETS						
Cash and investments	\$ 668,664	\$ 368,903	\$ -	\$ 2,166,513	\$ 513,639	\$ 6,318,865
Receivables						
Taxes	1,775,877	119,500	30,000	-	-	4,716,952
Delinquent personal property taxes	-	-	5,813	-	-	5,813
Accounts (net)	-	10,291	454,067	-	-	854,158
Loans	-	-	-	-	-	3,682,333
Accrued interest	-	-	-	17,628	-	17,628
Due from other governmental units	-	12,823	-	-	-	386,988
Due from component unit	-	-	-	-	-	193,204
TOTAL ASSETS	\$ 2,444,541	\$ 511,517	\$ 489,880	\$ 2,184,141	\$ 513,639	\$ 16,175,941
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ 27,054	\$ 1,200	\$ 56,014	\$ -	\$ 1,058	\$ 530,164
Due to other funds	-	-	169,650	-	-	1,114,407
Deferred revenue	1,775,877	140,792	-	17,628	-	8,588,247
Advances from other funds	-	-	-	-	-	4,092,734
Total Liabilities	1,802,931	141,992	225,664	17,628	1,058	14,325,552
Fund Balances						
Restricted	641,610	369,525	264,216	2,166,513	-	5,910,113
Assigned	-	-	-	-	512,581	512,581
Unassigned (deficit)	-	-	-	-	-	(4,572,305)
Total Fund Balances	641,610	369,525	264,216	2,166,513	512,581	1,850,389
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,444,541	\$ 511,517	\$ 489,880	\$ 2,184,141	\$ 513,639	\$ 16,175,941

CITY OF BELOIT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2012

	Special Revenue Funds					
	Rental Rehab (WRRP/HOME)	Community Development Block Grant	TIF District No. 5	TIF District No. 6	TIF District No. 8	TIF District No. 9
REVENUES						
Taxes	\$ -	\$ -	\$ 1,051,256	\$ 902,502	\$ 151,591	\$ 87,064
Intergovernmental	88,414	1,137,343	160,051	67,378	-	365
Licenses and permits	-	-	-	-	-	-
Fees and service charges	-	-	-	-	-	-
Investment income (loss)	13,570	20,285	10,160	8,158	(8,348)	2,364
Public charges for services	-	-	-	-	-	67,636
Other	39,148	288,668	142,157	-	33,023	-
Total Revenues	141,132	1,446,296	1,363,624	978,038	176,266	157,429
EXPENDITURES						
Current						
General government	-	-	10,980	6,635	-	-
Community development	163,884	1,530,481	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks, recreation, and education	-	-	-	-	-	-
Capital Outlay	-	-	2,207,320	373,564	650	705
Debt Service						
Principal retirement	-	-	395,079	134,996	-	-
Interest and fiscal charges	-	-	73,356	66,795	-	-
Total Expenditures	163,884	1,530,481	2,686,735	581,990	650	705
Excess (deficiency) of revenues over (under) expenditures	(22,752)	(84,185)	(1,323,111)	396,048	175,616	156,724
OTHER FINANCING SOURCES (USES)						
Capital lease	-	-	1,498,489	-	-	-
Sale of city property	-	-	-	-	12,000	-
Transfer out	-	-	(504,557)	(525,704)	(257,491)	(14,600)
Total Other Financing Sources (Uses)	-	-	993,932	(525,704)	(245,491)	(14,600)
Net Change in Fund Balances	(22,752)	(84,185)	(329,179)	(129,656)	(69,875)	142,124
FUND BALANCES (DEFICIT) - Beginning of Year	208,212	183,741	679,946	(390,150)	(1,000,000)	(3,124,748)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 185,460	\$ 99,556	\$ 350,767	\$ (519,806)	\$ (1,069,875)	\$ (2,982,624)

Special Revenue Funds							
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
\$ 112,640	\$ 73,932	\$ 664,266	\$ 85,403	\$ -	\$ 25,000	\$ -	\$ 1,760,877
254	869	3,026	2,057	33,479	161,634	1,311,825	307,008
-	-	-	-	-	617	-	-
-	-	-	-	-	-	-	48,309
4,998	2,003	21,554	2,707	651	1,267	499	24,378
-	66,639	-	-	-	-	-	30,313
-	-	-	-	4,345	13,614	63,979	3,122
<u>117,892</u>	<u>143,443</u>	<u>688,846</u>	<u>90,167</u>	<u>38,475</u>	<u>202,132</u>	<u>1,376,303</u>	<u>2,174,007</u>
-	-	-	-	-	-	-	-
-	-	-	500	-	-	1,337,803	-
-	-	-	-	24,593	-	-	-
-	-	-	-	-	181,133	-	-
-	-	-	-	-	-	-	2,036,683
18,490	650	133,802	150	4,089	-	-	11,280
-	-	64,984	-	-	-	-	-
-	-	36,258	-	-	-	-	-
<u>18,490</u>	<u>650</u>	<u>235,044</u>	<u>650</u>	<u>28,682</u>	<u>181,133</u>	<u>1,337,803</u>	<u>2,047,963</u>
<u>99,402</u>	<u>142,793</u>	<u>453,802</u>	<u>89,517</u>	<u>9,793</u>	<u>20,999</u>	<u>38,500</u>	<u>126,044</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(72,010)	(65,273)	(90,338)	-	-	(30,000)	-	-
<u>(72,010)</u>	<u>(65,273)</u>	<u>(90,338)</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>
27,392	77,520	363,464	89,517	9,793	(9,001)	38,500	126,044
<u>207,824</u>	<u>(38,954)</u>	<u>756,780</u>	<u>65,428</u>	<u>34,083</u>	<u>197,619</u>	<u>12,501</u>	<u>515,566</u>
<u>\$ 235,216</u>	<u>\$ 38,566</u>	<u>\$ 1,120,244</u>	<u>\$ 154,945</u>	<u>\$ 43,876</u>	<u>\$ 188,618</u>	<u>\$ 51,001</u>	<u>\$ 641,610</u>

CITY OF BELOIT

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COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR GOVERNMENTAL FUNDS (cont.)
For the Year Ended December 31, 2012

	Special Revenue Funds			Capital Projects Funds	Total Nonmajor Governmental Funds
	Police	Solid Waste	Perpetual Care	Computer Replacement	
REVENUES					
Taxes	\$ 119,500	\$ 30,446	\$ -	\$ -	\$ 5,064,477
Intergovernmental	251,458	142,324	-	-	3,667,485
Licenses and permits	-	1,099	-	-	1,716
Fees and service charges	-	-	-	-	48,309
Investment income (loss)	1,058	-	84,847	9,577	199,728
Public charges for services	151,120	2,270,281	56,313	-	2,642,302
Other	335,788	-	-	43,788	967,632
Total Revenues	<u>858,924</u>	<u>2,444,150</u>	<u>141,160</u>	<u>53,365</u>	<u>12,591,649</u>
EXPENDITURES					
Current					
General government	-	-	-	-	17,615
Community development	-	-	-	-	3,032,668
Public safety	540,984	-	-	-	565,577
Public works	-	2,319,106	-	-	2,500,239
Parks, recreation, and education	-	-	-	-	2,036,683
Capital Outlay	19,409	-	-	25,096	2,795,205
Debt Service					
Principal retirement	-	-	-	-	595,059
Interest and fiscal charges	-	-	-	-	176,409
Total Expenditures	<u>560,393</u>	<u>2,319,106</u>	<u>-</u>	<u>25,096</u>	<u>11,719,455</u>
Excess (deficiency) of revenues over (under) expenditures	<u>298,531</u>	<u>125,044</u>	<u>141,160</u>	<u>28,269</u>	<u>872,194</u>
OTHER FINANCING SOURCES (USES)					
Capital lease	-	-	-	-	1,498,489
Sale of city property	-	-	-	-	12,000
Transfer out	-	-	-	-	(1,559,973)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49,484)</u>
Net Change in Fund Balances	298,531	125,044	141,160	28,269	822,710
FUND BALANCES (DEFICIT) - Beginning of Year	<u>70,994</u>	<u>139,172</u>	<u>2,025,353</u>	<u>484,312</u>	<u>1,027,679</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 369,525</u>	<u>\$ 264,216</u>	<u>\$ 2,166,513</u>	<u>\$ 512,581</u>	<u>\$ 1,850,389</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL DEBT SERVICE FUND (MAJOR FUND) For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 4,873,523	\$ 4,873,523	\$ -
Intergovernmental	127,575	125,309	(2,266)
Investment income	-	34,452	34,452
Other	205,099	263,775	58,676
Total Revenues	<u>5,206,197</u>	<u>5,297,059</u>	<u>90,862</u>
EXPENDITURES			
Debt Service			
Principal retirement	4,946,732	10,447,981	(5,501,249)
Interest and fiscal charges	1,977,893	1,975,524	2,369
Total Expenditures	<u>6,924,625</u>	<u>12,423,505</u>	<u>(5,498,880)</u>
Deficiency of Revenues Under Expenditures	<u>(1,718,428)</u>	<u>(7,126,446)</u>	<u>(5,408,018)</u>
OTHER FINANCING SOURCES (USES)			
Debt issued - refunding	-	3,706,200	3,706,200
Payment into escrow	-	(2,458,608)	(2,458,608)
Debt premium	-	98,060	98,060
Transfers in	1,718,428	1,794,177	75,749
Total Other Financing Sources (Uses)	<u>1,718,428</u>	<u>3,139,829</u>	<u>1,421,401</u>
Net Change in Fund Balance	-	(3,986,617)	(3,986,617)
FUND BALANCE - Beginning	<u>6,262,974</u>	<u>6,262,974</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 6,262,974</u>	<u>\$ 2,276,357</u>	<u>\$ (3,986,617)</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - CAPITAL IMPROVEMENTS FUND (MAJOR FUND)
For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 120,000	\$ 272,296	\$ 152,296
Fines, forfeitures and penalties	-	13,846	13,846
Special assessments	195,000	204,105	9,105
Investment income	6,000	22,888	16,888
Other	827,545	689,958	(137,587)
Total Revenues	<u>1,148,545</u>	<u>1,203,093</u>	<u>54,548</u>
EXPENDITURES			
Capital Outlay	<u>5,146,476</u>	<u>6,053,725</u>	<u>(907,249)</u>
Total Expenditures	<u>5,146,476</u>	<u>6,053,725</u>	<u>(907,249)</u>
Deficiency of Revenues Under Expenditures	<u>(3,997,931)</u>	<u>(4,850,632)</u>	<u>(852,701)</u>
OTHER FINANCING SOURCES			
Debt issued	4,006,363	3,753,800	(252,563)
Debt premium	-	41,853	41,853
Transfers in	20,000	30,000	10,000
Total Other Financing Sources	<u>4,026,363</u>	<u>3,825,653</u>	<u>(200,710)</u>
Net Change in Fund Balance	28,432	(1,024,979)	(1,053,411)
FUND BALANCE - Beginning	<u>5,318,184</u>	<u>5,318,184</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 5,346,616</u>	<u>\$ 4,293,205</u>	<u>\$ (1,053,411)</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - EQUIPMENT REPLACEMENT FUND (MAJOR FUND)
 For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
REVENUES			
Investment income	\$ 250,200	\$ 279,541	\$ 29,341
Other	<u>927,780</u>	<u>884,016</u>	<u>(43,764)</u>
Total Revenues	<u>1,177,980</u>	<u>1,163,557</u>	<u>(14,423)</u>
EXPENDITURES			
Capital Outlay	<u>1,241,380</u>	<u>552,587</u>	<u>688,793</u>
Total Expenditures	<u>1,241,380</u>	<u>552,587</u>	<u>688,793</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(63,400)</u>	<u>610,970</u>	<u>674,370</u>
OTHER FINANCING SOURCES			
Sales of city property	<u>-</u>	<u>44,469</u>	<u>44,469</u>
Total Other Financing Sources	<u>-</u>	<u>44,469</u>	<u>44,469</u>
Net Change in Fund Balance	(63,400)	655,439	718,839
FUND BALANCE - Beginning	<u>6,896,995</u>	<u>6,896,995</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 6,833,595</u>	<u>\$ 7,552,434</u>	<u>\$ 718,839</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL - RENTAL REHAB (WRRP/HOME) FUND
 For the Year Ended December 31, 2012

	Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental	\$ 150,226	\$ 88,414	\$ (61,812)
Investment income	-	13,570	13,570
Other	-	39,148	39,148
Total Revenues	150,226	141,132	(9,094)
EXPENDITURES			
Current			
Community development	150,226	163,884	(13,658)
Total Expenditures	150,226	163,884	(13,658)
Deficiency of Revenues Under Expenditures	-	(22,752)	(22,752)
Net Change in Fund Balance	-	(22,752)	(22,752)
FUND BALANCE, Beginning	208,212	208,212	-
FUND BALANCE, ENDING	\$ 208,212	\$ 185,460	\$ (22,752)

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - COMMUNITY DEVELOPMENT BLOCK GRANT

For the Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 1,792,671	\$ 1,137,343	\$ (655,328)
Investment income	-	20,285	20,285
Other	200,000	288,668	88,668
Total Revenues	<u>1,992,671</u>	<u>1,446,296</u>	<u>(546,375)</u>
EXPENDITURES			
Current			
Community development	<u>2,089,792</u>	<u>1,530,481</u>	<u>559,311</u>
Total Expenditures	<u>2,089,792</u>	<u>1,530,481</u>	<u>559,311</u>
Deficiency of Revenues Under Expenditures	<u>(97,121)</u>	<u>(84,185)</u>	<u>12,936</u>
Net Change in Fund Balance	(97,121)	(84,185)	12,936
FUND BALANCE - Beginning	<u>183,741</u>	<u>183,741</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 86,620</u>	<u>\$ 99,556</u>	<u>\$ 12,936</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL - TIF DISTRICT NO. 5
 For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 1,013,513	\$ 1,051,256	\$ 37,743
Intergovernmental	154,167	160,051	5,884
Investment income	10,900	10,160	(740)
Other	<u>92,593</u>	<u>142,157</u>	<u>49,564</u>
Total Revenues	<u>1,271,173</u>	<u>1,363,624</u>	<u>92,451</u>
EXPENDITURES			
Current			
General government	7,500	10,980	(3,480)
Capital Outlay	2,137,492	2,207,320	(69,828)
Debt Service			
Principal retirement	425,000	395,079	29,921
Interest and fiscal charges	<u>92,339</u>	<u>73,356</u>	<u>18,983</u>
Total Expenditures	<u>2,662,331</u>	<u>2,686,735</u>	<u>(24,404)</u>
Deficiency of Revenues Under Expenditures	(1,391,158)	(1,323,111)	68,047
OTHER FINANCING SOURCES (USES)			
Capital lease	1,686,151	1,498,489	(187,662)
Transfers out	<u>(504,557)</u>	<u>(504,557)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,181,594</u>	<u>993,932</u>	<u>(187,662)</u>
Net Change in Fund Balance	(209,564)	(329,179)	(119,615)
FUND BALANCE - Beginning	<u>679,946</u>	<u>679,946</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 470,382</u>	<u>\$ 350,767</u>	<u>\$ (119,615)</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL - TIF DISTRICT NO. 6
 For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 870,100	\$ 902,502	\$ 32,402
Intergovernmental	58,774	67,378	8,604
Investment income	10,900	8,158	(2,742)
Total Revenues	<u>939,774</u>	<u>978,038</u>	<u>38,264</u>
EXPENDITURES			
Current			
General government	2,000	6,635	(4,635)
Capital Outlay	612,522	373,564	238,958
Debt Service			
Principal retirement	150,000	134,996	15,004
Interest and fiscal charges	66,795	66,795	-
Total Expenditures	<u>831,317</u>	<u>581,990</u>	<u>249,327</u>
Excess of Revenues Over Expenditures	<u>108,457</u>	<u>396,048</u>	<u>287,591</u>
OTHER FINANCING USES			
Transfers out	(525,703)	(525,704)	(1)
Total Other Financing Uses	<u>(525,703)</u>	<u>(525,704)</u>	<u>(1)</u>
Net Change in Fund Balance	(417,246)	(129,656)	287,590
FUND BALANCE (DEFICIT) - Beginning	<u>(390,150)</u>	<u>(390,150)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ (807,396)</u>	<u>\$ (519,806)</u>	<u>\$ 287,590</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL - TIF DISTRICT NO. 8 For the Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 146,148	\$ 151,591	\$ 5,443
Investment income (loss)	-	(8,348)	(8,348)
Other	-	33,023	33,023
Total Revenues	<u>146,148</u>	<u>176,266</u>	<u>30,118</u>
EXPENDITURES			
Capital Outlay	<u>500</u>	<u>650</u>	<u>(150)</u>
Total Expenditures	<u>500</u>	<u>650</u>	<u>(150)</u>
Excess of Revenues Over Expenditures	<u>145,648</u>	<u>175,616</u>	<u>29,968</u>
OTHER FINANCING SOURCES (USES)			
Sale of city property	29,000	12,000	(17,000)
Transfers out	<u>(170,648)</u>	<u>(257,491)</u>	<u>(86,843)</u>
Total Other Financing Sources (Uses)	<u>(141,648)</u>	<u>(245,491)</u>	<u>(103,843)</u>
Net Change in Fund Balance	4,000	(69,875)	(73,875)
FUND BALANCE (DEFICIT) - Beginning	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ (996,000)</u>	<u>\$ (1,069,875)</u>	<u>\$ (73,875)</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL - TIF DISTRICT NO. 9 For the Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 83,938	\$ 87,064	\$ 3,126
Intergovernmental	352	365	13
Public charges for services	70,762	67,636	(3,126)
Investment income	1,600	2,364	764
Total Revenues	<u>156,652</u>	<u>157,429</u>	<u>777</u>
EXPENDITURES			
Capital Outlay	<u>500</u>	<u>705</u>	<u>(205)</u>
Total Expenditures	<u>500</u>	<u>705</u>	<u>(205)</u>
Excess of Revenues Over Expenditures	<u>156,152</u>	<u>156,724</u>	<u>572</u>
OTHER FINANCING USES			
Transfer out	<u>(14,600)</u>	<u>(14,600)</u>	<u>-</u>
Total Other Financing Uses	<u>(14,600)</u>	<u>(14,600)</u>	<u>-</u>
Net Change in Fund Balance	141,552	142,124	572
FUND BALANCE (DEFICIT) - Beginning	<u>(3,124,748)</u>	<u>(3,124,748)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ (2,983,196)</u>	<u>\$ (2,982,624)</u>	<u>\$ 572</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - TIF DISTRICT NO. 11 For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 108,596	\$ 112,640	4,044
Intergovernmental	107	254	147
Investment income	2,900	4,998	2,098
Total Revenues	<u>111,603</u>	<u>117,892</u>	<u>6,289</u>
EXPENDITURES			
Capital Outlay	<u>14,396</u>	<u>18,490</u>	<u>(4,094)</u>
Total Expenditures	<u>14,396</u>	<u>18,490</u>	<u>(4,094)</u>
Excess of Revenues Over Expenditures	<u>97,207</u>	<u>99,402</u>	<u>2,195</u>
OTHER FINANCING USES			
Transfers out	<u>(72,010)</u>	<u>(72,010)</u>	<u>-</u>
Total Other Financing Uses	<u>(72,010)</u>	<u>(72,010)</u>	<u>-</u>
Net Change in Fund Balance	25,197	27,392	2,195
FUND BALANCE - Beginning	<u>207,824</u>	<u>207,824</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 233,021</u>	<u>\$ 235,216</u>	<u>\$ 2,195</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - TIF DISTRICT NO. 12 For the Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 71,278	\$ 73,932	\$ 2,654
Intergovernmental	1,308	869	(439)
Investment income	1,600	2,003	403
Public charges for services	<u>69,293</u>	<u>66,639</u>	<u>(2,654)</u>
Total Revenues	<u>143,479</u>	<u>143,443</u>	<u>(36)</u>
EXPENDITURES			
Capital Outlay	<u>500</u>	<u>650</u>	<u>(150)</u>
Total Expenditures	<u>500</u>	<u>650</u>	<u>(150)</u>
Excess of Revenues Over Expenditures	<u>142,979</u>	<u>142,793</u>	<u>(186)</u>
OTHER FINANCING USES			
Transfers out	<u>(65,273)</u>	<u>(65,273)</u>	<u>-</u>
Total Other Financing Uses	<u>(65,273)</u>	<u>(65,273)</u>	<u>-</u>
Net Change in Fund Balance	77,706	77,520	(186)
FUND BALANCE (DEFICIT) - Beginning	<u>(38,954)</u>	<u>(38,954)</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 38,752</u>	<u>\$ 38,566</u>	<u>\$ (186)</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - TIF DISTRICT NO. 13
For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 640,417	\$ 664,266	\$ 23,849
Intergovernmental	2,918	3,026	108
Investment income	14,800	21,554	6,754
Total Revenues	<u>658,135</u>	<u>688,846</u>	<u>30,711</u>
EXPENDITURES			
Capital Outlay	241,500	133,802	107,698
Debt Service			
Principal retirement	65,000	64,984	16
Interest and fiscal charges	36,257	36,258	(1)
Total Expenditures	<u>342,757</u>	<u>235,044</u>	<u>107,713</u>
Excess of Revenues Over Expenditures	<u>315,378</u>	<u>453,802</u>	<u>138,424</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(90,338)	(90,338)	-
Total Other Financing Sources (Uses)	<u>(90,338)</u>	<u>(90,338)</u>	<u>-</u>
Net Change in Fund Balance	225,040	363,464	138,424
FUND BALANCE - Beginning	<u>756,780</u>	<u>756,780</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 981,820</u>	<u>\$ 1,120,244</u>	<u>\$ 138,424</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - TIF DISTRICT NO. 14 For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 82,337	\$ 85,403	\$ 3,066
Intergovernmental	1,926	2,057	131
Investment income	900	2,707	1,807
Total Revenues	<u>85,163</u>	<u>90,167</u>	<u>5,004</u>
EXPENDITURES			
Current			
Community development	500	500	300
Capital Outlay	<u>25,000</u>	<u>150</u>	<u>24,850</u>
Total Expenditures	<u>25,500</u>	<u>650</u>	<u>25,150</u>
Net Change in Fund Balance	59,663	89,517	30,154
FUND BALANCE - Beginning	<u>65,428</u>	<u>65,428</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 125,091</u>	<u>\$ 154,945</u>	<u>\$ 30,154</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - FIRE MULTI-YEAR GRANTS
For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 7,500	\$ 33,479	\$ 25,979
Investment income	-	651	651
Other	-	4,345	4,345
Total Revenues	<u>7,500</u>	<u>38,475</u>	<u>30,975</u>
EXPENDITURES			
Current			
Public safety	2,612	24,593	(21,981)
Capital Outlay	-	4,089	(4,089)
Total Expenditures	<u>2,612</u>	<u>28,682</u>	<u>(26,070)</u>
Net Change in Fund Balance	4,888	9,793	4,905
FUND BALANCE - Beginning	<u>34,083</u>	<u>34,083</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 38,971</u>	<u>\$ 43,876</u>	<u>\$ 4,905</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL - DPW MULTI-YEAR GRANTS
 For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 25,000	\$ 25,000	\$ -
Intergovernmental	161,095	161,634	539
Licenses and permits	-	617	617
Investment income (loss)	-	1,267	1,267
Other	-	13,614	13,614
Total Revenues	<u>186,095</u>	<u>202,132</u>	<u>16,037</u>
EXPENDITURES			
Current			
Public works	<u>186,095</u>	<u>181,133</u>	<u>4,962</u>
Total Expenditures	<u>186,095</u>	<u>181,133</u>	<u>4,962</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>20,999</u>	<u>20,999</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net Change in Fund Balance	(30,000)	(9,001)	20,999
FUND BALANCE - Beginning	<u>197,619</u>	<u>197,619</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 167,619</u>	<u>\$ 188,618</u>	<u>\$ 20,999</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - COMMUNITY DEVELOPMENT
For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 1,384,385	\$ 1,311,825	\$ (72,560)
Investment income	-	499	499
Other	-	63,979	63,979
Total Revenues	<u>1,384,385</u>	<u>1,376,303</u>	<u>(8,082)</u>
EXPENDITURES			
Current			
Community development	<u>1,384,385</u>	<u>1,337,803</u>	<u>46,582</u>
Total Expenditures	<u>1,384,385</u>	<u>1,337,803</u>	<u>46,582</u>
Net Change in Fund Balance	-	38,500	38,500
FUND BALANCE - Beginning	<u>12,501</u>	<u>12,501</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 12,501</u>	<u>\$ 51,001</u>	<u>\$ 38,500</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - LIBRARY For the Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 1,760,877	\$ 1,760,877	\$ -
Intergovernmental	243,957	307,008	63,051
Fees and service charges	55,000	48,309	(6,691)
Investment income	10,000	24,378	14,378
Public charges for services	31,750	30,313	(1,437)
Other	<u>2,290</u>	<u>3,122</u>	<u>832</u>
Total Revenues	<u>2,103,874</u>	<u>2,174,007</u>	<u>70,133</u>
EXPENDITURES			
Current			
Parks, recreation and education	2,091,548	2,036,683	54,865
Capital Outlay	<u>12,000</u>	<u>11,280</u>	<u>720</u>
Total Expenditures	<u>2,103,548</u>	<u>2,047,963</u>	<u>55,585</u>
Net Change in Fund Balance	326	126,044	125,718
FUND BALANCE - Beginning	<u>515,566</u>	<u>515,566</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 515,892</u>	<u>\$ 641,610</u>	<u>\$ 125,718</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - POLICE For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 116,000	\$ 119,500	\$ 3,500
Intergovernmental	233,954	251,458	17,504
Public charges for services	163,100	151,120	(11,980)
Investment income	-	1,058	1,058
Other	160,000	335,788	175,788
Total Revenues	<u>673,054</u>	<u>858,924</u>	<u>185,870</u>
EXPENDITURES			
Current			
Public safety	642,642	540,984	101,658
Capital Outlay	30,412	19,409	11,003
Total Expenditures	<u>673,054</u>	<u>560,393</u>	<u>112,661</u>
Net Change in Fund Balance	-	298,531	298,531
FUND BALANCE - Beginning	<u>70,994</u>	<u>70,994</u>	-
FUND BALANCE - ENDING	<u>\$ 70,994</u>	<u>\$ 369,525</u>	<u>\$ 298,531</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SOLID WASTE For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ -	\$ 30,446	\$ 30,446
Intergovernmental	128,274	142,324	14,050
Licenses and permits	900	1,099	199
Public charges for services	<u>2,374,227</u>	<u>2,270,281</u>	<u>(103,946)</u>
Total Revenues	<u>2,503,401</u>	<u>2,444,150</u>	<u>(59,251)</u>
EXPENDITURES			
Current			
Public works	<u>2,423,749</u>	<u>2,319,106</u>	<u>104,643</u>
Net Change in Fund Balance	79,652	125,044	45,392
FUND BALANCE - Beginning	<u>139,172</u>	<u>139,172</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 218,824</u>	<u>\$ 264,216</u>	<u>\$ 45,392</u>

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - COMPUTER REPLACEMENT
For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance
REVENUES			
Investment income	\$ -	\$ 9,577	\$ 9,577
Other	-	43,788	43,788
Total Revenues	-	53,365	53,365
EXPENDITURES			
Capital Outlay	-	25,096	(25,096)
Net Change in Fund Balance	-	28,269	28,269
FUND BALANCE - Beginning	484,312	484,312	-
FUND BALANCE - ENDING	\$ 484,312	\$ 512,581	\$ 28,269

CITY OF BELOIT

COMBINING STATEMENT OF NET POSITION - NONMAJOR PROPRIETARY FUNDS
As of December 31, 2012

	Enterprise Funds					Totals
	Golf Course	Cemeteries	Ambulance	Storm Sewer	Transit System	
ASSETS						
Current Assets						
Cash and investments	\$ 1,227	\$ -	\$ 356,894	\$ 722,346	\$ 251	\$ 1,080,718
Receivables						
Taxes	-	20,000	-	-	534,367	554,367
Customer accounts	-	-	427,784	177,539	45,581	650,904
Other	-	-	-	6,299	-	6,299
Due from other governmental units	-	-	-	-	148,324	148,324
Inventories	-	-	-	-	121,654	121,654
Restricted Assets						
Bond redemption account	-	-	-	44,466	-	44,466
Total Current Assets	<u>1,227</u>	<u>20,000</u>	<u>784,678</u>	<u>950,650</u>	<u>850,177</u>	<u>2,606,732</u>
Noncurrent Assets						
Restricted Assets						
Bond reserve account	-	-	-	126,444	-	126,444
Total Restricted Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,444</u>	<u>-</u>	<u>126,444</u>
Capital Assets						
Land	816,000	322,000	-	-	132,000	1,270,000
Land improvements	666,970	35,448	-	-	-	702,418
Buildings	280,988	120,153	-	-	4,444,507	4,845,648
Machinery, equipment, and vehicles	56,741	43,028	-	-	4,150,431	4,250,200
Infrastructure	-	-	-	12,158,603	-	12,158,603
Less: accumulated depreciation	(887,578)	(135,617)	-	(2,501,812)	(3,336,560)	(6,861,567)
Total Capital Assets, Net	<u>933,121</u>	<u>385,012</u>	<u>-</u>	<u>9,656,791</u>	<u>5,390,378</u>	<u>16,365,302</u>
Other Assets						
Unamortized debt issuance costs	-	-	-	37,731	1,200	38,931
Total Other Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,731</u>	<u>1,200</u>	<u>38,931</u>
Total Noncurrent Assets	<u>933,121</u>	<u>385,012</u>	<u>-</u>	<u>9,820,966</u>	<u>5,391,578</u>	<u>16,530,677</u>
Total Assets	<u>934,348</u>	<u>405,012</u>	<u>784,678</u>	<u>10,771,616</u>	<u>6,241,755</u>	<u>19,137,409</u>
LIABILITIES						
Current Liabilities						
Accounts payable	4,420	4,020	39,465	14,393	54,057	116,355
Accrued liabilities	-	-	-	4,385	3,318	7,703
Due to other funds	-	6,656	-	-	139,598	146,254
Compensated absences	6,369	1,736	32,286	14,746	63,961	119,098
Current maturities of						
general obligation debt	6,239	3,870	-	74,890	99,004	184,003
Unearned revenue	-	20,000	-	-	534,367	554,367
Other current liabilities	13,491	-	-	-	-	13,491
Current Liabilities Payable From						
Restricted Assets						
Current maturities of revenue debt	-	-	-	55,000	-	55,000
Accrued interest	-	-	-	17,723	-	17,723
Total Current Liabilities	<u>30,519</u>	<u>36,282</u>	<u>71,751</u>	<u>181,137</u>	<u>894,305</u>	<u>1,213,994</u>
Noncurrent Liabilities						
General obligation debt	24,081	36,228	-	1,098,202	448,694	1,607,205
Unamortized loss on advance refunding	-	-	-	-	(3,281)	(3,281)
Compensated absences	19,070	2,612	-	-	8,105	29,787
Other post-employment benefits	5,788	5,788	-	19,294	61,720	92,590
Revenue debt, less current maturities	-	-	-	1,310,000	-	1,310,000
Advances from other funds	826,000	-	-	-	-	826,000
Total Noncurrent Liabilities	<u>874,939</u>	<u>44,628</u>	<u>-</u>	<u>2,427,496</u>	<u>515,238</u>	<u>3,862,301</u>
Total Liabilities	<u>905,458</u>	<u>80,910</u>	<u>71,751</u>	<u>2,608,633</u>	<u>1,409,543</u>	<u>5,076,295</u>
NET POSITION						
Net investment in capital assets	902,801	344,914	-	7,156,430	4,847,161	13,251,306
Restricted	-	-	-	153,187	-	153,187
Unrestricted (deficit)	(873,911)	(20,812)	712,927	853,366	(14,949)	656,621
TOTAL NET POSITION	<u>\$ 28,890</u>	<u>\$ 324,102</u>	<u>\$ 712,927</u>	<u>\$ 8,162,983</u>	<u>\$ 4,832,212</u>	<u>\$ 14,061,114</u>

CITY OF BELOIT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - NONMAJOR PROPRIETARY FUNDS For the Year Ended December 31, 2012

	Enterprise Funds					Totals
	Golf Course	Cemeteries	Ambulance	Storm Sewer	Transit System	
OPERATING REVENUES						
Charges for services	\$ 430,943	\$ 182,161	\$ 1,088,359	\$ 941,597	\$ 204,981	\$ 2,848,041
Other	-	3,187	-	-	35,200	38,387
Total Operating Revenues	<u>430,943</u>	<u>185,348</u>	<u>1,088,359</u>	<u>941,597</u>	<u>240,181</u>	<u>2,886,428</u>
OPERATING EXPENSES						
Operation and maintenance	489,572	316,950	1,060,312	543,770	1,709,188	4,119,792
Contractual services	-	-	-	158,769	143,398	302,167
Depreciation	28,127	3,022	-	148,841	288,757	468,747
Total Operating Expenses	<u>517,699</u>	<u>319,972</u>	<u>1,060,312</u>	<u>851,380</u>	<u>2,141,343</u>	<u>4,890,706</u>
Operating Income (Loss)	<u>(86,756)</u>	<u>(134,624)</u>	<u>28,047</u>	<u>90,217</u>	<u>(1,901,162)</u>	<u>(2,004,278)</u>
NONOPERATING REVENUES (EXPENSES)						
Intergovernmental revenues	903	2,044	-	-	1,151,567	1,154,514
Investment income (loss)	(78)	86,348	8,284	17,259	1,779	113,592
Interest expense	(605)	(318)	-	(119,066)	(19,550)	(139,539)
Amortization of debt issuance costs and premiums	-	-	-	(3,469)	(805)	(4,274)
General property taxes	-	20,000	-	-	517,256	537,256
Interest subsidy received on Build America Bonds	-	-	-	32,203	-	32,203
Total Nonoperating Revenues (Expenses)	<u>220</u>	<u>108,074</u>	<u>8,284</u>	<u>(73,073)</u>	<u>1,650,247</u>	<u>1,693,752</u>
Income (loss) before contributions	<u>(86,536)</u>	<u>(26,550)</u>	<u>36,331</u>	<u>17,144</u>	<u>(250,915)</u>	<u>(310,526)</u>
Capital contributions	-	-	-	-	13,920	13,920
Change in Net Position	<u>(86,536)</u>	<u>(26,550)</u>	<u>36,331</u>	<u>17,144</u>	<u>(236,995)</u>	<u>(296,606)</u>
TOTAL NET POSITION - Beginning	<u>115,426</u>	<u>350,652</u>	<u>676,596</u>	<u>8,145,839</u>	<u>5,069,207</u>	<u>14,357,720</u>
TOTAL NET POSITION - Ending	<u>\$ 28,890</u>	<u>\$ 324,102</u>	<u>\$ 712,927</u>	<u>\$ 8,162,983</u>	<u>\$ 4,832,212</u>	<u>\$ 14,061,114</u>

CITY OF BELOIT

STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Enterprise Funds					Totals
	Golf Course	Cemeteries	Ambulance	Storm Sewer	Transit System	
CASH FLOWS FROM OPERATING ACTIVITIES						
Received from customers	\$ 430,943	\$ 185,348	\$ 943,689	\$ 934,420	\$ 232,894	\$ 2,727,294
Paid to suppliers for goods and services	(295,471)	(175,237)	(159,086)	(483,203)	(1,056,571)	(2,169,568)
Payments to employees for services	(203,828)	(144,601)	(872,486)	(257,960)	(803,055)	(2,281,930)
Net Cash Provided by Operating Activities	<u>(68,356)</u>	<u>(134,490)</u>	<u>(87,883)</u>	<u>193,257</u>	<u>(1,626,732)</u>	<u>(1,724,204)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating grants received	-	-	-	-	1,196,067	1,196,067
Property taxes received	-	20,000	-	-	517,256	537,256
Intergovernmental grants	903	2,044	-	-	-	2,947
Non-capital advance (and repayment)	<u>62,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,803</u>	<u>112,803</u>
Net Cash Provided by Noncapital Financing Activities	<u>62,903</u>	<u>22,044</u>	<u>-</u>	<u>-</u>	<u>1,764,126</u>	<u>1,849,073</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Debt retired	(10,387)	(3,584)	-	(127,031)	(100,881)	(241,883)
Interest paid	(605)	(318)	-	(119,716)	(20,358)	(140,997)
Interest subsidy received on BABs	-	-	-	25,005	-	25,005
Proceeds from issuance of new debt	17,000	30,000	-	-	-	47,000
Acquisition and construction of capital assets	-	-	-	-	(71,828)	(71,828)
Construction grants received	-	-	-	-	53,894	53,894
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>6,008</u>	<u>26,098</u>	<u>-</u>	<u>(221,742)</u>	<u>(139,173)</u>	<u>(328,809)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income (loss)	(78)	86,348	8,284	17,259	1,670	113,483
Net Cash Provided (Used) by Investing Activities	<u>(78)</u>	<u>86,348</u>	<u>8,284</u>	<u>17,259</u>	<u>1,670</u>	<u>113,483</u>
Net Increase (Decrease) in Cash and Cash Equivalents	477	-	(79,599)	(11,226)	(109)	(90,457)
CASH AND CASH EQUIVALENTS - Beginning	750	-	436,493	904,482	360	1,342,085
CASH AND CASH EQUIVALENTS - Ending	<u>\$ 1,227</u>	<u>\$ -</u>	<u>\$ 356,894</u>	<u>\$ 893,256</u>	<u>\$ 251</u>	<u>\$ 1,251,628</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES						
Operating income (Loss)	\$ (86,756)	\$ (134,624)	\$ 28,047	\$ 90,217	\$ (1,901,162)	\$ (2,004,278)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities						
Nonoperating income	-	-	-	7,198	-	7,198
Depreciation expense	28,127	3,022	-	148,841	288,757	468,747
Change in noncash Components of Working Capital						
Accounts receivable	-	-	(144,670)	(14,375)	(7,287)	(166,332)
Inventories	-	-	-	-	1,805	1,805
Accounts payable	(2,304)	3,186	30,927	(37,534)	23,326	17,601
Other post-employment benefits	(746)	(746)	-	(2,489)	(8,214)	(12,195)
Due to other funds	(4,338)	(6,393)	-	-	-	(10,731)
Compensated absences	-	-	-	1,399	(23,957)	(22,558)
Other current liabilities	(2,339)	1,065	(2,187)	-	-	(3,461)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (68,356)</u>	<u>\$ (134,490)</u>	<u>\$ (87,883)</u>	<u>\$ 193,257</u>	<u>\$ (1,626,732)</u>	<u>\$ (1,724,204)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS						
Cash and investments - statement of net position	\$ 1,227	\$ -	\$ 356,894	\$ 722,346	\$ 251	\$ 1,080,718
Restricted cash and investments - statement of net position:						
Bond redemption account	-	-	-	44,466	-	44,466
Bond reserve account	-	-	-	126,444	-	126,444
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,227</u>	<u>\$ -</u>	<u>\$ 356,894</u>	<u>\$ 893,256</u>	<u>\$ 251</u>	<u>\$ 1,251,628</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITY

During 2012, \$13,920 of transit capital grants were accrued.

CITY OF BELOIT

ENTERPRISE FUND - BELOIT MASS TRANSIT DETAILED SCHEDULE OF REVENUES AND EXPENSES - REGULATORY BASIS For the Year Ended December 31, 2012

	<u>2012</u>
REVENUE	
401 - Passenger fares for transit service	\$ 204,981
407 - Non-transportation revenue	
Advertising	15,704
Investment Income	1,779
Rental Income	19,363
Charter and miscellaneous	133 *
409 - Local operating assistance - city levy	517,256
409 - Local operating assistance - inter-government	81,730
411 - State operating assistance	479,526
State paratransit grant	16,448
413 - Federal operating assistance	573,863
Capital contributions	<u>13,920</u>
 Total Revenue	 <u>1,924,703</u>
EXPENSES - BY OBJECT CLASS TOTAL	
501 - Labor	802,613
502 - Fringe benefits	567,720
503 - Services	40,732
504 - Materials and supplies	293,819
505 - Utilities	46,375
506 - Casualty and liability costs	55,431
508 - Purchased transportation services	22,756
509 - Miscellaneous	23,140
509 - Interest expense	20,355
513 - Depreciation	<u>288,757</u>
 Total Expenses	 <u>2,161,698</u>
 EXCESS EXPENSES OVER REVENUES FOR THE YEAR	 <u>\$ (236,995)</u>

* Contra expense for state subsidy purposes.

CITY OF BELOIT

ENTERPRISE FUND - BELOIT MASS TRANSIT RECONCILIATION OF REVENUES AND EXPENSES TO WISDOT AND FEDERAL RECOGNIZED REVENUES AND EXPENSES For the Year Ended December 31, 2012

	Per WisDOT Guidelines	Per Federal Guidelines
Beloit Revenues	\$ 1,924,703	\$ 1,924,703
Less Unrecognized Revenues		
Advertising Revenue	-	15,704
Charter Revenue	133	133
Investment Income	1,779	1,779
Rental Income	19,363	19,363
Local Operating Assistance	598,986	598,986
State Operating Assistance	495,974	495,974
Federal Operating Assistance	573,863	573,863
Capital Contributions	1 13,920	13,920
ADJUSTED REVENUES	\$ 220,685	\$ 204,981
 Total Expenses	 \$ 2,161,698	 \$ 2,161,698
Less Non-Recognized Expenses		
Interest	20,358	20,358
Depreciation	288,757	288,757
Less Contra Expenses		
Charter Revenue	133	133
State Paratransit Assistance	16,448	16,448
Capital Contributions for Operating Expenses	2 -	-
RECOGNIZED EXPENSES	\$ 1,836,002	\$ 1,836,002
RECOGNIZED EARNINGS (DEFICITS)	\$ (1,615,317)	\$ (1,631,021)
1 - Capital contributions - assets capitalized	13,920	
Capital contributions - expensed	-	
Total capital contributions	13,920	
2 - Capital contributions - expensed	-	
Federal share	80%	
Federal and local share of expenses	-	

CITY OF BELOIT

**ENTERPRISE FUND - BELOIT MASS TRANSIT
COMPUTATION OF THE DEFICIT DISTRIBUTION AMONG THE SUBSIDY GRANTORS
For the Year Ended December 31, 2012**

STATE FUNDS

WisDOT Contract Amount		<u>\$ 479,526</u>
Local Operating Subsidy	<u>\$ 598,986</u>	
5 Times Operating Subsidy		<u>\$ 2,994,930</u>
WisDOT Recognized Deficit	<u>\$ 1,615,317</u>	
Federal Share of Operating Assistance	<u>\$ 573,863</u>	
Remaining State Share of Deficit		<u>\$ 1,041,458</u>
WisDOT Recognized Expenses	<u>\$ 1,836,002</u>	
Maximum State and Federal Operating Assistance	60.00%	
	<u>\$ 1,101,601</u>	
Federal Share of Operating Assistance	<u>\$ 573,863</u>	
Remaining State Share of Operating Assistance		<u>\$ 527,741</u>
State Share – Least of the Five		<u>\$ 479,526</u>

FEDERAL SECTION 9 FUNDS

Federally Recognized Deficit	<u>\$ 1,631,021</u>	
50% of Federal Deficit		<u>\$ 815,511</u>
Federal Recognized Deficit	\$ 1,631,021	
Less: State share	<u>479,526</u>	
Local Share		<u>\$ 1,151,499</u>
Maximum Federal Share Per Grant Award	<u>\$ 573,863</u>	
Federal Section 9 Share – Least of the Three		<u>\$ 573,863</u>

CITY OF BELOIT

COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS As of December 31, 2012

	Equipment Operations	General Liability Insurance	Health Insurance	Retiree Health Insurance	Totals
ASSETS					
Current Assets					
Cash and investments	\$ 32,927	\$ 403,423	\$ 162,188	\$ -	\$ 598,538
Accounts receivable	-	288	15,377	110,567	126,232
Total Current Assets	32,927	403,711	177,565	110,567	724,770
Noncurrent Assets					
Restricted Assets					
Deposit with risk pool	-	1,575,475	-	-	1,575,475
Total Restricted Assets	-	1,575,475	-	-	1,575,475
Capital Assets					
Machinery, equipment, and vehicles	67,165	-	-	-	67,165
Less: Accumulated depreciation	(52,224)	-	-	-	(52,224)
Net Capital Assets	14,941	-	-	-	14,941
Total Noncurrent Assets	14,941	1,575,475	-	-	1,590,416
Total Assets	47,868	1,979,186	177,565	110,567	2,315,186
LIABILITIES					
Current Liabilities					
Accounts payable	33,330	64,293	-	27,928	125,551
Claims payable	-	109,711	2,127,407	-	2,237,118
Due to other funds	-	-	-	411,316	411,316
Total Liabilities	33,330	174,004	2,127,407	439,244	2,773,985
NET POSITION (DEFICIT)					
Net investment in capital assets	14,941	-	-	-	14,941
Unrestricted (deficit)	(403)	1,805,182	(1,949,842)	(328,677)	(473,740)
TOTAL NET POSITION (DEFICIT)	\$ 14,538	\$ 1,805,182	\$ (1,949,842)	\$ (328,677)	\$ (458,799)

CITY OF BELOIT

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION (DEFICIT) -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2012

	Equipment Operations	General Liability Insurance	Health Insurance	Retiree Health Insurance	Totals
OPERATING REVENUES					
Charges for services	\$ 1,274,743	\$ 1,326,238	\$ 6,720,297	\$ 2,240,656	\$ 11,561,934
Total Operating Revenue	<u>1,274,743</u>	<u>1,326,238</u>	<u>6,720,297</u>	<u>2,240,656</u>	<u>11,561,934</u>
OPERATING EXPENSES					
Operation and maintenance	1,424,472	744,372	6,072,476	2,579,646	10,820,966
Contractual services	26,161	431,303	-	-	457,464
Depreciation	2,940	-	-	-	2,940
Total Operating Expenses	<u>1,453,573</u>	<u>1,175,675</u>	<u>6,072,476</u>	<u>2,579,646</u>	<u>11,281,370</u>
Operating Income (loss)	<u>(178,830)</u>	<u>150,563</u>	<u>647,821</u>	<u>(338,990)</u>	<u>280,564</u>
NONOPERATING REVENUES					
Intergovernmental revenues	534	-	-	-	534
Total Nonoperating Revenues	<u>534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>534</u>
Change in Net Position	(178,296)	150,563	647,821	(338,990)	281,098
TOTAL NET POSITION (DEFICIT) - Beginning	<u>192,834</u>	<u>1,654,619</u>	<u>(2,597,663)</u>	<u>10,313</u>	<u>(739,897)</u>
TOTAL NET POSITION (DEFICIT) - ENDING	<u>\$ 14,538</u>	<u>\$ 1,805,182</u>	<u>\$ (1,949,842)</u>	<u>\$ (328,677)</u>	<u>\$ (458,799)</u>

CITY OF БЕЛОIT

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2012

	Equipment Operations	General Liability Insurance	Health Insurance	Retiree Health Insurance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	\$ 1,292,370	\$ 1,326,238	\$ 6,714,385	\$ 2,143,354	\$ 11,476,347
Paid to suppliers for goods and services	(995,988)	(1,149,592)	(6,552,197)	(2,143,354)	(10,841,131)
Payments to employees for services	(458,171)	(83,777)	-	-	(541,948)
Net Cash Provided (Used) by Operating Activities	<u>(161,789)</u>	<u>92,869</u>	<u>162,188</u>	<u>-</u>	<u>93,268</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental grants	<u>534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>534</u>
Net Cash Used by Noncapital Financing Activities	<u>534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>534</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(161,255)	92,869	162,188	-	93,802
CASH AND CASH EQUIVALENTS - Beginning	<u>194,182</u>	<u>310,554</u>	<u>-</u>	<u>-</u>	<u>504,736</u>
CASH AND CASH EQUIVALENTS - Ending	<u>\$ 32,927</u>	<u>\$ 403,423</u>	<u>\$ 162,188</u>	<u>\$ -</u>	<u>\$ 598,538</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ (178,830)	\$ 150,563	\$ 647,821	\$ (338,990)	\$ 280,564
Adjustments to Reconcile Operating Income (loss) to Net Cash Flows From Operating Activities					
Depreciation expense	2,940	-	-	-	2,940
Change in noncash components of working capital					
Accounts receivable	17,627	-	(5,912)	(97,302)	(85,587)
Accounts payable	(3,526)	61,997	-	27,928	86,399
Cash deficit	-	-	(66,857)	-	(66,857)
Due to other funds	-	-	(47,096)	408,364	361,268
Claims payable	<u>-</u>	<u>(119,691)</u>	<u>(365,768)</u>	<u>-</u>	<u>(485,459)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (161,789)</u>	<u>\$ 92,869</u>	<u>\$ 162,188</u>	<u>\$ -</u>	<u>\$ 93,268</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS					
Cash and investments - statement of net position	<u>\$ 32,927</u>	<u>\$ 403,423</u>	<u>\$ 162,188</u>	<u>\$ -</u>	<u>\$ 598,538</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 32,927</u>	<u>\$ 403,423</u>	<u>\$ 162,188</u>	<u>\$ -</u>	<u>\$ 598,538</u>

CITY OF BELOIT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - TAX COLLECTIONS For the Year Ended December 31, 2012

	<u>Balance</u> <u>January 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2012</u>
TAX COLLECTIONS				
Assets				
Cash and investments	\$ 5,428,740	\$ 6,612,316	\$ 5,428,740	\$ 6,612,316
Property taxes receivable	<u>17,820,717</u>	<u>17,604,787</u>	<u>17,820,717</u>	<u>17,604,787</u>
TOTAL ASSETS	<u>\$ 23,249,457</u>	<u>\$ 24,217,103</u>	<u>\$ 23,249,457</u>	<u>\$ 24,217,103</u>
Liabilities				
Accounts payable	\$ -	\$ 2,104	\$ -	\$ 2,104
Due to other taxing units	<u>23,249,457</u>	<u>24,214,999</u>	<u>23,249,457</u>	<u>24,214,999</u>
TOTAL LIABILITIES	<u>\$ 23,249,457</u>	<u>\$ 24,217,103</u>	<u>\$ 23,249,457</u>	<u>\$ 24,217,103</u>

CITY OF BELOIT

COMBINING STATEMENT OF NET POSITION - COMMUNITY DEVELOPMENT AUTHORITY
As of December 31, 2012

	Primary Government				Total Primary Government	Component Units		Totals Before Eliminations	Eliminations	Totals
	Major	Major	Major	Major		Beloit	Beloit			
	Section 8 Rental Voucher Program	Low Rent Public Housing	Project Based Vouchers	Leases Receivable		Apartment Redevelopment Phase 1, LLC	Apartment Redevelopment Phase 2, LLC			
ASSETS										
Current Assets										
Cash and investments	\$ 735,143	\$ 209,836	\$ -	\$ -	\$ 944,979	\$ 4,924	\$ 19,840	\$ 969,743	\$ -	\$ 969,743
Receivables										
Accounts	66,230	19,116	-	-	85,346	24,155	10,790	120,291	(26,818)	93,473
Lease receivable from Beloit Apartments Redevelopment - Phase 1 - LLC	-	2,793,937	-	-	2,793,937	-	-	2,793,937	(2,793,937)	-
Lease receivable from Beloit Apartments Redevelopment - Phase 2 - LLC	-	1,410,000	-	-	1,410,000	-	-	1,410,000	(1,410,000)	-
Lease receivable from primary government	-	-	-	2,250,000	2,250,000	-	-	2,250,000	-	2,250,000
Due from Beloit Apartments Redevelopment - Phase 1 - LLC	-	96,063	-	-	96,063	-	-	96,063	(96,063)	-
Due from Beloit Apartments Redevelopment - Phase 2 - LLC	-	197,748	-	-	197,748	-	-	197,748	(197,748)	-
Due from other governmental units	-	29,322	-	-	29,322	-	-	29,322	-	29,322
Financing costs	-	-	-	-	-	14,245	11,698	25,943	-	25,943
Tax credit fees	-	-	-	-	-	98,829	119,712	218,541	-	218,541
Prepaid items	-	1,804	-	-	1,804	3,260	2,328	7,392	-	7,392
Total Current Assets	801,373	4,757,826	-	2,250,000	7,809,199	145,413	164,368	8,118,980	(4,524,566)	3,594,414
Noncurrent Assets										
Restricted Assets										
Cash and investments	-	-	-	2,703,566	2,703,566	32,507	25,436	2,761,509	-	2,761,509
Capital Assets										
Land	-	344,067	70,472	-	414,539	420,849	945,397	1,780,785	(1,179,500)	601,285
Land improvements	-	-	-	-	-	164,412	389,064	553,476	-	553,476
Construction in progress	-	5,994	-	-	5,994	-	-	5,994	-	5,994
Buildings	-	122,423	785,730	-	908,153	1,540,500	640,000	3,088,653	(975,520)	2,113,133
Building improvements	-	-	-	-	-	8,244,008	9,214,904	17,458,912	-	17,458,912
Machinery, equipment, furnishings and vehicles	16,158	171,219	35,464	-	222,841	260,718	309,631	793,190	-	793,190
Less: Accumulated depreciation	(11,594)	(250,547)	(379,842)	-	(641,983)	(529,240)	(120,899)	(1,292,122)	-	(1,292,122)
Total Capital Assets, Net	4,564	393,156	511,824	-	909,544	10,101,247	11,378,097	22,388,888	(2,155,020)	20,233,868
Other Assets										
Lease receivable from primary government	-	-	-	18,196,434	18,196,434	-	-	18,196,434	-	18,196,434
Total Noncurrent Assets	4,564	393,156	511,824	20,900,000	21,809,544	10,133,754	11,403,533	43,346,831	(2,155,020)	41,191,811
Total Assets	805,937	5,150,982	511,824	23,150,000	29,618,743	10,279,167	11,567,901	51,465,811	(6,679,586)	44,786,225

	Primary Government				Total Primary Government	Component Units		Totals Before Eliminations	Eliminations	Totals
	Major	Major	Major	Major		Beloit Apartments Redevelopment Phase 1, LLC	Beloit Apartments Redevelopment Phase 2, LLC			
	Section 8 Rental Voucher Program	Low Rent Public Housing	Project Based Vouchers	Leases Receivable						
LIABILITIES										
Current Liabilities										
Accounts payable	\$ 5,650	\$ 28,736	\$ 7,772	\$ -	\$ 42,158	\$ 4,581	\$ 10,474	\$ 57,213	\$ (14,678)	\$ 42,535
Construction payables	-	-	-	-	-	73,770	426,165	499,935	(279,133)	220,802
Accrued liabilities	23,737	34,298	-	-	58,035	852,510	868,130	1,778,675	-	1,778,675
Due to Beloit Apartments Redevelopment - Phase 1 - LLC	-	16,982	-	-	16,982	-	-	16,982	(16,982)	-
Due to Beloit Apartments Redevelopment - Phase 2 - LLC	-	9,836	-	-	9,836	-	-	9,836	(9,836)	-
Due to primary government	37,559	63,760	-	-	101,319	-	-	101,319	-	101,319
Unearned revenues	-	-	-	-	-	1,268,060	-	1,268,060	-	1,268,060
Deposits	10,305	-	2,800	-	13,105	32,475	22,823	68,403	-	68,403
Lease revenue bonds payable	-	-	-	2,250,000	2,250,000	-	-	2,250,000	-	2,250,000
Total Current Liabilities	77,251	153,612	10,572	2,250,000	2,491,435	2,231,396	1,327,592	6,050,423	(320,629)	5,729,794
Noncurrent Liabilities										
Compensated absences	8,135	23,004	-	-	31,139	-	-	31,139	-	31,139
Mortgage notes payable	-	-	-	-	-	3,079,114	8,757,874	11,836,988	(4,203,937)	7,633,051
Lease revenue bonds payable	-	-	-	20,900,000	20,900,000	-	-	20,900,000	-	20,900,000
Total Noncurrent Liabilities	8,135	23,004	-	20,900,000	20,931,139	3,079,114	8,757,874	32,768,127	(4,203,937)	28,564,190
Total Liabilities	85,386	176,616	10,572	23,150,000	23,422,574	5,310,510	10,085,466	38,818,550	(4,524,566)	34,293,984
NET POSITION										
Net investment in capital assets	4,564	393,156	511,824	-	909,544	-	-	909,544	-	909,544
Members' equity	-	-	-	-	-	4,968,657	1,482,435	6,451,092	(2,155,020)	4,296,072
Restricted for grant programs	715,987	4,581,210	-	-	5,297,197	-	-	5,297,197	-	5,297,197
Unrestricted (deficit)	-	-	(10,572)	-	(10,572)	-	-	(10,572)	-	(10,572)
TOTAL NET POSITION	\$ 720,551	\$ 4,974,366	\$ 501,252	\$ -	\$ 6,196,169	\$ 4,968,657	\$ 1,482,435	\$ 12,647,261	\$ (2,155,020)	\$ 10,492,241

CITY OF БЕЛОIT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - COMMUNITY DEVELOPMENT AUTHORITY
For the Year Ended December 31, 2012

	Primary Government				Total Primary Government	Component Units		Totals Before Eliminations	Eliminations	Totals
	Major	Major	Major	Major		Beloit Apartments Redevelopment Phase 1, LLC	Beloit Apartments Redevelopment Phase 2, LLC			
	Section 8 Rental Voucher Program	Low Rent Public Housing	Project Based Vouchers	Lease Receivable						
EXPENSES										
Community development	\$ 3,401,104	\$ 808,585	\$ 34,434	\$ -	\$ 4,244,123	\$ 433,897	\$ 266,226	\$ 4,944,246	\$ (171,150)	\$ 4,773,096
PROGRAM REVENUES										
Charges for services	-	247,651	1,643	-	249,294	41,013	84,806	375,113	-	375,113
Operating grants and contributions	3,290,201	615,306	-	-	3,905,507	107,032	64,118	4,076,657	(171,150)	3,905,507
Other revenue	-	-	1,630	-	1,630	50,165	3,617	55,412	-	55,412
Total Program Revenues	3,290,201	862,957	3,273	-	4,156,431	198,210	152,541	4,507,182	(171,150)	4,336,032
Net Revenues (Expenses)	(110,903)	54,372	(31,161)	-	(87,692)	(235,687)	(113,685)	(437,064)	-	(437,064)
GENERAL REVENUES (EXPENSES)										
Investment income	706	975	-	907,566	909,247	16	7	909,270	-	909,270
Interest and amortization	-	-	-	(907,566)	(907,566)	(142,895)	(151,092)	(1,201,553)	-	(1,201,553)
Loss on disposal of capital assets	-	(206,348)	-	-	(206,348)	-	-	(206,348)	-	(206,348)
Miscellaneous	77,910	-	-	77,910	77,910	(3,250)	(59,443)	15,217	-	15,217
Total General Revenue (Expenses)	78,616	(205,373)	-	-	(126,757)	(146,129)	(210,528)	(483,414)	-	(483,414)
Revenues (Expenses) Before Contributions and Transfers	(32,287)	(151,001)	(31,161)	-	(214,449)	(381,816)	(324,213)	(920,478)	-	(920,478)
Capital contributions	-	-	-	-	-	1,594,836	28,880	1,623,716	-	1,623,716
Transfers in (out)	-	(532,413)	532,413	-	-	-	-	-	-	-
CHANGE IN NET POSITION	(32,287)	(683,414)	501,252	-	(214,449)	1,213,020	(295,333)	703,238	-	703,238
NET POSITION – Beginning of Year	752,838	5,657,780	-	-	6,410,618	3,755,637	1,777,768	11,944,023	(2,155,020)	9,789,003
NET POSITION – END OF YEAR	\$ 720,551	\$ 4,974,366	\$ 501,252	\$ -	\$ 6,196,169	\$ 4,968,657	\$ 1,482,435	\$ 12,647,261	\$ (2,155,020)	\$ 10,492,241

CITY OF BELOIT

COMBINING STATEMENT OF CASH FLOWS - COMMUNITY DEVELOPMENT AUTHORITY
For the Year Ended December 31, 2012

	Primary Government				Totals
	Major	Major	Major	Major	
	Section 8 Rental Voucher Program	Low Rent Public Housing	Project Based Vouchers	Leases Receivable	
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	\$ 29,203	\$ 236,341	\$ 6,073	\$ -	\$ 271,617
Paid to suppliers for goods and services	(3,186,891)	(523,132)	(6,073)	-	(3,716,096)
Payments to employees for services	(208,006)	(270,553)	-	-	(478,559)
Payments to city for tax equivalent	-	(2,423)	-	-	(2,423)
Net Cash Flows From Operating Activities	(3,365,694)	(559,767)	-	-	(3,925,461)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Operating grants received	3,290,201	461,630	-	-	3,751,831
Paid to LLC's	-	(208,853)	-	-	(208,853)
Loan to LLC's	-	(350,000)	-	-	(350,000)
Collections on leases receivable	-	-	-	1,494,911	1,494,911
Non-capital (advance) and repayment	-	-	-	(1,498,491)	(1,498,491)
Net Cash Flows From Non-Capital Financing Activities	3,290,201	(97,223)	-	(3,580)	3,189,398
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES					
Debt issued	-	-	-	1,665,000	1,665,000
Debt retired	-	-	-	(1,915,000)	(1,915,000)
Interest paid	-	-	-	(907,566)	(907,566)
Acquisition and construction of capital assets	(3,124)	(11,282)	-	-	(14,406)
Contribution received for construction	-	11,282	-	-	11,282
Net Cash Flows From Capital and Related Financing Activities	(3,124)	-	-	(1,157,566)	(1,160,690)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	706	975	-	907,566	909,247
Net Cash Flows From Investing Activities	706	975	-	907,566	909,247
Net Change in Cash and Cash Equivalents	(77,911)	(656,015)	-	(253,580)	(987,506)
CASH AND CASH EQUIVALENTS - Beginning of Year	813,054	865,851	-	2,957,147	4,636,052
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 735,143	\$ 209,836	\$ -	\$ 2,703,567	\$ 3,648,546
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating loss	\$ (3,401,104)	\$ (560,934)	\$ (31,161)	\$ -	\$ (3,993,199)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities					
Non-operating income	77,910	-	-	-	77,910
Depreciation	591	8,644	20,589	-	29,824
Change in Assets and Liabilities					
Accounts receivable	(48,707)	(174,380)	-	-	(223,087)
Due from Beloit Apartments Redevelopment - Phase I & 2 - LLC	-	(23,760)	-	-	(23,760)
Prepaid items	-	(1,692)	-	-	(1,692)
Accounts payable and accrued liabilities	(431)	(31,407)	7,772	-	(24,066)
Due to primary government	(1,505)	42,876	-	-	41,371
Unearned revenues	-	168,820	-	-	168,820
Deposits	-	(1,250)	2,800	-	1,550
Other liabilities	7,552	13,316	-	-	20,868
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (3,365,694)	\$ (559,767)	\$ -	\$ -	\$ (3,925,461)
NONCASH CAPITAL AND FINANCING ACTIVITIES					
Transfer of capital assets	\$ -	\$ (532,413)	\$ 532,413	\$ -	

CITY OF BELOIT

COMBINING STATEMENT OF NET POSITION - NONMAJOR COMPONENT UNITS As of December 31, 2012

	Nonmajor Business Improvement District	Nonmajor Beloit Public Library Foundation, Inc.	Totals
ASSETS			
Current Assets			
Cash and investments	\$ 173,706	\$ 610,684	\$ 784,390
Receivables			
Special assessments	121,952	-	121,952
Accrued interest	-	107	107
Total Current Assets	295,658	610,791	906,449
 Total Assets	 295,658	 610,791	 906,449
LIABILITIES			
Current Liabilities			
Accounts payable	8,095	9,039	17,134
Due to primary government	93,498	-	93,498
Library campaign pledge	-	50,000	50,000
Unearned revenues	121,952	-	121,952
Total Current Liabilities	223,545	59,039	282,584
Noncurrent Liabilities			
Library campaign pledge	-	50,000	50,000
Total Noncurrent Liabilities	-	50,000	50,000
 Total Liabilities	 223,545	 109,039	 332,584
NET POSITION			
Restricted for grant programs	-	8,037	8,037
Unrestricted	72,113	493,715	565,828
 TOTAL NET POSITION	 \$ 72,113	 \$ 501,752	 \$ 573,865

CITY OF БЕЛОIT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - NONMAJOR COMPONENT UNITS For the Year Ended December 31, 2012

	<u>Nonmajor Business Improvement District</u>	<u>Nonmajor Beloit Public Library Foundation, Inc.</u>	<u>Totals</u>
EXPENSES			
Economic development	\$ 199,290	\$ -	\$ 199,290
Library services	-	34,118	34,118
Total Expenses	<u>199,290</u>	<u>34,118</u>	<u>233,408</u>
PROGRAM REVENUES			
Charges for services	124,118	-	124,118
Operating grants and contributions	<u>85,132</u>	<u>38,191</u>	<u>123,323</u>
Total Program Revenues	<u>209,250</u>	<u>38,191</u>	<u>247,441</u>
Operating Income	<u>9,960</u>	<u>4,073</u>	<u>14,033</u>
GENERAL REVENUES			
Investment income	113	70,073	70,186
Miscellaneous revenue	<u>7,020</u>	<u>-</u>	<u>7,020</u>
Total General Revenues	<u>7,133</u>	<u>70,073</u>	<u>77,206</u>
Change in Net Position	17,093	74,146	91,239
TOTAL NET POSITION - Beginning	<u>55,020</u>	<u>427,606</u>	<u>482,626</u>
TOTAL NET POSITION - ENDING	<u>\$ 72,113</u>	<u>\$ 501,752</u>	<u>\$ 573,865</u>

Statistical Section

This section of the City of Beloit's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial condition through multi-year comparative data.

Contents

Pages

Financial Trends - Schedules 1 through 5

144 - 150

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

Revenue Capacity - Schedules 6 through 10

151 - 155

These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.

Debt Capacity - Schedules 11 through 14

156 - 159

These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

Demographic and Economic Information - Schedules 15 and 16

160 - 161

These schedules provide demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time with other governments.

Operating Information - Schedules 17 through 19

162 - 164

These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.*

City of Beloit, Wisconsin
Net Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Net investment in capital assets	\$ (1,760,281)	\$ 32,455,579	\$ 34,301,380	\$ 39,628,194	\$ 41,730,847	\$ 34,379,310	\$ 35,513,141	\$ 32,392,062	\$ 32,741,870	\$ 54,274,785
Restricted	13,796,880	10,863,873	11,768,879	13,459,223	11,760,200	10,428,457	8,816,905	8,659,283	15,589,925	11,580,550
Unrestricted (deficit)	13,392,661	17,504,451	14,956,037	8,766,021	4,566,212	10,045,542	2,934,357	2,410,345	(5,964,986)	(11,324,043)
Total governmental activities net position	<u>\$ 25,429,260</u>	<u>\$ 60,823,903</u>	<u>\$ 61,026,296</u>	<u>\$ 61,853,438</u>	<u>\$ 58,057,259</u>	<u>\$ 54,853,309</u>	<u>\$ 47,264,403</u>	<u>\$ 43,461,690</u>	<u>\$ 42,366,809</u>	<u>\$ 54,531,292</u>
Business-type activities										
Net investment in capital assets	\$ 40,795,700	\$ 39,876,034	\$ 42,866,172	\$ 43,679,392	\$ 51,141,052	\$ 56,401,815	\$ 62,058,630	\$ 62,944,168	\$ 63,001,736	\$ 60,323,671
Restricted	3,296,536	9,258,839	7,524,675	8,032,063	8,110,918	6,694,042	2,899,983	3,138,458	3,157,163	3,169,002
Unrestricted	12,571,082	8,475,678	8,052,070	9,232,479	9,583,948	7,893,186	9,454,212	8,713,964	9,051,974	10,967,316
Total business-type activities net position	<u>\$ 56,663,318</u>	<u>\$ 57,610,551</u>	<u>\$ 58,442,917</u>	<u>\$ 60,943,934</u>	<u>\$ 68,835,918</u>	<u>\$ 70,989,043</u>	<u>\$ 74,412,825</u>	<u>\$ 74,796,590</u>	<u>\$ 75,210,873</u>	<u>\$ 74,459,989</u>
Primary government										
Net investment in capital assets	\$ 39,035,419	\$ 72,331,613	\$ 77,167,552	\$ 78,969,214	\$ 92,871,899	\$ 86,261,662	\$ 93,328,072	\$ 89,611,229	\$ 89,992,940	\$ 108,794,859
Restricted	17,093,416	20,122,712	20,885,644	21,491,286	19,871,118	17,122,499	11,716,888	11,797,741	18,747,088	14,749,552
Unrestricted	25,963,743	25,980,129	21,416,017	22,336,872	14,150,160	22,458,191	16,632,268	16,849,310	8,837,654	5,446,870
Total primary government net position	<u>\$ 82,092,578</u>	<u>\$ 118,434,454</u>	<u>\$ 119,469,213</u>	<u>\$ 122,797,372</u>	<u>\$ 126,893,177</u>	<u>\$ 125,842,352</u>	<u>\$ 121,677,228</u>	<u>\$ 118,258,280</u>	<u>\$ 117,577,682</u>	<u>\$ 128,991,281</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in 2003.

The 2004 balances were restated for the retroactive reporting of infrastructure capital assets.

The primary government section includes an adjustment for capital assets owned by the business-type activities, but financed by the debt of the governmental activities. Refer to Note I D. 10c.

City of Beloit, Wisconsin
Changes in Net Position,
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 644,342	\$ 612,189	\$ 723,994	\$ 715,922	\$ 776,459	\$ 804,713	\$ 780,235	\$ 680,410	\$ 820,889	\$ 747,997
Finance and administrative services	4,031,333	4,202,312	4,354,243	4,782,420	6,767,790	7,277,848	6,927,516	7,947,872	9,029,097	4,249,269
Community development	3,091,287	2,819,663	2,673,273	3,774,720	2,743,751	2,221,424	3,173,955	3,569,817	3,978,299	3,593,036
Economic development	212,794	232,040	225,825	241,839	264,699	266,796	278,919	315,893	336,540	283,643
Public safety:										
Police services	9,534,429	9,689,839	9,657,237	10,780,470	10,969,806	14,125,683	13,176,014	14,431,648	14,780,278	15,044,071
Fire services	6,087,103	6,279,879	6,553,907	6,794,772	7,335,343	7,544,082	8,709,729	9,460,266	9,797,889	10,210,826
Health	2,119,051	1,816,663	1,625,005	200,144	-	-	-	-	-	-
Public works	11,936,384	11,396,417	11,159,001	13,460,584	13,366,204	12,973,727	20,115,663	13,882,641	12,828,126	16,676,877
Library	1,717,707	1,766,186	1,862,844	1,988,168	2,050,640	2,117,408	2,701,175	2,222,913	2,272,383	2,211,860
Interest and fiscal charges	2,747,848	2,322,088	2,508,848	2,813,184	3,501,709	2,084,379	3,063,257	3,164,857	3,042,878	2,956,048
Total governmental activities	42,122,278	41,137,276	41,344,177	45,552,223	47,776,401	49,416,060	58,926,463	55,676,317	56,886,379	55,973,627
Business-type activities:										
Water	552,420	3,863,256	4,287,366	3,972,012	3,939,599	4,293,844	4,799,644	4,505,850	4,467,294	4,436,025
Sewer	7,413,585	7,775,483	8,419,122	7,013,940	7,189,675	7,500,706	7,683,971	7,920,544	8,019,535	8,445,553
Other non-major enterprise funds	3,066,042	3,081,295	3,407,599	3,552,212	4,345,532	4,630,975	4,699,156	4,962,055	5,030,578	5,029,201
Total business-type activities	11,032,047	14,720,034	16,114,087	14,538,164	15,474,806	16,425,525	17,182,771	17,388,449	17,517,407	17,910,826
Total expenses	\$ 53,154,325	\$ 55,857,310	\$ 57,458,264	\$ 60,090,387	\$ 63,251,207	\$ 65,841,585	\$ 76,109,234	\$ 73,064,766	\$ 74,403,786	\$ 73,884,406
Program Revenues (see Schedule 3)										
Governmental activities:										
Charges for services:										
General government	\$ 50,016	\$ 20,388	\$ 26,742	\$ 22,074	\$ 21,402	\$ 17,856	\$ 15,507	\$ 26,550	\$ 31,670	\$ 35,761
Finance and administrative services	2,733,344	1,915,701	1,029,731	2,180,127	1,454,134	2,804,954	2,870,541	3,670,559	4,529,164	1,181,472
Community development	320,366	172,899	-	139,683	367,089	19,496	143,657	113,941	180,125	115,177
Economic development	57,215	68,227	23,091	14,585	-	-	-	-	-	-
Public safety:										
Police services	74,130	1,226,210	1,123,379	1,146,735	1,429,750	969,005	1,322,122	1,383,631	1,429,097	1,254,166
Fire services	39,428	63,229	60,024	22,061	19,589	164,324	40,676	52,421	1,310	38,329
Health	122,702	91,599	85,037	759	-	-	-	-	-	-
Public works	1,748,783	1,966,409	2,004,048	2,364,965	2,259,768	2,359,255	2,214,592	2,519,039	2,477,014	2,631,861
Library	54,255	63,308	103,841	150,241	140,446	160,832	195,909	194,405	199,207	188,106
Operating grants and contributions	3,585,554	4,308,531	2,755,787	2,398,066	1,157,167	1,861,658	2,693,755	1,992,886	2,640,623	2,212,186
Capital grants and contributions	3,705,837	1,779,114	767,858	846,026	233,136	262,640	1,157,709	234,354	507,677	14,404,161
Total governmental activities	12,491,630	11,675,615	7,979,538	9,285,322	7,082,481	8,620,020	10,654,468	10,187,786	11,995,887	22,061,219
Business-type activities:										
Charges for services:										
Water	357,578	4,469,255	4,507,623	4,660,075	4,605,675	4,693,431	4,690,251	5,029,628	5,428,312	5,812,294
Sewer	7,585,688	7,503,078	7,500,532	7,523,826	7,479,230	7,189,691	6,809,634	6,946,357	6,742,228	6,792,043
Other non-major enterprise funds	1,347,050	1,263,756	1,555,212	1,636,118	2,302,068	2,531,473	2,580,501	2,873,575	2,737,877	2,886,428
Operating grants and contributions	785,093	944,628	1,087,975	1,074,996	1,107,569	1,119,323	1,132,853	-	-	-
Capital grants and contributions	3,398,652	1,097,293	1,362,933	1,500,373	1,173,071	934,212	4,871,996	-	27,386	32,203
Total business-type activities	13,474,061	15,278,010	16,014,275	16,395,388	16,667,613	16,468,130	20,085,235	14,849,560	14,935,803	15,522,968
Total revenues	\$ 25,965,691	\$ 26,953,625	\$ 23,993,813	\$ 25,680,710	\$ 23,750,094	\$ 25,088,150	\$ 30,739,703	\$ 25,037,346	\$ 26,931,690	\$ 37,584,187
Net (expense)/revenue										
Governmental activities	\$ (29,630,648)	\$ (29,461,661)	\$ (33,364,639)	\$ (36,266,901)	\$ (40,693,920)	\$ (40,796,040)	\$ (48,271,995)	\$ (45,488,531)	\$ (44,890,492)	\$ (33,912,408)
Business-type activities	2,442,014	557,976	(99,812)	1,857,224	1,192,807	42,605	2,902,464	(2,538,889)	(2,581,604)	(2,387,811)
Total net expense	\$ (27,188,634)	\$ (28,903,685)	\$ (33,464,451)	\$ (34,409,677)	\$ (39,501,113)	\$ (40,753,435)	\$ (45,369,531)	\$ (48,027,420)	\$ (47,472,096)	\$ (36,300,219)

(continued)

(concluded)

City of Beloit, Wisconsin
Changes in Net Position,
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General revenues										
Governmental activities:										
Taxes										
Property taxes, levied for general purposes	\$ 4,737,886	\$ 4,689,377	\$ 4,843,078	\$ 5,156,577	\$ 5,375,871	\$ 5,570,069	\$ 5,654,118	\$ 5,990,830	\$ 6,170,168	\$ 6,167,786
Property taxes, levied for debt service	2,626,280	3,079,460	2,752,289	2,502,289	2,882,495	3,603,871	3,816,130	4,298,477	4,573,523	4,873,523
Property taxes, levied for other	3,171,118	3,193,143	3,304,771	3,808,617	4,360,329	6,816,113	7,492,551	8,560,888	8,555,227	9,117,555
Other taxes	65,209	114,248	291,301	619,176	508,753	551,547	510,674	612,327	561,291	567,650
Intergovernmental revenues not restricted to specific programs	19,560,171	18,667,021	20,368,636	21,794,494	20,671,176	20,071,655	20,679,687	21,209,003	21,957,459	21,707,260
Public gifts and/or grants	18,453	-	6,311	760	-	-	-	-	-	-
Investment income	705,929	640,920	562,780	1,793,770	2,397,498	691,086	630,129	39,470	986,271	1,163,493
Gain (loss) on sale of property	-	-	-	300,835	623,359	318,690	86,179	172,518	20,672	52,738
Miscellaneous	293,652	347,364	1,137,866	341,679	1,646,145	992,256	1,327,240	1,628,340	1,661,285	1,651,813
Transfers	1,742,555	300,000	300,000	775,846	(1,567,885)	(1,023,197)	486,381	584,499	(690,285)	775,073
Total general revenues and transfers	<u>32,921,253</u>	<u>31,031,533</u>	<u>33,567,032</u>	<u>37,094,043</u>	<u>36,897,741</u>	<u>37,592,090</u>	<u>40,683,089</u>	<u>43,096,352</u>	<u>43,795,611</u>	<u>46,076,891</u>
Business-type activities:										
Taxes										
Intergovernmental revenues not restricted to specific programs	586,230	503,520	618,208	754,260	700,697	594,530	530,980	519,980	567,256	537,256
Investment income	512,691	561,506	586,234	574,614	669,637	492,793	457,938	1,172,108	1,194,315	1,154,514
Miscellaneous	36,619	15,483	27,736	-	-	-	15,781	26,838	14,261	-
Gain (loss) on sale of property	-	-	-	-	-	-	3,000	-	-	127,789
Transfers	-	(300,000)	(300,000)	(775,846)	1,567,885	1,023,197	(486,381)	(584,499)	690,285	(775,073)
Total business-type activities	<u>1,135,540</u>	<u>780,509</u>	<u>932,178</u>	<u>553,028</u>	<u>2,938,219</u>	<u>2,110,520</u>	<u>521,318</u>	<u>1,512,120</u>	<u>2,995,887</u>	<u>1,636,927</u>
Total primary government	<u>\$ 34,056,793</u>	<u>\$ 31,812,042</u>	<u>\$ 34,499,210</u>	<u>\$ 37,647,071</u>	<u>\$ 39,835,960</u>	<u>\$ 39,702,610</u>	<u>\$ 41,204,407</u>	<u>\$ 44,608,472</u>	<u>\$ 46,791,498</u>	<u>\$ 47,713,818</u>
Change in net position										
Governmental activities	\$ 3,290,605	\$ 1,569,872	\$ 202,393	\$ 827,142	\$ (3,796,179)	\$ (3,203,950)	\$ (7,588,906)	\$ (2,392,179)	\$ (1,094,881)	\$ 12,164,483
Business-type activities	3,577,554	1,338,485	832,366	2,410,252	4,131,026	2,153,125	3,423,782	(1,026,769)	414,283	(750,884)
Total change in net position	<u>\$ 6,868,159</u>	<u>\$ 2,908,357</u>	<u>\$ 1,034,759</u>	<u>\$ 3,237,394</u>	<u>\$ 334,847</u>	<u>\$ (1,050,825)</u>	<u>\$ (4,165,124)</u>	<u>\$ (3,418,948)</u>	<u>\$ (680,598)</u>	<u>\$ 11,413,599</u>

Notes: The city began to report accrual information when it implemented GASB Statement 34 in 2003.

In November 2003 the city acquired the water utility from Alliant Energy (Wisconsin Power and Light).

In 2006 the city consolidated its Health Department with the Rock County Health Department. The county now provides these services to city residents.

City of Beloit, Wisconsin
Program Revenues by Function/Program,
Last Ten Fiscal Years
(accrual basis of accounting)

	Program Revenues									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function/Program										
Governmental activities:										
General government	\$ 50,016	\$ 20,388	\$ 26,742	\$ 22,074	\$ 21,402	\$ 17,856	\$ 15,507	\$ 26,550	\$ 31,670	\$ 35,761
Finance and administrative services	3,106,579	1,922,133	1,036,048	2,183,782	1,455,401	2,817,806	3,086,078	3,873,509	4,847,967	1,556,285
Community development	1,247,347	1,791,483	781,256	970,331	588,969	199,078	1,665,932	1,059,927	1,681,051	1,181,594
Economic development	231,744	68,227	40,357	396,608	166,421	11,076	41,529	-	-	-
Public safety:										
Police services	545,017	1,490,977	1,170,936	1,146,735	1,476,936	1,217,410	1,588,909	1,433,267	1,458,056	1,254,481
Fire services	86,559	114,971	115,011	79,169	68,752	248,684	105,548	118,626	64,433	97,985
Health	1,502,466	1,233,420	809,326	759	-	-	-	-	-	-
Public works	5,387,848	4,680,410	3,614,713	4,065,701	2,901,070	3,697,776	3,711,718	3,206,532	3,430,619	17,439,999
Library	334,054	353,606	385,149	420,163	403,530	410,334	439,247	469,375	482,091	495,114
Total governmental activities	<u>12,491,630</u>	<u>11,675,615</u>	<u>7,979,538</u>	<u>9,285,322</u>	<u>7,082,481</u>	<u>8,620,020</u>	<u>10,654,468</u>	<u>10,187,786</u>	<u>11,995,887</u>	<u>22,061,219</u>
Business-type activities:										
Water	2,462,326	5,469,747	5,665,145	5,287,437	4,886,450	4,980,009	5,680,334	6,123,465	5,428,312	5,812,294
Sewer	8,822,605	7,521,152	7,616,106	7,792,114	7,573,835	7,291,004	8,262,681	6,946,357	6,742,228	6,792,043
Other non-major enterprise funds	2,189,130	2,287,111	2,733,024	3,315,837	4,207,328	4,197,117	6,142,220	3,190,272	2,765,263	2,918,631
Total business-type activities	<u>13,474,061</u>	<u>15,278,010</u>	<u>16,014,275</u>	<u>16,395,388</u>	<u>16,667,613</u>	<u>16,468,130</u>	<u>20,085,235</u>	<u>16,260,094</u>	<u>14,935,803</u>	<u>15,522,968</u>
Total primary government	<u>\$ 25,965,691</u>	<u>\$ 26,953,625</u>	<u>\$ 23,993,813</u>	<u>\$ 25,680,710</u>	<u>\$ 23,750,094</u>	<u>\$ 25,088,150</u>	<u>\$ 30,739,703</u>	<u>\$ 26,447,880</u>	<u>\$ 26,931,690</u>	<u>\$ 37,584,187</u>

Notes: The city began to report accrual information when it implemented GASB Statement 34 in 2003.

In November 2003 the city acquired the water utility from Alliant Energy (Wisconsin Power and Light).

In 2006 the city consolidated its Health Department with the Rock County Health Department. The county now provides these services for city residents.

City of Beloit, Wisconsin
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General fund										
Reserved	\$ 2,291,884	\$ 2,301,074	\$ 2,441,506	\$ 2,272,741	\$ 2,031,796	\$ 2,149,150	\$ 1,924,704	\$ 2,076,049	\$ -	\$ -
Unreserved	9,156,158	8,025,173	7,312,676	8,165,444	8,547,741	8,184,365	8,519,970	8,724,137	-	-
Nonspendable	-	-	-	-	-	-	-	-	1,761,379	1,634,901
Assigned	-	-	-	-	-	-	-	-	605,321	589,028
Unassigned	-	-	-	-	-	-	-	-	8,408,569	9,144,726
Total general fund	<u>\$ 11,448,042</u>	<u>\$ 10,326,247</u>	<u>\$ 9,754,182</u>	<u>\$ 10,438,185</u>	<u>\$ 10,579,537</u>	<u>\$ 10,333,515</u>	<u>\$ 10,444,674</u>	<u>\$ 10,800,186</u>	<u>\$ 10,775,269</u>	<u>\$ 11,368,655</u>
All other governmental funds										
Reserved	\$ 8,985,078	\$ 11,494,064	\$ 12,554,918	\$ 11,856,614	\$ 10,935,007	\$ 11,565,636	\$ 8,022,576	\$ 7,271,469	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	6,645,230	5,733,357	5,483,717	3,082,789	3,423,288	533,830	(485,129)	243,976	-	-
Capital projects funds	15,211,988	7,880,186	5,863,503	11,299,595	22,179,563	9,335,975	8,910,576	9,354,103	-	-
Debt service funds	(8,349,672)	(2,721,092)	(2,227,682)	(6,489,022)	(5,136,143)	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	75,000	-
Restricted	-	-	-	-	-	-	-	-	15,502,709	9,892,961
Assigned	-	-	-	-	-	-	-	-	11,069,132	10,666,183
Unassigned	-	-	-	-	-	-	-	-	(4,553,852)	(4,572,305)
Total all other governmental funds	<u>\$ 22,492,624</u>	<u>\$ 22,386,515</u>	<u>\$ 21,674,456</u>	<u>\$ 19,749,976</u>	<u>\$ 31,401,715</u>	<u>\$ 21,435,441</u>	<u>\$ 16,448,023</u>	<u>\$ 16,869,548</u>	<u>\$ 22,092,989</u>	<u>\$ 15,986,839</u>
Total governmental funds	<u>\$ 33,940,666</u>	<u>\$ 32,712,762</u>	<u>\$ 31,428,638</u>	<u>\$ 30,188,161</u>	<u>\$ 41,981,252</u>	<u>\$ 31,768,956</u>	<u>\$ 26,892,697</u>	<u>\$ 27,669,734</u>	<u>\$ 32,868,258</u>	<u>\$ 27,355,494</u>

Note: It is the city's policy to maintain an unassigned general fund balance of not less than 15% of operating revenues or three months of general fund expenditures, whichever is greater. The projected target for 2012 was \$7,434,907 which represents three months of budgeted operating expenditures. The city exceeded this limit by \$1,709,819. The city implemented GASB Statement 54 beginning with fiscal year 2011. Refer to Note I D 10 in the Notes to Financial Statements section of the report.

City of Beloit, Wisconsin
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues					
Taxes (see Schedule 6)	\$ 10,600,491	\$ 10,843,237	\$ 11,265,060	\$ 11,572,159	\$ 12,615,533
Intergovernmental	26,625,582	23,246,309	22,225,934	23,493,675	21,902,213
Licenses and permits	599,810	639,774	776,138	862,170	758,459
Fines, forfeitures and penalties	886,032	952,782	993,225	1,128,260	1,212,231
Fees and service charges	722,437	951,737	511,779	662,075	630,560
Rent	112,476	58,103	38,988	44,459	43,182
Special assessments	216,283	183,671	294,488	388,906	314,066
Investment income	736,590	726,856	904,864	1,977,154	2,908,368
Public charges for services	1,586,080	1,757,120	1,682,946	2,031,103	2,256,901
Donations	13,876	13,531	17,502	-	-
Other	2,358,834	2,016,416	2,636,405	2,085,813	2,775,930
Total revenues	<u>44,458,491</u>	<u>41,389,536</u>	<u>41,347,329</u>	<u>44,245,774</u>	<u>45,417,443</u>
Expenditures					
Current					
General government	3,712,424	3,678,019	3,807,291	3,771,853	3,895,310
Community development	2,919,207	3,171,269	2,802,778	4,143,333	2,775,921
Public safety	15,400,453	15,982,181	16,369,892	16,961,863	17,960,197
Public health	2,097,905	1,834,356	1,655,042	334,012	-
Public works	7,228,369	7,441,486	7,633,559	8,095,485	8,797,432
Parks, recreation, and education	1,767,192	1,779,022	1,811,607	1,907,205	1,938,463
Capital outlay	9,278,605	8,663,952	12,142,447	14,193,984	10,443,691
Debt service:					
Principal retirement	8,198,136	4,129,286	3,612,222	3,570,886	11,760,034
Interest and fiscal charges	2,867,062	2,612,794	2,756,201	2,862,355	3,876,435
Total expenditures	<u>53,469,353</u>	<u>49,292,365</u>	<u>52,591,039</u>	<u>55,840,976</u>	<u>61,447,483</u>
Excess of revenues over (under) expenditures	(9,010,862)	(7,902,829)	(11,243,710)	(11,595,202)	(16,030,040)
Other financing sources (uses)					
Debt issued	12,088,452	8,172,166	8,174,118	8,227,299	15,196,994
Debt issued - refunding	-	-	-	-	-
Capital lease issued	941,204	934,549	662,726	616,592	11,213,109
Premium on bonds	-	52,776	-	-	-
Payments to escrow agent	-	(2,904,746)	-	-	-
Sale of city property	254,536	163,416	822,742	734,988	780,745
Debt service - principal	-	-	-	-	-
Transfers in	1,350,951	2,313,628	1,204,367	1,984,009	1,017,571
Transfers out	(1,350,951)	(2,056,864)	(904,367)	(1,208,163)	(385,288)
Total other financing sources (uses)	<u>13,284,192</u>	<u>6,674,925</u>	<u>9,959,586</u>	<u>10,354,725</u>	<u>27,823,131</u>
Special item					
Retirement prior service	(2,323,452)	-	-	-	-
Total special items	<u>(2,323,452)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 1,949,878</u>	<u>\$ (1,227,904)</u>	<u>\$ (1,284,124)</u>	<u>\$ (1,240,477)</u>	<u>\$ 11,793,091</u>
Debt service as a percentage of non-capital expenditures	22.76%	14.98%	14.69%	13.28%	28.41%

		Fiscal Year							
		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>			
\$	16,047,362	\$	17,006,060	\$	18,928,612	\$	19,372,644	\$	20,225,496
	21,831,391		22,996,684		23,009,047		23,963,992		23,612,491
	733,953		567,135		579,017		590,135		652,541
	1,187,381		1,166,653		1,270,139		1,217,884		1,151,148
	677,097		648,181		720,898		655,964		664,322
	30,715		30,026		15,469		56		3,615
	246,045		250,769		158,485		225,047		204,105
	2,247,632		671,550		28,627		1,027,796		1,163,493
	2,261,251		2,254,880		2,576,526		2,520,878		2,642,302
	-		-		-		-		-
	2,350,749		3,373,864		2,963,236		2,657,310		2,842,474
	<u>47,613,576</u>		<u>48,965,802</u>		<u>50,250,056</u>		<u>52,231,706</u>		<u>53,161,987</u>
	3,965,843		4,274,654		3,849,649		3,935,480		3,769,962
	2,600,297		3,101,277		3,963,150		3,916,607		4,224,110
	18,022,207		18,225,392		18,447,116		19,113,358		19,118,570
	-		-		-		-		-
	8,780,712		8,622,853		8,325,488		8,194,319		7,958,183
	1,970,069		1,928,426		1,992,966		2,045,247		2,036,683
	18,213,473		20,304,947		9,474,436		11,075,644		14,064,117
	10,294,458		4,946,407		5,609,568		5,923,641		11,952,889
	1,956,651		3,181,079		3,119,978		3,181,470		3,085,618
	<u>65,803,710</u>		<u>64,585,035</u>		<u>54,782,351</u>		<u>57,385,766</u>		<u>66,210,132</u>
	(18,190,134)		(15,619,233)		(4,532,295)		(5,154,060)		(13,048,145)
	3,438,190		15,785,965		4,462,587		1,500,000		3,753,800
	-		-		-		14,006,168		3,706,200
	5,085,000		-		-		3,915,445		1,498,489
	-		-		-		-		139,913
	-		(1,194,912)		-		(9,759,095)		(2,458,608)
	477,845		88,022		262,246		302,433		106,598
	-		(4,880,389)		-		-		-
	1,350,505		3,247,606		2,141,710		2,509,837		2,613,170
	<u>(2,373,702)</u>		<u>(2,303,318)</u>		<u>(1,557,211)</u>		<u>(2,122,204)</u>		<u>(1,824,177)</u>
	<u>7,977,838</u>		<u>10,742,974</u>		<u>5,309,332</u>		<u>10,352,584</u>		<u>7,535,385</u>
	-		-		-		-		-
	-		-		-		-		-
\$	<u>(10,212,296)</u>	\$	<u>(4,876,259)</u>	\$	<u>777,037</u>	\$	<u>5,198,524</u>	\$	<u>(5,512,760)</u>
	23.93%		14.68%		16.78%		17.92%		24.74%

City of Beloit, Wisconsin
Tax Revenues by Source, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property	Mobile Home	Payments In Lieu of	Prior Year Collections/ (Rescinded)	Motel	Total
2003	\$ 10,540,598	\$ 28,464	\$ 9,181	\$ (18,960)	\$ 41,208	\$ 10,600,491
2004	10,963,221	23,515	8,489	(195,931)	43,943	10,843,237
2005	11,093,961	22,468	8,008	96,072	44,551	11,265,060
2006	11,430,534	18,786	9,097	63,981	49,761	11,572,159
2007	12,621,107	22,868	-	(82,301)	53,859	12,615,533
2008	15,992,806	25,791	13,185	(64,930)	80,510	16,047,362
2009	16,965,490	10,018	10,312	(372)	20,612	17,006,060
2010	18,852,196	12,182	10,509	899	52,826	18,928,612
2011	19,299,003	12,628	9,038	2,006	49,969	19,372,644
2012	20,147,260	15,267	10,822	(5,420)	57,567	20,225,496

Note: Wisconsin Statutes limits the amount that the property tax levy may increase to the percentage increase in the tax base attributed to net new construction.

City of Beloit, Wisconsin
Assessed Value and Equalized Value of Taxable Property,
Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Manufacturing Property	Agricultural Property	Personal Property	Total Taxable Assessed Value	City Direct Tax Rate	Total Equalized Value	Taxable Assessed Value as a Percentage of Equalized Value
2003	\$ 804,335,800	\$ 276,412,100	\$ 85,489,000	\$ 592,100	\$ 54,811,020	\$ 1,221,640,020	\$ 8.41	\$ 1,224,010,800	99.81%
2004	865,566,200	296,065,500	93,956,800	588,200	54,701,730	1,310,878,430	7.89	1,289,346,100	101.67%
2005	909,742,900	325,246,300	88,058,400	664,000	54,982,590	1,378,694,190	7.68	1,387,616,400	99.36%
2006	971,475,800	365,904,900	96,725,400	693,400	55,914,090	1,490,713,590	7.58	1,470,055,900	101.41%
2007	1,046,740,100	423,735,800	114,075,400	710,400	79,446,830	1,664,708,530	7.87	1,630,887,400	102.07%
2008	1,054,404,900	439,788,300	121,180,400	691,200	83,002,580	1,699,067,380	8.08	1,718,751,200	98.85%
2009	1,003,840,630	449,214,400	142,397,900	700,400	88,111,210	1,684,264,540	8.89	1,744,186,100	96.56%
2010	900,230,900	427,694,300	135,080,700	679,600	87,133,340	1,550,818,840	10.04	1,610,889,800	96.27%
2011	899,392,250	432,887,800	141,146,700	596,600	82,989,040	1,557,012,390	10.33	1,558,718,400	99.89%
2012	894,849,000	424,796,000	166,829,600	599,300	102,931,800	1,590,005,700	10.30	1,507,977,900	105.44%

Note: Property in the city is assessed each year as of January 1. Property is assessed at actual value; however, the Wisconsin Department of Revenue each year estimates the market value of all taxable property for the purpose of apportioning tax levies among the various taxing jurisdictions.

This value is referred to as the equalized value. Taxable assessed value does not include tax exempt properties. Tax rates are per \$1,000 of assessed value and the city direct rate represents the city's portion of the tax levy. The total tax rates including those of other taxing jurisdictions can be found on Schedule 8.

Taxes are levied in December based on the assessed value as of January 1 and collected the following year.

Source: City of Beloit annual budget.

City of Beloit, Wisconsin
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Beloit School District

Levy Year	Collection Year	City of Beloit			Overlapping Rates (a)				Gross Tax Rate	School Tax Credit	Net Tax Rate
		Basic Rate	G. O. Debt Service Rate	Direct Tax Rate	Rock County	State of Wisconsin	Technical College	Beloit School District			
2003	2004	\$ 5.89	\$ 2.52	\$ 8.41	\$ 5.98	\$ 0.20	\$ 1.82	\$ 10.67	\$ 27.08	\$ (1.47)	\$ 25.61
2004	2005	5.79	2.10	7.89	5.82	0.20	1.72	10.27	25.89	(1.34)	24.55
2005	2006	5.87	1.81	7.68	5.88	0.19	1.73	10.44	25.92	(1.23)	24.69
2006	2007	5.65	1.93	7.58	5.40	0.17	1.65	10.22	25.02	(1.45)	23.57
2007	2008	5.71	2.17	7.87	5.25	0.17	1.66	9.08	24.03	(1.47)	22.55
2008	2009	5.83	2.25	8.08	5.33	0.17	1.72	7.73	23.03	(1.56)	21.48
2009	2010	6.34	2.55	8.89	5.75	0.18	1.79	8.53	25.15	(1.40)	23.75
2010	2011	7.09	2.95	10.04	6.23	0.18	1.80	9.84	28.08	(1.37)	26.71
2011	2012	6.59	3.74	10.33	6.30	0.17	1.79	9.48	28.07	(1.30)	26.77
2012	2013	7.51	2.79	10.30	6.18	0.16	1.75	10.11	28.50	(1.27)	27.22

Beloit Turner School District

Levy Year	Collection Year	City of Beloit			Overlapping Rates (a)				Gross Tax Rate	School Tax Credit	Net Tax Rate
		Basic Rate	G. O. Debt Service Rate	Direct Tax Rate	Rock County	State of Wisconsin	Technical College	Beloit Turner School District			
2003	2004	\$ 5.89	\$ 2.52	\$ 8.41	\$ 5.98	\$ 0.20	\$ 1.82	\$ 11.27	\$ 27.68	\$ (1.47)	\$ 26.21
2004	2005	5.79	2.10	7.89	5.82	0.20	1.72	11.51	27.13	(1.34)	25.79
2005	2006	5.87	1.81	7.68	5.88	0.19	1.73	9.93	25.41	(1.23)	24.18
2006	2007	5.65	1.93	7.58	5.40	0.17	1.65	9.19	23.99	(1.45)	22.55
2007	2008	5.71	2.17	7.87	5.25	0.17	1.66	8.94	23.89	(1.47)	22.42
2008	2009	5.83	2.25	8.08	5.33	0.17	1.72	9.98	25.28	(1.56)	23.72
2009	2010	6.34	2.55	8.89	5.75	0.18	1.79	10.35	26.96	(1.40)	25.56
2010	2011	7.09	2.95	10.04	6.23	0.18	1.80	10.95	29.20	(1.37)	27.83
2011	2012	6.59	3.74	10.33	6.30	0.17	1.79	11.05	29.63	(1.30)	28.34
2012	2013	7.51	2.79	10.30	6.18	0.16	1.75	11.08	29.47	(1.27)	28.20

Clinton Community School District

Levy Year	Collection Year	City of Beloit			Overlapping Rates (a)				Gross Tax Rate	School Tax Credit	Net Tax Rate
		Basic Rate	G. O. Debt Service Rate	Direct Tax Rate	Rock County	State of Wisconsin	Technical College	Clinton School District			
2003	2004	\$ 5.89	\$ 2.52	\$ 8.41	\$ 5.98	\$ 0.20	\$ 1.82	\$ 12.31	\$ 28.72	\$ (1.47)	\$ 27.25
2004	2005	5.79	2.10	7.89	5.82	0.20	1.72	9.09	24.71	(1.34)	23.37
2005	2006	5.87	1.81	7.68	5.88	0.19	1.73	10.47	25.95	(1.23)	24.72
2006	2007	5.65	1.93	7.58	5.40	0.17	1.65	10.17	24.97	(1.45)	23.52
2007	2008	5.71	2.17	7.87	5.25	0.17	1.66	9.87	24.82	(1.47)	23.35
2008	2009	5.83	2.25	8.08	5.33	0.17	1.72	10.32	25.62	(1.56)	24.07
2009	2010	6.34	2.55	8.89	5.75	0.18	1.79	11.42	28.03	(1.40)	26.63
2010	2011	7.09	2.95	10.04	6.23	0.18	1.80	11.97	30.21	(1.37)	28.84
2011	2012	6.59	3.74	10.33	6.30	0.17	1.79	12.34	30.92	(1.30)	29.63
2012	2013	7.51	2.79	10.30	6.18	0.16	1.75	11.64	30.03	(1.27)	28.76

Note: The city's property tax rate is approved each year by the City Council and is based on the city's tax levy and the taxable assessed value of property in the city. Property taxes are levied in December based on the assessed value as of January 1 of the tax year and collected the following year.

(a) Overlapping rates are those of other local governments and taxing authorities that apply to property owners within the City of Beloit. The school district rates apply only to those properties located within the various school districts whereas the city, county, state, and technical college rates would apply to all properties in the city.

**City of Beloit, Wisconsin
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Taxpayer	Type of Business/Property	2012			2003		
		Taxable Assessed Valuation	Percentage of Total Taxable Assessed Valuation	Rank	Taxable Assessed Valuation	Percentage of Total Taxable Assessed Valuation	Rank
ABC Supply/Hendricks	Wholesale Distribution/Property Development	\$ 66,925,603	4.21%	1	\$ 23,201,440	1.90%	1
Kettle Foods	Food Processor	43,405,000	2.73%	2			
Kerry Ingredients	Mfg of Food Additives	37,479,100	2.36%	3	10,610,700	0.87%	5
Staples Contract & Commercial LLC	Fullfilment Center	35,383,980	2.23%	4			
Frito Lay Inc	Food Processor	23,514,800	1.48%	5	17,819,500	1.46%	2
Walmart	Retailer	15,959,880	1.00%	6	12,206,740	1.00%	4
Menards	Retailer	15,770,320	0.99%	7			
Beloit Health Systems	Health Services	15,711,290	0.99%	8	7,932,690	0.65%	10
Woodmans	Retail Grocer	13,494,950	0.85%	9	12,290,350		3
Walgreens	Retail Services	12,585,170	0.79%	10			
George Hormel & Co.	Food Processor				10,438,600	0.85%	6
Reynolds Aluminum	Manufacturer				10,097,400	0.83%	7
Genencor	Manufacturer				9,160,800	0.75%	8
Valmet (Metso Corp.)	Manufacturer				9,017,850	0.74%	9
Totals		<u>\$ 280,230,093</u>	<u>17.62%</u>		<u>\$ 122,776,070</u>	<u>10.05%</u>	

Source: City of Beloit Assessor's Office.

**City of Beloit, Wisconsin
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Levy Year	Collection Year	Total City Tax Levy (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2003	2004	\$ 10,278,170	\$ 2,342,404	22.79%	\$ 7,932,213	\$ 10,274,617	99.97%
2004	2005	10,339,882	2,158,553	20.88%	8,180,264	10,338,817	99.99%
2005	2006	10,589,015	2,710,639	25.60%	7,877,778	10,588,417	99.99%
2006	2007	11,296,602	1,719,444	15.22%	9,576,012	11,295,456	99.99%
2007	2008	13,108,729	2,198,715	16.77%	10,906,854	13,105,569	99.98%
2008	2009	13,727,262	2,804,254	20.43%	10,920,358	13,724,612	99.98%
2009	2010	14,980,809	4,112,716	27.45%	10,858,577	14,971,293	99.94%
2010	2011	15,564,530	3,861,158	24.81%	11,692,161	15,553,319	99.93%
2011	2012	16,085,443	2,917,275	18.14%	13,165,124	16,082,399	99.98%
2012	2013	16,394,872	3,331,278	20.32%	-	3,331,278	20.32%

Note: In addition to city property taxes, the city also collects and remits property taxes to the State of Wisconsin, Rock County, Beloit School District, Beloit Turner School District, Clinton Community School District and Blackhawk Technical College. Taxes are levied in December of each year based on the assessed value as of the preceding January 1. Real estate taxes can be paid in four installments on January 31, March 31, May 31 and July 31. Personal property taxes are due January 31. Tax settlements to the other taxing authorities are made in January, February, April, June and the final settlement is in August. The city contracts with the Rock County Treasurer to collect all real estate taxes. The city collects all personal property taxes unpaid after January 31.

(1) Source: City of Beloit budget

**City of Beloit, Wisconsin
Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Other Debt</u>	<u>Capital Leases</u>	<u>Sewer Revenue Bonds</u>	<u>Water Revenue Bonds</u>	<u>Storm Water Revenue Bonds</u>	<u>Total Outstanding Debt</u>	<u>Estimated Full Property Value</u>	<u>Percentage of Full Property Value</u>	<u>Population</u>	<u>Debt per Capita</u>
<u>Governmental Activities</u>											
2003	\$ 31,122,651	\$ 244,931	\$ 12,539,030	\$ -	\$ -	\$ -	\$ 43,906,612	\$ 1,224,010,800	3.59%	35,826	\$ 1,226
2004	32,128,176	317,987	13,473,579	-	-	-	45,919,742	1,289,346,100	3.56%	36,058	1,273
2005	36,414,248	609,211	14,136,305	-	-	-	51,159,764	1,387,616,400	3.69%	36,106	1,417
2006	41,318,203	527,882	14,430,759	-	-	-	56,276,844	1,470,055,900	3.83%	36,560	1,539
2007	53,255,304	306,532	17,136,868	-	-	-	70,698,704	1,630,887,400	4.33%	37,110	1,905
2008	52,967,110	235,479	15,670,044	-	-	-	68,872,633	1,718,751,200	4.01%	37,110	1,856
2009	53,844,175	110,000	19,681,831	-	-	-	73,636,006	1,744,186,100	4.22%	37,000	1,990
2010	54,003,141	100,000	18,325,674	-	-	-	72,428,815	1,610,889,800	4.50%	36,966	1,959
2011	55,450,472	90,000	20,946,841	-	-	-	76,487,313	1,558,718,400	4.91%	36,945	2,070
2012	50,222,921	80,000	20,446,434	-	-	-	70,749,355	1,507,977,900	4.69%	36,850	1,920
<u>Business-Type Activities</u>											
2003	\$ 302,400	\$ 260,474	\$ -	\$ 19,460,330	\$ 25,210,000	\$ -	\$ 45,233,204	\$ 1,224,010,800	3.70%	35,826	\$ 1,263
2004	360,974	154,714	-	16,538,407	24,645,000	-	41,699,095	1,289,346,100	3.23%	36,058	1,156
2005	1,861,902	54,402	-	12,190,504	24,065,000	-	38,171,808	1,387,616,400	2.75%	36,106	1,057
2006	2,747,023	-	-	9,586,186	23,470,000	-	35,803,209	1,470,055,900	2.44%	36,560	979
2007	4,169,402	-	-	6,890,000	23,700,000	-	34,759,402	1,630,887,400	2.13%	37,110	937
2008	5,928,389	-	-	4,090,000	23,025,000	-	33,043,389	1,718,751,200	1.92%	37,110	890
2009	5,986,851	-	-	-	26,240,000	-	32,226,851	1,744,186,100	1.85%	37,000	871
2010	5,925,112	-	-	-	29,155,000	1,470,000	36,550,112	1,610,889,800	2.27%	36,966	989
2011	5,577,580	-	-	2,866,012	28,075,000	1,420,000	37,938,592	1,558,718,400	2.43%	36,945	1,027
2012	5,225,896	-	-	3,267,644	26,960,000	1,365,000	36,818,540	1,507,977,900	2.44%	36,850	999
<u>Total Government-wide</u>											
2003	\$ 31,425,051	\$ 505,405	\$ 12,539,030	\$ 19,460,330	\$ 25,210,000	\$ -	\$ 89,139,816	\$ 1,224,010,800	7.28%	35,826	\$ 2,488
2004	32,489,150	472,701	13,473,579	16,538,407	24,645,000	-	87,618,837	1,289,346,100	6.80%	36,058	2,430
2005	38,276,150	663,613	14,136,305	12,190,504	24,065,000	-	89,331,572	1,387,616,400	6.44%	36,106	2,474
2006	44,065,226	527,882	14,430,759	9,586,186	23,470,000	-	92,080,053	1,470,055,900	6.26%	36,560	2,519
2007	57,424,706	306,532	17,136,868	6,890,000	23,700,000	-	105,458,106	1,630,887,400	6.47%	37,110	2,842
2008	58,895,499	235,479	15,670,044	4,090,000	23,025,000	-	101,916,022	1,718,751,200	5.93%	37,110	2,746
2009	59,831,026	110,000	19,681,831	-	26,240,000	-	105,862,857	1,744,186,100	6.07%	37,000	2,861
2010	59,928,253	100,000	18,325,674	-	29,155,000	1,470,000	108,978,927	1,610,889,800	6.77%	36,966	2,948
2011	61,028,052	90,000	20,946,841	2,866,012	28,075,000	1,420,000	114,425,905	1,558,718,400	7.34%	36,945	3,097
2012	55,448,817	80,000	20,446,434	3,267,644	26,960,000	1,365,000	107,567,895	1,507,977,900	7.13%	36,850	2,919

City of Beloit, Wisconsin
Ratios of General Bonded Debt Outstanding and Legal Debt Margin,
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund (a)	Total	Per Capita (c)	Percentage of Estimated Actual Market Value of Property (b)	Total Debt Applicable to Debt Limit	Legal Debt Limit (d)	Legal Debt Margin (e)	Legal Debt Margin as a Percentage of the Debt Limit
2003	\$ 31,425,051	\$ 5,504,126	\$ 25,920,925	\$ 724	2.12%	\$ 31,425,051	\$ 61,200,540	\$ 29,775,489	48.65%
2004	32,489,150	6,171,010	26,318,140	730	2.04%	32,489,150	64,467,305	31,978,155	49.60%
2005	38,276,150	6,106,417	32,169,733	891	2.32%	38,276,150	69,380,820	31,104,670	44.83%
2006	44,065,226	6,574,638	37,490,588	1,025	2.55%	44,065,226	73,502,795	29,437,569	40.05%
2007	57,424,706	5,026,140	52,398,566	1,412	3.21%	57,424,706	81,544,370	24,119,664	29.58%
2008	58,895,499	4,000,673	54,894,826	1,479	3.19%	58,895,499	85,937,560	27,042,061	31.47%
2009	59,831,026	2,297,699	57,533,327	1,555	3.30%	59,831,026	87,209,305	27,378,279	31.39%
2010	59,928,253	2,077,288	57,850,965	1,565	3.59%	59,928,253	80,544,490	20,616,237	25.60%
2011	61,028,052	6,031,219	54,996,833	1,489	3.53%	61,028,052	77,935,920	16,907,868	21.69%
2012	55,448,817	1,871,641	53,577,176	1,454	3.55%	55,448,817	75,398,895	19,950,078	26.46%

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(a) Restricted net asset balance for debt service refer to page 1.

(b) Property value data can be found in Schedule 6: Total Equalized Value is used as estimated market value.

(c) Population data can be found in Schedule 14: Demographic and Economic Indicators. Under city's Debt Policy target is \$950-\$1,050.

(d) Wisconsin State Statutes limit the city's general obligation indebtedness to 5% of the equalized value of taxable property within the city's boundaries. The city has established a self imposed limit under its Debt Policy of 3.0-3.5% of equalized value.

(e) The legal debt margin is the city's available borrowing authority under State Statutes and is calculated by subtracting the debt applicable to the legal debt limit from the legal debt limit.

**City of Beloit, Wisconsin
Direct and Overlapping Governmental Activities Debt
as of December 31, 2012**

<u>Governmental Unit</u>	<u>General Obligation Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
County of Rock, Wisconsin	\$ 43,485,000	15.65%	\$ 6,803,272
Blackhawk Technical College	24,265,000	13.08%	3,174,760
Beloit School District	20,341,568	94.65%	19,252,969
Beloit Turner School District	9,958,121	11.77%	1,171,603
Clinton Community School District	10,950,000	18.12%	1,984,359
Subtotal, overlapping debt			<u>32,386,962</u>
City direct debt			<u>70,749,355</u>
Total direct and overlapping debt			<u>\$ 103,136,317</u>
Population			36,850
Overlapping debt per capita			\$ 879
Direct and overlapping debt per capita			\$ 2,799

Sources: Equalized value data provided by the Wisconsin Department of Revenue was used to determine the estimated percentage of overlapping debt applicable. Debt outstanding data was provided by each jurisdiction.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Beloit. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be considered. However, this does not imply that every taxpayer is a resident and is responsible for repaying the debt of each overlapping government.

(a) The percentage of overlapping debt applicable is estimated using estimated market value (equalized value) of property as provided by the Wisconsin Department of Revenue. Applicable percentages were calculated by using the portion of the taxing jurisdiction's estimated market value that is within the city's boundaries and dividing it by the jurisdiction's total estimated market value.

Direct Debt includes outstanding long term bonded debt, notes, loans, and capital leases of the city's governmental activities.

**City of Beloit, Wisconsin
Pledged Revenue Coverage,
Last Ten Fiscal Years**

Sewer Utility Revenue Bonds						
Debt Service						
Fiscal Year	Utility Charges and Other	Less:				
		Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2003	8,109,063	3,667,383	4,441,680	2,771,360	1,089,480	1.15
2004	7,865,348	4,138,694	3,726,654	2,921,923	954,384	0.96
2005	7,950,886	4,153,179	3,797,707	3,072,903	995,992	0.93
2006	7,894,227	4,122,852	3,771,375	2,604,318	446,585	1.24
2007	7,854,276	4,341,516	3,512,760	2,696,186	352,407	1.15
2008	7,495,480	4,613,801	2,881,679	2,800,000	248,500	0.95
2009	7,066,624	5,019,792	2,046,832	-	-	-
2010	7,083,699	5,370,311	1,713,388	-	-	-
2011	6,867,461	5,471,436	1,396,025	-	13,820	101.01
2012	6,975,312	5,803,825	1,171,487	130,030	74,991	5.71

Water Utility Revenue Bonds						
Debt Service						
	Utility Charges and Other	Less:				
		Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2003	357,578	337,108	20,470	-	-	-
2004	4,658,328	1,967,294	2,691,034	565,000	1,092,770	1.62
2005	4,609,360	1,698,314	2,911,046	580,000	1,077,770	1.76
2006	4,791,033	1,757,711	3,033,322	595,000	1,066,170	1.83
2007	4,791,676	1,771,273	3,020,403	780,000	865,315	1.84
2008	4,851,984	1,914,142	2,937,842	675,000	980,887	1.77
2009	4,756,316	2,268,695	2,487,621	695,000	1,030,961	1.44
2010	5,174,136	1,853,338	3,320,798	1,110,000	1,189,850	1.44
2011	5,472,411	1,823,566	3,648,845	1,080,000	1,220,495	1.59
2012	5,874,505	1,810,557	4,063,948	1,115,000	1,183,233	1.77

Storm Water Utility Revenue Bonds						
Debt Service						
	Utility Charges and Other	Less:				
		Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	951,506	737,653	213,853	-	41,424	5.16
2011	950,724	635,318	315,406	50,000	72,369	2.58
2012	958,856	702,539	256,317	55,000	71,444	2.03

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Sewer, water and storm charges and other includes non-operating revenues.

Operating expenses does not include interest, amortization expenses, or depreciation.

The city's required coverage ratios are 1.10 times for the sewer utility and 1.25 times for the water and storm water utilities.

**City of Beloit, Wisconsin
Demographic and Economic Statistics,
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Estimated Personal Income (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>School Enrollment (4)</u>	<u>Labor Force (5)</u>	<u>Employment (5)</u>	<u>Unemployment (5)</u>	<u>City Unemployment Rate (5)</u>
2003	35,826	\$ 1,041,282,690	\$ 29,065	6,799	17,174	15,686	1,488	8.7%
2004	36,058	1,033,097,758	28,651	6,941	17,129	15,766	1,363	8.0%
2005	36,106	1,051,587,250	29,125	7,113	17,065	15,691	1,374	8.1%
2006	36,560	1,132,446,000	30,975	7,169	17,459	16,192	1,267	7.3%
2007	37,110	1,171,006,050	31,555	7,125	17,493	16,193	1,300	7.4%
2008	37,110	1,190,154,810	32,071	7,130	16,981	15,548	1,433	8.4%
2009	37,000	1,142,893,000	30,889	7,146	17,275	14,254	3,021	17.5%
2010	36,966	1,179,104,502	31,897	6,891	16,486	14,362	2,124	12.9%
2011	36,945	1,230,453,225	33,305	6,967	16,273	14,484	1,789	11.0%
2012	36,850	NA	NA	6,985	16,474	14,770	1,704	10.3%

Sources: (1) State of Wisconsin Department of Administration or U. S. Census Bureau (2010).

(2) Personal income estimate for the city is based on city population and per capita personal income for Rock County, WI using data obtained from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.

(3) Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce, Rock County, WI.

(4) State of Wisconsin Department of Public Instruction.

(5) State of Wisconsin Department of Workforce Development - Office of Economic Advisors.

Note: Late in 2008 the General Motors assembly plant in Janesville, WI closed eliminating over 1,200 jobs and severely impacting the regional economy.

The affect of the plant's closure on the City of Beloit led to the unemployment rate soaring to almost 20% in 2009 and it remains as one of the highest in the State of Wisconsin.

**City of Beloit, Wisconsin
Principal Employers,
Current Year and Nine Years Ago**

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Beloit Health Systems	1,002	1	6.78%	1,014	2	5.90%
School District of Beloit	881	2	5.96%	1,107	1	6.45%
Frito-Lay	701	3	4.75%	785	3	4.57%
Kerry Ingredients	634	4	4.29%	450	6	2.62%
City of Beloit	465	5	3.15%	775	4	4.51%
Hendricks Holdings (ABC Supply)	451	6	3.05%	-	-	-
Fairbanks-Morse	445	7	3.01%	301	9	1.75%
Beloit College	425	8	2.88%	460	5	2.68%
Hormel	284	9	1.92%	230	10	1.34%
First National Bank & Trust	252	10	1.71%	-	-	-
Alcoa Wheel Products	-	-	-	400	7	2.33%
Wal-Mart	-	-	-	318	8	1.85%
Total	5,540		37.51%	5,522		32.15%

Source: City of Beloit Department of Economic Development.

City of Beloit, Wisconsin
Full-time Equivalent City Employees by Function/Program,
Last Ten Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	6.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.30	7.14
Finance and Administrative Services	31.88	35.50	36.70	36.93	36.55	35.60	34.30	33.35	33.25	31.00
Community Development	34.00	22.40	19.40	18.50	19.00	19.00	18.00	18.00	19.00	18.50
Economic Development	1.58	3.40	3.40	3.40	3.40	3.40	3.40	3.40	3.40	3.40
Public Safety:										
Police Services	97.10	94.59	95.45	95.05	95.75	95.95	95.96	95.91	95.91	88.76
Fire Services	63.50	63.50	63.50	65.10	65.62	65.65	65.65	65.65	65.65	59.25
Health	66.24	37.62	30.74	-	-	-	-	-	-	-
Engineering and public works	57.30	53.18	57.70	58.90	60.83	60.83	61.83	60.54	60.44	57.71
Parks and Recreation	18.75	26.48	26.56	37.16	40.64	40.26	40.26	39.26	39.76	37.37
Library	27.08	27.00	27.00	27.00	27.00	26.48	25.82	25.59	25.76	26.01
Water and Sewer Utility	30.60	33.20	33.60	33.60	35.54	36.80	36.82	37.11	37.11	35.57
Transit	18.77	19.50	19.50	19.50	20.50	20.10	20.50	20.50	20.50	20.50
Total	452.80	423.37	420.55	402.14	411.83	411.07	409.54	406.31	408.08	385.21

Source: City of Beloit annual budget

Notes: In 2006 the city merged its Health Department with the Rock County Health Department. The County now provides public health services for residents of the city.

A full time employee is scheduled to work 2,088 hours per year (including vacation and sick leave used). Full time equivalent employment is determined by dividing the total hours worked by 2,088.

**City of Beloit, Wisconsin
Operating Indicators by Function/Program
Last Ten Years**

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government										
New Building permits	76	92	65	83	27	17	9	2	3	2
Building permits issued	671	641	763	656	967	936	625	925	1,030	1,156
Building inspections conducted	4,997	5,185	3,871	5,310	5,585	4,215	3,811	3,972	3,932	4,540
Site plans reviewed	20	26	27	30	27	26	22	14	18	21
Rental permits issued	5,503	5,473	5,793	4,837	5,748	5,456	5,673	5,624	5,449	6,010
Police										
Physical Arrests	9,472	10,218	10,039	9,154	10,467	9,777	8,384	7,952	7,736	8,756
Traffic Violations	3,595	4,510	4,733	5,607	6,639	5,578	5,328	6,434	6,261	6,494
Parking Violations	7,541	10,350	10,579	12,401	12,663	11,209	8,197	9,536	8,461	6,782
Fire										
Emergency responses	6,724	6,972	7,256	7,327	7,565	7,979	7,262	7,834	7,896	7,693
Fires extinguished	70	71	76	73	115	122	96	125	134	150
Inspections conducted	1,921	1,970	1,979	2,420	2,430	2,449	2,349	2,336	2,293	2,029
Ambulance runs	3,152	3,214	3,330	3,388	3,392	3,625	3,394	3,498	3,534	3,517
Engineering and public works										
Development plans reviewed	20	26	27	30	27	26	22	14	18	21
Infrastructure projects designed	18	22	23	25	27	28	30	30	20	23
Infrastructure projects completed	15	18	21	20	14	18	20	20	18	19
Highways and Streets										
Street resurfacing (miles)	1	1	2	2	1	2	4	5	2	3
Potholes repaired	22,859	30,432	32,999	31,162	42,972	38,897	47,309	47,218	50,590	40,319
Sanitation										
Refuse collected (tons/day)	37	39	38	40	38	38	37	34	33	32
Recyclables collected (tons/day)	11	11	11	21	21	20	20	23	16	16
Culture and Recreation										
Facility use permits issued	350	357	439	469	453	465	459	448	460	469
Number of programs offered	67	65	65	64	66	67	79	77	75	78
Rounds of golf played	19,980	17,891	22,353	20,117	22,345	28,202	25,448	28,117	17,524	25,174
Senior center participants	23,880	24,000	24,225	20,571	20,411	22,564	24,199	24,318	24,011	23,919
Number of cemetery internments	173	151	165	193	169	178	148	161	185	170
Water										
Work orders processed	N/A	N/A	1,422	2,142	1,782	1,855	1,876	3,656	2,952	2,711
DHHL locate tickets processed	N/A	N/A	N/A	N/A	N/A	4,706	4,620	4,248	4,187	4,289
Main breaks	N/A	45	29	30	49	39	34	35	30	32
Average daily production (MGD)	N/A	6	7	6	7	7	6	6	5	6
Peak daily production (MGD)	N/A	9	11	10	10	10	9	8	9	10
Wastewater										
Average daily treatment (MGD)	4	5	4	5	5	7	6	4	4	4
Peak daily treatment (MGD)	5	10	8	12	13	19	14	6	5	5
Transit										
Total route miles	319,324	317,160	392,041	392,041	392,041	392,041	392,041	343,029	343,029	343,029
Passengers	283,987	287,434	271,261	302,307	311,353	313,845	307,568	272,089	265,590	246,323

Source: Various city departments.

Note: Some of the information is not available for retroactive reporting and is identified as N/A. The water utility was acquired by the city in November 2003.

City of Beloit, Wisconsin
Capital Asset Statistics by Function/Program
Last Ten Years

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	43	42	40	40	40	39	39	39	40	40
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Trucks	8	9	9	10	10	10	10	10	10	10
Ambulances	3	3	3	3	3	3	3	3	3	3
Refuse Collection										
Garbage trucks	14	14	15	14	14	14	14	14	14	14
Other public works										
Streets/highways (miles)	179.63	179.5	181.07	181.7	181.92	182.2	182.2	183.5	183.5	183.5
Streetlights	750	770	791	855	889	902	1053	1229	1320	1308
Traffic signals	42	40	39	40	40	40	40	40	40	40
Parks and recreation										
Acreage	837	837	851	851	851	851	861	861	861	861
Parks	32	32	34	34	34	34	35	35	35	35
Tennis courts	11	11	11	11	11	11	11	11	11	11
Golf courses	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Wells	7	7	7	7	7	7	7	7	7	8
Water mains (miles)	172	173	170	177	178	194	196.7	197.7	197.7	198.9
Hydrants	1380	1590	1559	1703	1714	1436	1434	1464	1464	1555
Storage capacity (MGD)	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	4.15
Wastewater										
Treatment plants	1	1	1	1	1	1	1	1	1	1
Sanitary sewer (miles)	162	163	164	164	168	170.5	170.8	175	172.8	172.8
Storm sewer (miles)	170	170	171	171	172	110.5	108	110.2	110.2	110.2
Treatment capacity (MGD)	11	11	11	11	11	11	11	11	11.3	11.3
Transit										
Buses	12	12	12	12	12	12	12	12	12	12

Source: Various city departments.

REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the City Council
City of Beloit
Beloit, Wisconsin

We have audited, 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, the 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, 2012, and the related notes to the financial statements, which collectively comprise the City of Beloit's basic financial statements and have issued our report thereon dated July 9, 2013. Our report includes a reference to other auditors who audited the financial statements of the Beloit Public Library Foundation, Inc., a component unit, and the limited liability corporations (LLC's) presented as component units of the City of Beloit CDA (CDA), as described in our report on the City of Beloit's financial statements. The financial statements of the Beloit Public Library Foundation, Inc., a component unit of the City and the LLC's of the CDA, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Beloit's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Beloit's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Beloit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. These material weaknesses are items 12-1 and 12-2.

To the City Council
City of Beloit

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Beloit's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Beloit's Response to Findings

The City of Beloit's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Beloit's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Veitchow Krause, LLP

Madison, Wisconsin
July 9, 2013

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
REQUIRED BY OMB CIRCULAR A-133 AND THE *STATE SINGLE AUDIT GUIDELINES*

Independent Auditors' Report

To the City Council
City of Beloit
Beloit, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited the City of Beloit's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the City of Beloit's major federal and major state programs for the year ended December 31, 2012. The City of Beloit's major federal and major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Beloit's major federal and major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. Those standards, OMB Circular A-133, and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about the City of Beloit's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and major state program. However, our audit does not provide a legal determination of the City of Beloit's compliance.

To the City Council
City of Beloit

Opinion on Each Major Federal and Major State Program

In our opinion, the City of Beloit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended December 31, 2012.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 or the *State Single Audit Guidelines* and which is described in the accompanying schedule of findings and questioned costs as item 12-3. Our opinion on each major federal and major state program is not modified with respect to this matter.

City of Beloit's Response to Findings

The City of Beloit's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Beloit's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Beloit is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Beloit's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Beloit's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 12-3, 12-4, 12-5 and 12-6 to be material weaknesses.

City of Beloit's Response to Findings

The City of Beloit's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Beloit's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State Single Audit Guidelines

We have audited the 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, 2012, and the related notes to the financial statements, which collectively comprise the City of Beloit's basic financial statements. We issued our report thereon dated July 9, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. Our report includes a reference to other auditors who audited the financial statements of the Beloit Public Library Foundation, Inc., a component unit, and the limited liability corporations (LLC's) presented as component units of the City of Beloit CDA (CDA), as described in our report on the City of Beloit's financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by OMB Circular A-133 and the *State Single Audit Guidelines* and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP
Madison, Wisconsin
July 9, 2013

CITY OF BELOIT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012**

Federal Agency/Pass-Through Agency/Program Title	CFDA Number	Direct Grant Number/ Pass-through Grantor's Number	Revenues				Expendi- tures Grantor Share
			Grantor Share			Total Revenues	
			(Accrued) Deferred Beginning Balance	Cash Received (Returned)	Accrued (Deferred) Ending Balance		
U.S. Department of Housing and Urban Development							
CDBG Entitlement Grants Cluster							
Community Development Block Grants/Entitlement Grants	14.218	35959	\$ (86,700)	\$ 357,602	\$ 136,820	\$ 407,722	\$ 407,722
Community Development Block Grants/Entitlement Grants - Revolving Loan/Program Income	14.218	35959	-	379,818	-	379,818	379,818
Total CFDA #14.218			(86,700)	737,420	136,820	787,540	787,540
ARRA - Community Development Block Grants/Entitlement Grants	14.253	3595R	-	153,013	-	153,013	153,013
Total CDBG Entitlement Grants Cluster			(86,700)	890,433	136,820	940,553	940,553
Passed through Wisconsin Department of Administration							
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	73675200-4330-10479	-	623,143	-	623,143	623,143
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii - Program Income	14.228	73675200-4330-10479	-	16,049	-	16,049	16,049
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	3595E	-	477,303	117,429	594,732	594,732
Total CFDA #14.228			-	1,116,495	117,429	1,233,924	1,233,924
Passed Through City of Janesville							
Home Investment Partnerships Program	14.239	35125-36122	(100,622)	186,035	3,000	88,413	88,413
Public and Indian Housing	14.850		-	355,985	-	355,985	355,985
Section 8 Housing Choice Vouchers	14.871		-	3,290,201	-	3,290,201	3,290,201
CFP Cluster							
Public Housing Capital Fund	14.872						
WI39-PO64-501-08			-	63,775	-	63,775	63,775
WI39-PO64-501-09			(2,500)	3,999	-	1,499	1,499
WI39-PO64-501-10			-	41,679	4,297	45,976	45,976
WI39-PO64-501-11			-	6,445	20,000	26,445	26,445
Total Public Housing Capital Fund			(2,500)	115,898	24,297	137,695	137,695
ARRA - Public Housing Capital Fund Stimulus (Formula)	14.885	WI39S06450109					
Capital Fund			(3,062)	6,092	-	3,030	3,030
Total CFP Cluster			(5,562)	121,990	24,297	140,725	140,725
Passed through Wisconsin Division of Health							
Lead Hazard Reduction Demonstration Grant Program	14.905	73675200-436001-10510	4,064	474,528	183,226	661,818	661,818
Total U.S. Department of Housing and Urban Development			(188,820)	6,435,667	464,772	6,711,619	6,711,619

CITY OF BELOIT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012**

Federal Agency/Pass-Through Agency/Program Title	CFDA Number	Direct Grant Number/ Pass-through Grantor's Number	Revenues				Expendi- tures Grantor Share
			Grantor Share			Total Revenues	
			(Accrued) Deferred Beginning Balance	Cash Received (Returned)	Accrued (Deferred) Ending Balance		
U.S. Department of Justice							
Passed through Rock County							
Bulletproof Vest Partnership Program	16.607	38371	-	4,313	-	4,313	4,313
JAG Program Cluster							
Edward Byrne Memorial Justice Assistance Grant	16.738	35230	1,277	-	-	1,277	1,277
Edward Byrne Memorial Justice Assistance Grant	16.738	35231	11,838	-	-	11,838	11,838
Edward Byrne Memorial Justice Assistance Grant	16.738	35232	-	15,800	(8,177)	7,623	7,623
Total CFDA #16.738			<u>13,115</u>	<u>15,800</u>	<u>(8,177)</u>	<u>20,738</u>	<u>20,738</u>
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.803	35189	-	-	10,291	10,291	10,291
Total JAG Program Cluster			<u>13,115</u>	<u>15,800</u>	<u>2,114</u>	<u>31,029</u>	<u>31,029</u>
Total U.S. Department of Justice			<u>13,115</u>	<u>20,113</u>	<u>2,114</u>	<u>35,342</u>	<u>35,342</u>
U.S. Department of Transportation							
Federal Transit Cluster							
Federal Transit Formula Grants	20.507	25707400-436002	(186,509)	615,174	145,198	573,863	573,863
Passed Through Wisconsin Department of Transportation							
Federal Transit Capital Investment Grants 5307/5309	20.500	P2511263-4301-	(53,894)	53,894	13,920	13,920	13,920
Total Federal Transit Cluster			<u>(240,403)</u>	<u>669,068</u>	<u>159,118</u>	<u>587,783</u>	<u>587,783</u>
Passed Through Illinois Department of Transportation							
Metropolitan Transportation Planning	20.505	35272	(19,008)	63,702	27,557	72,251	72,251
Passed Through Wisconsin Department of Transportation							
State and Community Highway Safety	20.600						
Speed Enforcement		10653	(5,065)	6,389	2,790	4,114	4,114
Seat Belt		10582-10583	-	23,749	5,292	29,041	29,041
Alcohol Enforcement		10572-10573	(5,570)	34,944	4,742	34,116	34,116
Total State and Community Highway Safety			<u>(10,635)</u>	<u>65,082</u>	<u>12,824</u>	<u>67,271</u>	<u>67,271</u>
Total U.S. Department of Transportation			<u>(270,046)</u>	<u>797,852</u>	<u>199,499</u>	<u>727,305</u>	<u>727,305</u>
U.S. Department of Homeland Security							
Homeland Security Grant Program	97.067	35551	-	402	-	402	402
Homeland Security Grant Program/WISCOM Interoperability	97.067		-	120,000	-	120,000	120,000
Total CFDA #97.067			<u>-</u>	<u>120,402</u>	<u>-</u>	<u>120,402</u>	<u>120,402</u>
Total U.S. Department of Homeland Security			<u>-</u>	<u>120,402</u>	<u>-</u>	<u>120,402</u>	<u>120,402</u>
U.S. Environmental Protection Agency							
Passed Through Wisconsin Department of Natural Resources and Department of Administration							
Clean Water Fund Program							
Capitalization Grants for Drinking Water State Revolving Funds	66.468	4608-05	-	7,198	-	7,198	7,198
TOTAL FEDERAL AWARDS			<u>\$ (445,751)</u>	<u>\$ 7,381,232</u>	<u>\$ 666,385</u>	<u>\$ 7,601,866</u>	<u>\$ 7,601,866</u>

CITY OF BELOIT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended December 31, 2012

State Agency/Pass-Through Agency/Program Title	State Number	Direct Grant Number/ Pass-through Grantor's Number	Revenues				Expendi- tures Grantor Share
			Grantor Share		Accrued (Deferred) Ending Balance	Total Revenues	
			(Accrued) Deferred Beginning Balance	Cash Received (Returned)			
Wisconsin Department of Transportation							
Transit Operating Aids	395.104						
2012 Operating Aids		25707400-436001	-	431,575	47,951	479,526	479,526
2012 Paratransit Aids		85.205	-	16,448	-	16,448	16,448
2011 Operating Aids		25707400-436001	(43,554)	-	43,554	-	-
2010 Operating Aids		25707400-436001	(11,955)	51,140	(39,185)	-	-
2009 Operating Aids		25707400-436001	63,114	-	(63,114)	-	-
Total Transit Operating Aids			7,605	499,163	(10,794)	495,974	495,974
Planning Commission Program	395.202	35271	(50,801)	102,224	28,115	79,538	79,538
Total Wisconsin Department of Transportation			(43,196)	601,387	17,321	575,512	575,512
Wisconsin Department of Health Services							
Ambulance Funding Assistance Grant	435.162	74666400-436001-81021	-	8,485	-	8,485	8,485
Wisconsin Department of Military Affairs							
State Disaster Fund	465.365	RPA-LOC-WDF-08272012-53	-	127,178	-	127,178	127,178
Wisconsin Department of Administration							
Office of Justice Assistance							
Uniform Beat Patrol Officers	505.620	61622239-406001-10022	-	121,434	-	121,434	121,434
TOTAL STATE AWARDS			\$ (43,196)	\$ 858,484	\$ 17,321	\$ 832,609	\$ 832,609

CITY OF BELOIT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the “schedule”) includes the federal and state grant activity of the City of Beloit under programs of the federal and state government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of the City of Beloit, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Beloit.

The reporting entity for the City is based upon criteria established by the Governmental Accounting Standards Board. The City of Beloit is the primary government according to GASB criteria, while the Beloit Community Development Authority (CDA) is a component unit. Federal and state awards received directly by the CDA are included in this report.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., 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. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SECTION I – SUMMARY OF AUDITORS’ RESULTS (cont.)

FEDERAL OR STATE AWARDS (cont.)

Identification of major federal programs (cont):

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	<u>Federal Transit Cluster</u>
20.500	Federal Transit – Capital Investment Grants
20.507	Federal Transit – Formula Grants

	<u>Federal</u>	<u>State</u>
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000	\$ 100,000

Identification of major state programs:

<u>State Number</u>	<u>Name of State Program</u>
395.104	Transit Operating Aids
395.202	Planning Commission Program
465.365	State Disaster Fund

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Finding 12-1: Material Weakness – Internal Control Over Financial Reporting

Criteria: Auditing standards require that we perform procedures to obtain an understanding of your government and its internal control environment as part of the annual audit. This includes an analysis of the city’s year-end financial reporting process and preparation of your financial statements, including the schedule of expenditures of federal and state awards.

Condition: Material journal entries were identified during the course of the audit and we, as your auditors, prepared your annual financial statements. We also made material changes to the schedule of expenditures of federal and state awards.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

Finding 12-1: Material Weakness – Internal Control Over Financial Reporting (cont.)

Cause: Due to staffing and financial limitations, the City chooses to contract with the auditors to assist with some yearend audit entries, prepare the annual financial statements, and assist with the schedule of expenditures of federal and state awards.

Effect: The financial statements and schedule of expenditures of federal and state awards may not contain all of the required disclosures and may be materially misstated.

Recommendation: We recommend that the City consider preparing its annual financial statements and the schedule of expenditures of federal and state awards to include all federal and state awards.

Management's Response: Given our current staffing complement, it would be extremely difficult for the City to prepare its annual financial statements without the addition of professional staff within the finance department. For efficiency, cost effectiveness and convenience, the City has chosen to include in its annual financial audit engagement, that the auditor prepare the City's financial statements. With significant limitations placed on the City from a budget perspective, there is no immediate plan to deviate from this practice.

Finding 12-2: Material Weakness – Internal Control Environment

Criteria: Auditing standards state that a lack of controls is a weakness in internal control.

Condition: As part of the audit, we evaluated the controls over major transaction cycles. We identified the following conditions:

CONTROLS OVER ACCOUNTS PAYABLE/DISBURSEMENTS

1. There should be an appropriate system for review and approval of vendors.

Management's Response: The City of Beloit has implemented additional review and approval of vendors. In 2012, in addition to requirements of vendors to submit an IRS form W-9 to validate authenticity, vendors are being validated by searches on the internet. Department Heads are also, approving new vendor requests.

2. Additional controls regarding check printing and processing should be developed for those instances when the City's typical controls cannot be followed. Access to check printing should be restricted from the person processing accounts payable.

Management's Response: The Accounting Director will approve cash disbursements and check printing in those instances when normal controls cannot be followed.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

Finding 12-2: Material Weakness – Internal Control Environment (cont.)

CONTROLS OVER RECEIVABLES/REVENUE

1. Utility accounts receivable balances should be reconciled to the billing system on a more regular basis.

Management's Response: The city reconciles utility accounts receivable balances to the billing system on a quarterly basis.

CONTROLS OVER INFORMATION TECHNOLOGY

1. There should be a formal process in place for setting up new employees in the system, changing settings for existing employees, and eliminating access for terminated employees.

Management's Response: The city has established procedures for setting up new employees in the system, changing settings for existing employees, and eliminating access for terminated employees.

2. Access rights for the network and significant applications should be reviewed at least annually by an appropriate person. This is especially important without a formal process to set up, change, and eliminate users.

Management's Response: The Information Systems Division annually reviews the network user access rights (NTFS permissions) which are verified by the Information Systems Division Director.

3. Security monitoring should be performed for access violations at the application and database levels and related threat events. In addition, there should be a procedure to resolve or escalate any security violations. This should be done formally on a regular basis and a process should be in place to escalate these issues.

Management's Response: The review of access violations at the application and database levels occurs annually and is verified by the Information Systems Division Director.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

Finding 12-2: Material Weakness – Internal Control Environment (cont.)

CONTROLS OVER INFORMATION TECHNOLOGY (cont.)

4. A formal change management procedure should be in place for all program changes, system changes, and maintenance. Additionally, a form should be used to authorize, facilitate and document all changes. These forms should remain on file throughout the systems life.

Management's Response: The City will develop and implement a change management policy including forms to document and log all program and system changes and maintenance. This documentation will remain on file for the life of the system.

5. Access to move programs to production should be restricted to a limited number of IT professionals or handled by an outside third party vendor. Currently, the entire IT staff and the software company have this access which does not allow for segregation of duties. As there is no active review of logs and changes to production, there is the potential for an unauthorized change or update to be installed without the proper review and approval.

Management's Response: Access to the system including its hardware and software applications is limited and not all IT staff and third party vendors have total access. Third party vendors can only access the network if permitted and approved by IT staff. The IT staff will develop a third party access policy to document and log all third party vendor work that occurs on the network.

ENTITY LEVEL CONTROLS

1. There is no formal risk assessment process taking place at the City. This should be done on a regular basis to identify areas of higher risk for misappropriation of assets or fraud.

Management's Response: The City will develop a risk assessment process that can be implemented for the purpose of identifying areas of high risk in an effort to minimize the potential for misappropriation of assets or fraud.

Cause: Due to staffing and financial limitations, certain controls are not easily implemented by the City.

Effect: Internal controls that are not in place can cause a greater risk for both intentional and unintentional errors.

Recommendation: We recommend that the City consider the benefits of implementing additional policies and procedures to address key controls related to its significant transaction cycles, as noted above.

CITY OF БЕЛОIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

Finding 12-3: 14.218 Community Development Block Grants/Entitlement Grants

Criteria: OMB Circular A-133 Section .400 explains the responsibilities of a pass-through entity. Some of these requirements include:

- > Monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and those performance goals are achieved.
- > Ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements for that fiscal year.
- > Issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

Condition: The City did not request the Single Audit reports from their subrecipients.

Questioned Costs: None

Context: The City used two subrecipients that this requirement applied to and the total paid to these subrecipients was \$128,750.

Effect: Subrecipients could have questioned costs, compliance findings or going concern issues of which the city may not be aware that are related to the grant funds provided by the City.

Cause: The grant manager was not aware of these requirements.

Recommendation: We recommend that the City implement additional procedures to ensure Single Audit reports are being received, reviewed and followed up on.

Management's Response: The City will request Single Audit reports from their subrecipients as required.

Finding 12-4: 14.228 Community Development Block Grant/State's Program

Criteria: To ensure accuracy, quarterly reports should be reviewed by an individual other than the original preparer before they are submitted to the granting agency.

Condition: For the program noted above, the quarterly reports are not being reviewed by an individual other than the original preparer before they are submitted to the granting agency.

Questioned Costs: None

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

Finding 12-4: 14.228 Community Development Block Grant/State's Program (cont.)

Context: During testing of this program, we noted that the quarterly reports were submitted without being reviewed by an individual other than the original preparer.

Effect: Quarterly reports submitted have a greater likelihood of containing errors.

Cause: The City did not identify an individual that is responsible for reviewing quarterly reports before they are submitted separate from the individual preparing them.

Recommendation: The City should consider adding review and approval controls to the reporting process.

Management Response: The City will have an additional person review and approve reports submitted.

Finding 12-5: 14.905 Lead Hazard Reduction Demonstration Grant Program

Criteria: The A-102 Common Rule and Code of Federal Regulations require that non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. To minimize the risk of errors, internal controls should be in place for all program compliance requirements, including the appropriate review and approval of cash draws.

Condition: For the program noted above, the draw down requests are not being reviewed by an individual other than the original preparer before they are submitted to the granting agency.

Questioned Costs: None

Context: During testing of this program, we noted that the draw down requests were submitted without being reviewed by an individual other than the original preparer.

Effect: Draw down requests submitted have a greater likelihood of containing errors.

Cause: The City did not identify an individual that is responsible for reviewing draw down requests before they are submitted separate from the individual preparing them.

Recommendation: The City should consider adding review and approval controls to the draw down request process.

Management Response: The City will have an additional person review and approve draw down requests.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

Finding 12-6: 395.202 Planning Commission Program

Criteria: To ensure accuracy, draw down requests should be reviewed by an individual other than the original preparer before they are submitted to the granting agency.

Condition: For the program noted above, the draw down requests are not being reviewed by an individual other than the original preparer before they are submitted to the granting agency.

Questioned Costs: None

Context: During testing of this program, we noted that the draw down requests were submitted without being reviewed by an individual other than the original preparer.

Effect: Draw down requests submitted have a greater likelihood of containing errors.

Cause: The City did not identify an individual that is responsible for reviewing draw down requests before they are submitted separate from the individual preparing them.

Recommendation: The City should consider adding review and approval controls to the draw down request process.

Management Response: The City will have an additional person review and approve draw down requests.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SECTION IV – OTHER ISSUES

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? yes X no

2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Transportation	<u> X </u> yes	<u> </u> no
Department of Health Services	<u> </u> yes	<u> X </u> no
Department of Military Affairs	<u> </u> yes	<u> X </u> no
Department of Administration	<u> </u> yes	<u> X </u> no

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? X yes no

4. Name and signature of partner Thomas A. Scheidegger
Thomas A. Scheidegger, CPA, Partner

5. Date of report July 9, 2013