

CITY OF BELOIT

Beloit, Wisconsin

COMPREHENSIVE ANNUAL FINANCIAL REPORT

As of and for the Year Ended
December 31, 2016

Prepared By:

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES

Eric Miller, Director

Dawn DeuVall, Director of Accounting and Purchasing

CITY OF BELOIT

COMPREHENSIVE ANNUAL FINANCIAL REPORT As of and for the Year Ended December 31, 2016

TABLE OF CONTENTS

| INTRODUCTORY SECTION | <u>Page</u> |
|--|-------------|
| Transmittal Letter | i – v |
| Certificate of Achievement for Excellence in Financial Reporting | vi |
| Directory of Officials | vii |
| Organization Chart | viii |
| FINANCIAL SECTION | |
| <i>INDEPENDENT AUDITORS' REPORT</i> | ix – xi |
| <i>REQUIRED SUPPLEMENTARY INFORMATION</i> | |
| Management's Discussion and Analysis | xii – xxvi |
| <i>BASIC FINANCIAL STATEMENTS</i> | |
| Government-wide Financial Statements | |
| Statement of Net Position | 1 |
| Statement of Activities | 2 – 3 |
| Fund Financial Statements | |
| Balance Sheet – Governmental Funds | 4 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 5 – 6 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 7 |
| Statement of Net Position – Proprietary Funds | 8 – 9 |
| Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds | 10 |
| Statement of Cash Flows – Proprietary Funds | 11 – 12 |
| Statement of Assets and Liabilities – Agency Fund | 13 |
| Statement of Net Position – Component Units | 14 |
| Statement of Activities – Component Units | 15 |
| Notes to the Financial Statements | 16 – 96 |

CITY OF BELOIT

COMPREHENSIVE ANNUAL FINANCIAL REPORT As of and for the Year Ended December 31, 2016

TABLE OF CONTENTS (cont.)

| FINANCIAL SECTION (cont.) | <u>Page</u> |
|---|-------------|
| <i>REQUIRED SUPPLEMENTARY INFORMATION</i> | |
| Schedule of Revenues and Other Financing Sources – Budget and Actual – General Fund | 97 – 99 |
| Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund | 100 – 101 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – TIF District No. 10 (Major Fund) | 102 |
| Other Postemployment Benefits Plan – Schedule of Funding Progress | 103 |
| Schedule of Proportionate Share of the Net Pension Liability (Asset) – Wisconsin Retirement System | 104 |
| Schedule of Employer Contributions – Wisconsin Retirement System | 104 |
| Notes to Required Supplementary Information | 105 |
| <i>SUPPLEMENTARY INFORMATION</i> | |
| Governmental Funds | |
| Combining Balance Sheet – Nonmajor Governmental Funds | 106 – 108 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) – Nonmajor Governmental Funds | 109 – 111 |
| Schedules of Revenues, Expenditures, and Changes in Fund Balance (Deficit) – Budget and Actual | |
| General Debt Service Fund (Major Fund) | 112 |
| Capital Improvements Fund (Major Fund) | 113 |
| Special Revenue Funds | |
| Rental Rehab (WRRP/HOME) Fund | 114 |
| Community Development Block Grant | 115 |
| TIF District No. 5 | 116 |
| TIF District No. 6 | 117 |
| TIF District No. 8 | 118 |
| TIF District No. 9 | 119 |
| TIF District No. 11 | 120 |
| TIF District No. 12 | 121 |
| TIF District No. 13 | 122 |
| TIF District No. 14 | 123 |
| Fire Multi-Year Grants | 124 |
| DPW Multi-Year Grants | 125 |
| Community Development | 126 |

CITY OF BELOIT

COMPREHENSIVE ANNUAL FINANCIAL REPORT As of and for the Year Ended December 31, 2016

TABLE OF CONTENTS (cont.)

| FINANCIAL SECTION (cont.) | <u>Page</u> |
|---|-------------|
| SUPPLEMENTARY INFORMATION (cont.) | |
| Governmental Funds (cont.) | |
| Schedules of Revenues, Expenditures, and Changes in Fund Balances (Deficit) – Budget and Actual (cont.) | |
| Special Revenue Funds (cont.) | |
| Library | 127 |
| Police | 128 |
| Solid Waste | 129 |
| Capital Project Funds | |
| Computer Replacement | 130 |
| Equipment Replacement Fund | 131 |
| Enterprise Funds | |
| Combining Statement of Net Position (Deficit) – Nonmajor Proprietary Funds | 132 – 133 |
| Combining Statement of Revenues, Expenses, and Changes in Net Position (Deficit) – Nonmajor Proprietary Funds | 134 |
| Combining Statement of Cash Flows – Nonmajor Proprietary Funds | 135 |
| Detailed Schedule of Revenues and Expenses – Regulatory Basis – Beloit Mass Transit | 136 |
| Reconciliation of Revenues and Expenses to WisDOT and Federal Recognized Revenues and Expenses – Beloit Mass Transit | 137 |
| Computation of the Deficit Distribution Among the Subsidiary Grantors – Beloit Mass Transit | 138 |
| Internal Service Funds | |
| Combining Statement of Net Position (Deficit) – Internal Service Funds | 139 |
| Combining Statement of Revenues, Expenses and Changes in Net Position (Deficit) – Internal Service Funds | 140 |
| Combining Statement of Cash Flows – Internal Service Funds | 141 |
| Agency Fund | |
| Combining Statement of Changes in Assets and Liabilities – Tax Collections | 142 |

CITY OF BELOIT

COMPREHENSIVE ANNUAL FINANCIAL REPORT As of and for the Year Ended December 31, 2016

TABLE OF CONTENTS (cont.)

| FINANCIAL SECTION (cont.) | <u>Page</u> |
|--|-------------|
| SUPPLEMENTARY INFORMATION (cont.) | |
| Component Unit – Community Development Authority | |
| Combining Statement of Net Position | 143 – 144 |
| Combining Statement of Revenues, Expenses and Changes in Net Position | 145 |
| Combining Statement of Cash Flows | 146 |
| STATISTICAL SECTION | |
| Schedule 1 – Net Position by Component, Last Ten Fiscal Years | 147 |
| Schedule 2 – Changes in Net Position, Last Ten Fiscal Years | 148 – 149 |
| Schedule 3 – Program Revenues by Function/Program, Last Ten Fiscal Years | 150 |
| Schedule 4 – Fund Balances, Governmental Funds, Last Ten Fiscal Years | 151 |
| Schedule 5 – Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years | 152 |
| Schedule 6 – Tax Revenues by Source, Governmental Funds, Last Ten Fiscal Years | 153 |
| Schedule 7 – Assessed Value and Equalized Value of Taxable Property, Last Ten Fiscal Years | 154 |
| Schedule 8 – Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years | 155 |
| Schedule 9 – Principal Property Tax Payers, Current Year and Nine Years Ago | 156 |
| Schedule 10 – Property Tax Levies and Collections, Last Ten Fiscal Years | 157 |
| Schedule 11 – Ratios of Outstanding Debt by Type, Last Ten Fiscal Years | 158 |
| Schedule 12 – Ratios of General Bonded Debt Outstanding and Legal Debt Margin, Last Ten Fiscal Years | 159 |
| Schedule 13 – Direct and Overlapping Governmental Activities Debt as of December 31, 2016 | 160 |
| Schedule 14 – Pledged Revenue Coverage, Last Ten Fiscal Years | 161 |

CITY OF BELOIT

COMPREHENSIVE ANNUAL FINANCIAL REPORT As of and for the Year Ended December 31, 2016

TABLE OF CONTENTS (cont.)

| STATISTICAL SECTION (cont.) | <u>Page</u> |
|---|-------------|
| Schedule 15 – Demographic and Economic Statistics, Last Ten Fiscal Years | 162 |
| Schedule 16 – Principal Employers, Current Year and Nine Years Ago | 163 |
| Schedule 17 – Full-Time Equivalent City Employees by Function/Program, Last Ten Fiscal Years | 164 |
| Schedule 18 – Operating Indicators by Function/Program, Last Ten Years | 165 |
| Schedule 19 – Capital Asset Statistics by Function/Program, Last Ten Years | 166 |
| SINGLE AUDIT SECTION | |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 167 – 168 |
| Report on Compliance for Each Major Federal and Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the <i>State Single Audit Guidelines</i> | 169 – 171 |
| Schedule of Expenditures of Federal Awards – supplementary information | 172 |
| Schedule of Expenditures of State Awards – supplementary information | 173 |
| Notes to Schedules of Expenditures of Federal and State Awards | 174 |
| Schedule of Findings and Questioned Costs | 175 – 182 |

June 23, 2017

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, 2016. 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/Treasurer 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. The cost of an internal control should not exceed the anticipated benefit; therefore, 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, 2016, 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
June 23, 2017

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

PROFILE of the CITY OF БЕЛОIT

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 36,792 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 approximate 1,300 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.

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

To the City Council and
Citizens of the City of Beloit, Wisconsin
June 23, 2017

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 and Community Development Authority 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 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 97.

ECONOMIC CONDITION / MAJOR INITIATIVES

The local economy continues its recovery from the recent recession. The City's unemployment rate, at 4.8% in April, is the second highest in the State of Wisconsin. This is a significant improvement from a recession high rate of 18.3% in 2009. Although improving, the City still lags behind both the State and National averages which are 3.2% and 4.4% respectively. Fortunately, the City's large cluster of food processing industries continued to experience strong performance during this period. Several of these industries actually added employees and production lines in response to growing sales, despite the generally weak economy.

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 America's headquarters, Diamond Foods Kettle Brands, Pratt Industries, and the Staples Order Fulfillment Center; collectively all development in the TID has added \$171 million to the City's tax base and has provided over 1,000 new jobs with more to come. We continue to remain optimistic about the City's economic future and devote considerable time and resources to

To the City Council and
Citizens of the City of Beloit, Wisconsin
June 23, 2017

economic development. 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 unrestricted fund balance (15% of operating revenues or three months average expenditures whichever is greater). 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 the City's general obligation debt and Stormwater utility revenue bonded debt and an "A-" for its Water utility revenue bonded debt. The general obligation rating was affirmed by Standard and Poor's on June 1, 2017.

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, 2015. This was the fourteenth 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.

To the City Council and
Citizens of the City of Beloit, Wisconsin
June 23, 2017

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning January 1, 2017. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document must be judged and determined to be proficient as a policy document, a financial plan, an operations guide, and a communication device. This is the nineteenth year the City has received this award and is also valid for only one year.

The preparation of the CAFR would not have been possible without the efficient and dedicated service of the entire staff of the Finance and Administrative Services Department. 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 Dawn DeVall, Director of Accounting/Purchasing, Lisa White, Senior Accountant, 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,



Lori S. Curtis Luther
City Manager



Eric R. Miller
Finance and Administrative Services Director



Government Finance Officers Association

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, 2015

Executive Director/CEO

**City of Beloit, Wisconsin
List of Elected and Appointed Officials
December 31, 2016**

CITY COUNCIL MEMBERS

David F. Luebke – President
Kevin Leavy – Vice President
Sheila De Forest
Regina Dunkin
Regina Hendrix
Mark Preuschl
Marilyn Sloniker

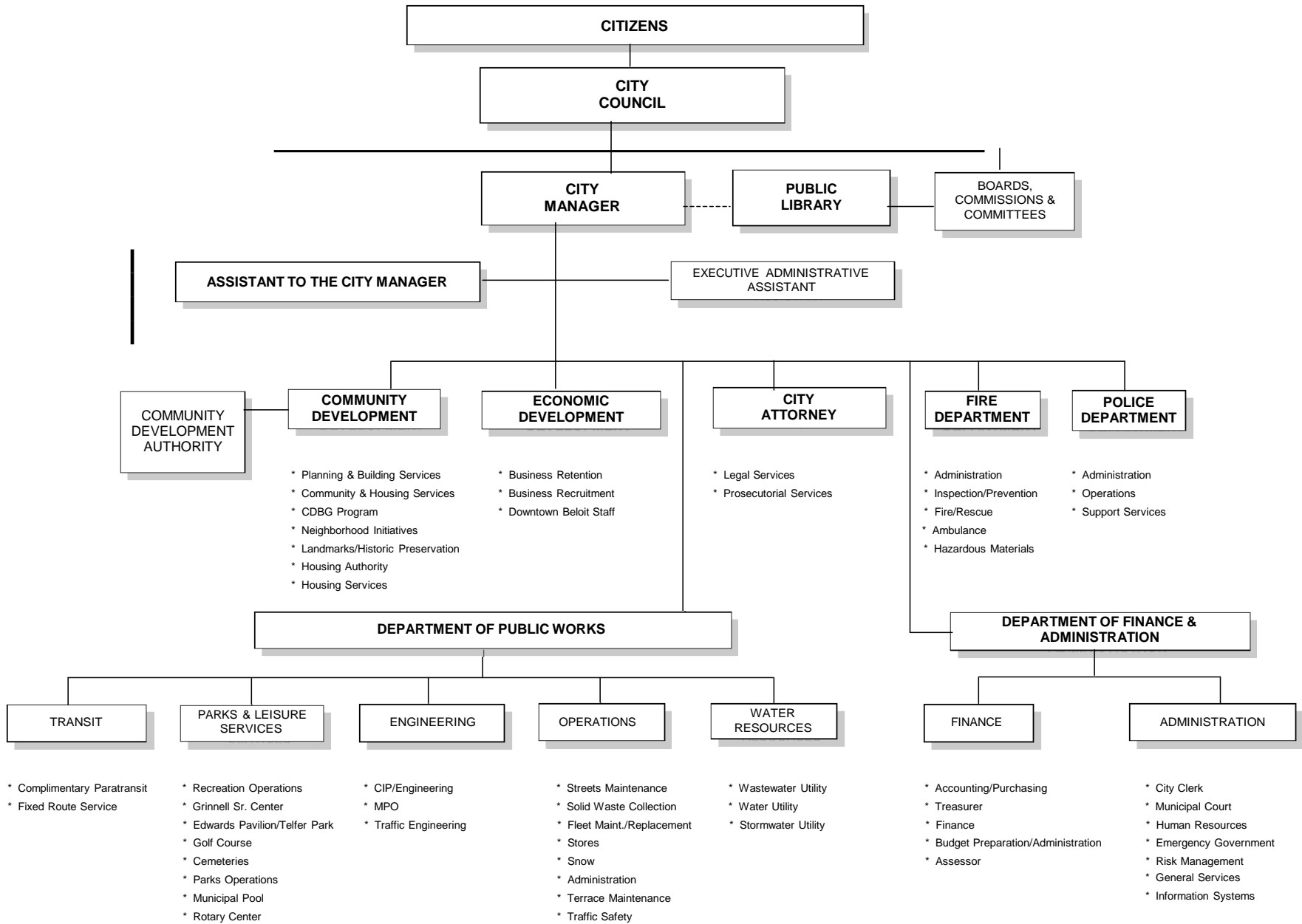
CITY MANAGER

Lori S. Curtis Luther

DEPARTMENT DIRECTORS

Eric Miller – Finance & Administrative Services Director
Gregory Boysen – Public Works Director
Julie Christensen – Community Development Director
Elizabeth Krueger – City Attorney
Andrew Janke – Economic Development Director
Bradley J. Liggett – Fire Chief
David Zibolski – Police Chief

CITY OF БЕЛОIT, WISCONSIN ORGANIZATIONAL CHART 2016



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, 2016, 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 2 percent, 4 percent and 6 percent, respectively, of the assets, net position and revenues of the discretely presented component units. The LLCs of the CDA represent 59 percent, 69 percent, and 11 percent, respectively, of the assets, net position, and operating revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for 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 report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 financial statements of 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, 2016 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beloit's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

To the City Council
City of Beloit

Other Information

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 June 23, 2017 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 the City of Beloit's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
June 23, 2017

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For Year Ended December 31, 2016

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, 2016. 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 and deferred outflows of resources of the City of Beloit exceeded its liabilities and deferred inflows of resources as of December 31, 2016, by \$123,366,950 (*net position*). Of this amount, \$(7,627,256) is an unrestricted deficit.
 - > The City's total net position decreased \$2,520,790 largely due to operating losses in the Sewer Utility and Health Insurance Funds as well as depreciation of the City's capital assets and infrastructure exceeding its reduction in outstanding debt related to those assets.
 - > In accordance with GASB Statement No. 68 which requires governmental entities participating in the Wisconsin Retirement System (WRS) to report their proportionate share of the plan's activity and net pension liability, the City recorded a pension liability of \$3,410,268 in 2016. This is a decrease from the pension amount reported in 2015 which was a \$5,160,932 asset. As of the December 31, 2015 measurement date used for the 2016 financial statements, WRS reported total resources available to provide pension benefits of \$88.5 billion. They also reported a total liability for pensions of \$90.1 billion, resulting in a net pension liability of \$1.6 billion. The City's proportionate share of this liability is \$3,410,268.
 - > As of December 31, 2016, the City's governmental funds reported combined ending fund balances of \$28,751,451, an increase of \$243,433 from the prior year. Of this amount, \$4,630,654 or 16.1% is unassigned and is available for spending at the government's discretion. The increase in fund balance was mostly due to a positive change in fund balance of \$687,532 in TIF District No. 6 and \$313,055 in TIF District No. 13.
 - > As of December 31, 2016, the unassigned fund balance for the general fund was \$8,303,332 or 27.8% of total general fund expenditures.
 - > The business-type activities total net position at December 31, 2016 was \$68,192,639, which represents a decrease of \$1,488,825 from the prior year. Of this amount, \$53,967,808 represents the business-type activities net investment in capital assets.
-

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here is 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, 2016

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

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)
For Year Ended December 31, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

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

The City maintains 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, capital improvements fund, and TIF district No. 10 – special revenue 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, sewer, and storm 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, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

Agency Funds – Agency funds are used to account for resources held for the benefit of parties outside the government. Agency 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 agency funds is much like that used for proprietary funds.

The basic agency fund financial statements can be found on page 13 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 and all other required supplementary information can be found on pages 97 to 105 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 106 to 111 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$123,366,950 as of December 31, 2016. This is a decrease of \$2,520,970 from the previous year. This decrease is largely due to operating losses in the Sewer Utility and Health Insurance Funds as well as depreciation of the City's capital assets and infrastructure exceeding its reduction in outstanding debt related to those assets.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) (UNAUDITED) For Year Ended December 31, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

The largest portion of the City of Beloit's net position (approximately 94%) 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.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|----------------------------|---------|-----------------------------|---------|----------|----------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Current and other assets | \$ 72.0 | \$ 67.9 | \$ 17.8 | \$ 17.3 | \$ 89.8 | \$ 85.2 |
| Capital assets | 105.7 | 107.5 | 84.9 | 81.4 | 190.6 | 188.9 |
| Total Assets | 177.7 | 175.4 | 102.7 | 98.7 | 280.4 | 274.1 |
| Deferred outflows of resources | 5.7 | 17.2 | 0.9 | 2.9 | 6.6 | 20.1 |
| Long-term liabilities | 100.8 | 104.6 | 32.4 | 31.0 | 133.2 | 135.6 |
| Other liabilities | 4.8 | 4.2 | 0.8 | 0.6 | 5.6 | 4.8 |
| Total Liabilities | 105.6 | 108.8 | 33.2 | 31.6 | 138.8 | 140.4 |
| Deferred inflows of resources | 21.6 | 28.7 | 0.7 | 1.7 | 22.3 | 30.4 |
| Net position: | | | | | | |
| Net investment in capital assets, | 59.8 | 65.8 | 55.6 | 54.0 | 110.8 | 115.6 |
| Restricted | 18.0 | 13.2 | 4.0 | 2.1 | 22.0 | 15.3 |
| Unrestricted (deficit) | (21.6) | (23.9) | 10.1 | 12.1 | (6.9) | (7.6) |
| Total Net Position | \$ 56.2 | \$ 55.2 | \$ 69.7 | \$ 68.2 | \$ 125.9 | \$ 123.4 |

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 12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (deficit) is \$(7,627,256).

Analysis of City Operations – The following table provides a summary of the City's operations for the year ended December 31, 2016. Governmental activities decreased the City's net position by \$1.0 million and business-type activities decreased the City's net position by \$1.5 million.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)
For Year Ended December 31, 2016

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 | |
|--|----------------------------|----------------|-----------------------------|----------------|-----------------------------|-----------------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| REVENUES | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 5.4 | \$ 7.7 | \$ 15.1 | \$ 15.6 | \$ 20.5 | \$ 23.3 |
| Operating grants & contributions | 1.0 | 4.1 | 1.2 | 1.2 | 2.2 | 5.3 |
| Capital grants & contributions | 0.2 | 0.6 | 0.1 | - | 0.3 | 0.6 |
| General Revenues: | | | | | | |
| Property taxes | 20.7 | 21.5 | 0.7 | 0.7 | 21.4 | 22.2 |
| Other taxes | 0.7 | 0.7 | - | - | 0.7 | 0.7 |
| Intergovernmental | 22.2 | 21.9 | - | - | 22.2 | 21.9 |
| Investment income | 0.3 | 0.3 | 0.3 | 0.3 | 0.6 | 0.6 |
| Gain on the sale of property | 0.1 | 1.0 | - | - | 0.1 | 1.0 |
| Miscellaneous | 0.9 | 1.0 | - | - | 0.9 | 1.0 |
| Total Revenues | <u>51.5</u> | <u>58.8</u> | <u>17.4</u> | <u>17.8</u> | <u>68.9</u> | <u>76.6</u> |
| EXPENSES | | | | | | |
| General government | 0.8 | 0.8 | - | - | 0.8 | 0.8 |
| Finance and Administration | 5.5 | 6.4 | - | - | 5.5 | 6.4 |
| Community development | 3.0 | 6.5 | - | - | 3.0 | 6.5 |
| Economic development | 0.3 | 0.4 | - | - | 0.3 | 0.4 |
| Police services | 15.0 | 16.0 | - | - | 15.0 | 16.0 |
| Fire services | 10.7 | 9.4 | - | - | 10.7 | 9.4 |
| Public works | 13.0 | 16.2 | - | - | 13.0 | 16.2 |
| Parks, recreation, and education | 2.3 | 2.5 | - | - | 2.3 | 2.5 |
| Interest & fiscal charges | 2.2 | 2.0 | - | - | 2.2 | 2.0 |
| Water utility | - | - | 4.9 | 4.8 | 4.9 | 4.8 |
| Sewer utility | - | - | 9.2 | 8.9 | 9.2 | 8.9 |
| Other non-major proprietary funds | - | - | 5.4 | 5.2 | 5.4 | 5.2 |
| Total Expenses | <u>52.8</u> | <u>60.2</u> | <u>19.5</u> | <u>18.9</u> | <u>72.3</u> | <u>79.1</u> |
| Change in net position before transfers | (1.3) | (1.4) | (2.1) | (1.1) | (3.4) | (2.5) |
| Transfers | 0.6 | 0.4 | (0.6) | (0.4) | - | - |
| Change in net position | (0.7) | (1.0) | (2.7) | (1.5) | (3.4) | (2.5) |
| Net position – beginning | <u>56.9</u> | <u>56.2</u> | <u>72.4</u> | <u>69.7</u> | <u>129.3</u> | <u>125.9</u> |
| Net position – ending | <u>\$ 56.2</u> | <u>\$ 55.2</u> | <u>\$ 69.7</u> | <u>\$ 68.2</u> | <u>\$ 125.9</u> | <u>\$ 123.4</u> |

Columns may not total due to rounding.

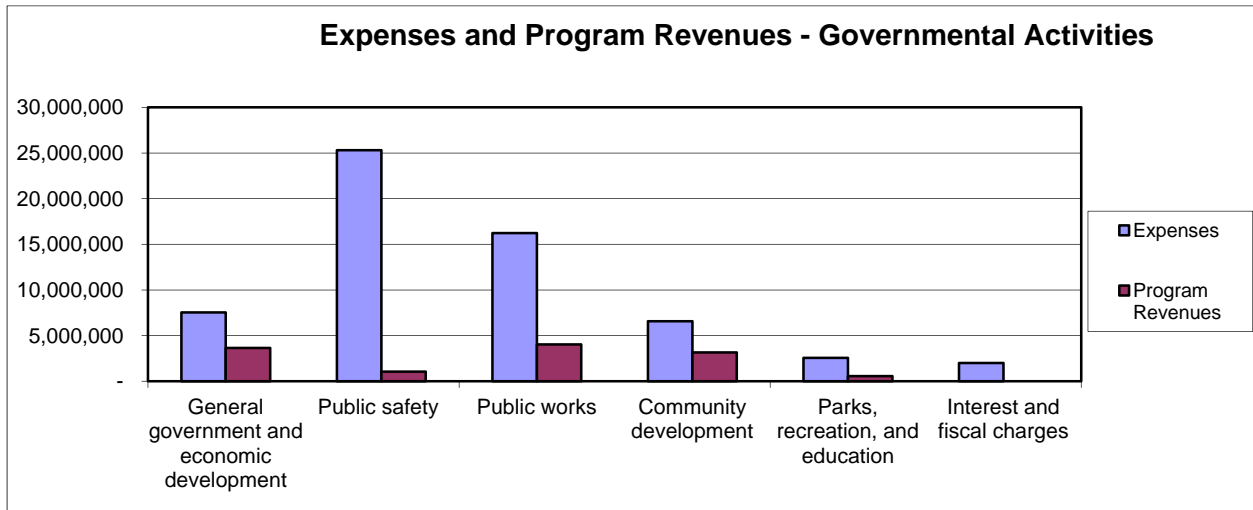
CITY OF BELOIT, WISCONSIN

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

For Year Ended December 31, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

For 2016, revenues increased by approximately \$7,700,000 or 11% due primarily to charges for service and higher operating grants and contributions. Expenses increased by approximately \$6,800,000 or 9% compared to the prior year due primarily to increases in the Public Works Department and Community Development.



Intergovernmental revenue, such as state shared revenue, and property taxes are biggest sources of revenue for the City. Combined they make up 76% of the total revenue for Governmental Activities. The Public Safety and Public Works departments make up 42% and 27% of Governmental Activity Expenses respectively.

Charges for services account for 88% of the revenue for Business-type Activities. The Water and Sewer Utilities combine to make up 72% of the total Business-type Activities expenses.

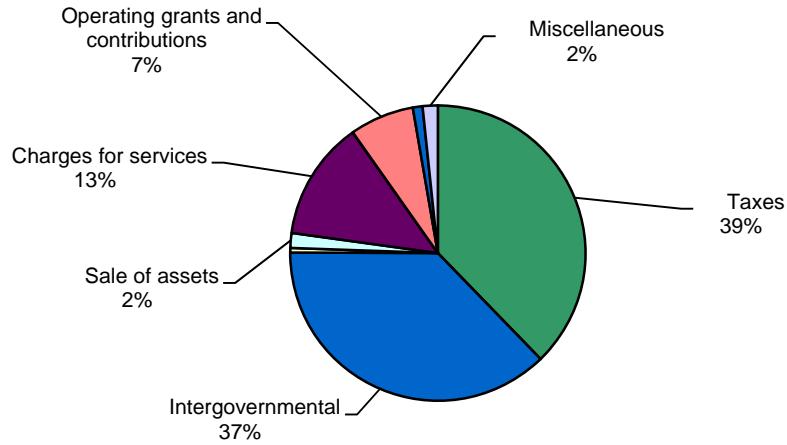
CITY OF BELOIT, WISCONSIN

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

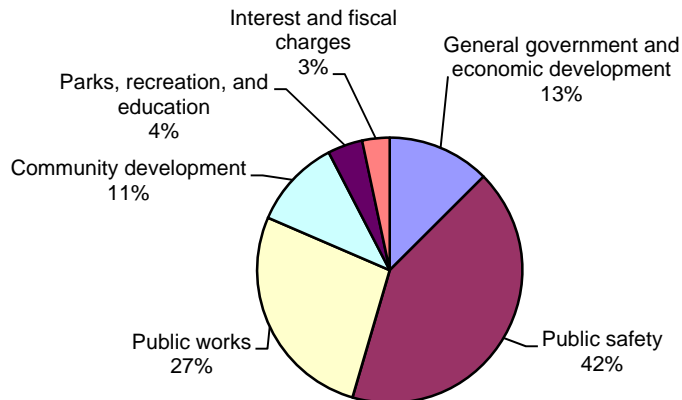
For Year Ended December 31, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

Revenue by Source - Governmental Activities



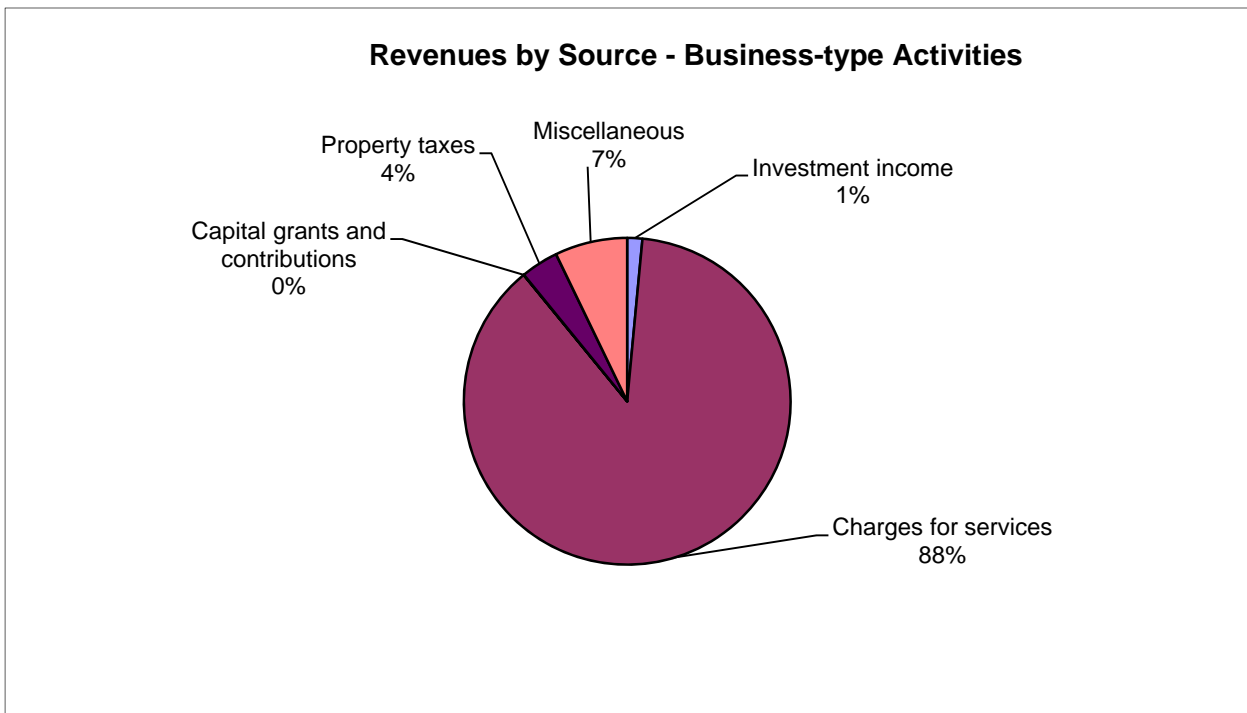
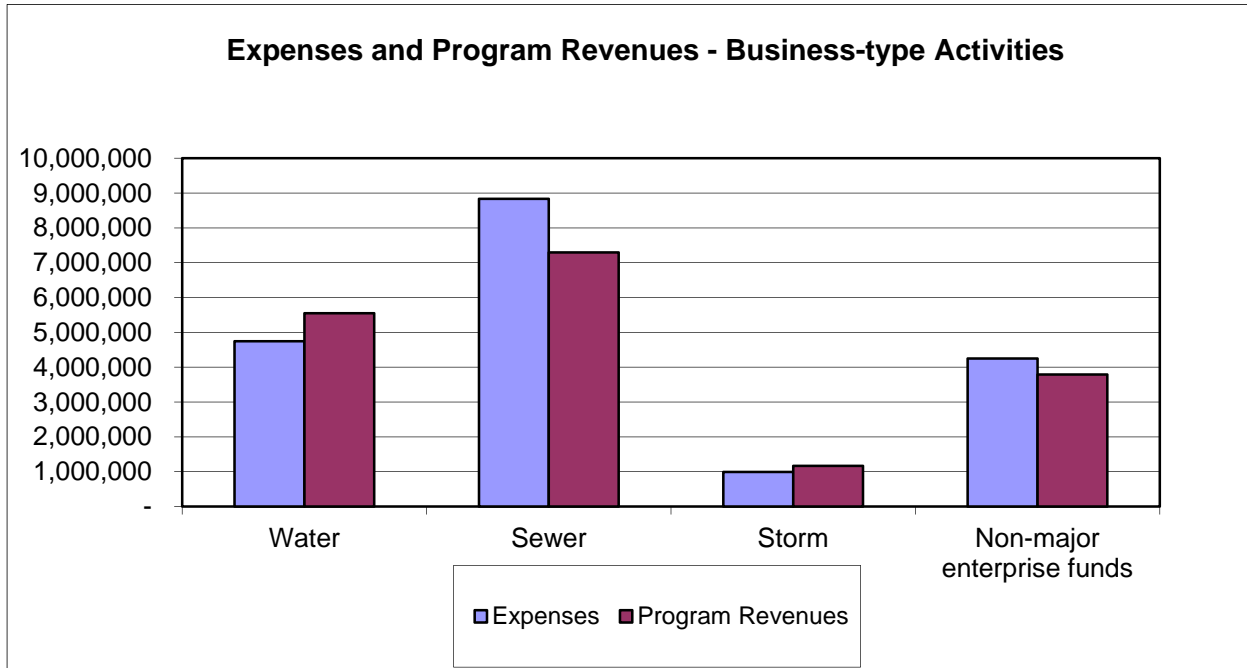
Expenses by Function - Governmental Activities



CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)
For Year Ended December 31, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)



CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)
For Year Ended December 31, 2016

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, 2016, the City of Beloit's governmental funds reported combined ending fund balances of \$28,751,451. This is an increase of \$243,433 from the previous year. Approximately 16% of this total or \$4,630,654 constitutes unassigned fund balance, which is available for spending at the government's discretion. The increase in fund balance was mostly due to a positive change in fund balance of \$687,532 in TIF District No. 6 and \$313,055 in TIF District No. 13.

The remainder of fund balance is restricted, assigned or non-spendable. Restricted fund balance totals \$12,697,326 and can be used for only those purposes established by parties outside the government. The largest single component being \$4,501,197 restricted for economic development. Other restrictions in this category are for debt service, capital projects, grant programs, library operations, solid waste, and cemetery perpetual care. Assigned fund balance totals \$9,844,541 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 \$1,578,930 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, 2016, the total fund balance of the general fund was \$9,882,262 of which \$8,303,332 was unrestricted (*assigned and unassigned*). This unrestricted fund balance represents 28% of general fund expenditures. The City's total general fund balance increased \$83,088 from the prior year. The City budgeted for a change in fund balance of \$0.

Capital Improvements Fund: The capital improvements fund is used account for and report financial resources that are restricted, committed, or assigned for expenditures for capital improvement projects. It has a fund balance of \$5,263,135 of which \$2,190,884 is restricted for unspent bond proceeds with the remainder being assigned for capital improvement projects.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)
For Year Ended December 31, 2016

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

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.

Since its inception in 2000, the TID has accounted for over 1,000 new jobs and additional tax base valued in excess of \$171 million. The premier projects in the TID are Diamond Foods Kettle Brands, Kerry Americas Headquarters, Pratt Industries, and the Staples Order Fulfillment Center. The district is scheduled to close in 2023. The annual tax increment of the TID exceeds \$4.4 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 \$2,098,792 which is restricted for the payment of principal and interest on outstanding debt.

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 \$11,023,979, an increase of \$435,917 from last year. There are three tax increment districts that have deficit fund balances as of December 31, 2016.

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.

Water Utility: The water utility realized a \$377,596 or 24% increase in operating income of \$1,973,430 in 2016 from \$1,595,834 in 2015. This increase was the result of decreased contractual service costs for maintenance in 2016. The change in net position in 2016 was an increase of \$125,581. The City serves 15,358 water customers and maintains eight wells and approximately 200 miles of water mains.

Sewer Utility: The sewer utility realized an operating loss of \$1,575,747 in 2016 compared to a loss of \$2,357,519 for 2015. This loss is largely the result of depreciation expense and increased contractual services to maintain the plant and equipment. Operating revenues increased slightly in 2016 as a result of increased industrial billings. There were no changes in the user fees assessed for sanitary sewer service. The rates for sewer services have not changed since 2003 and have not increased since the 1990's. Net position decreased \$1,230,729 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 \$712,345 from the prior year. The City serves 13,252 sewer customers with a wastewater treatment facility that has the capacity to treat 11 MGD of flow. The City maintains approximately 186 miles of sanitary sewer mains.

Storm Utility: The storm utility realized a \$227,952 increase in operating income of \$199,462 in 2016 from \$(28,490) in 2015. This increase was the result of increased charges for services and decrease in operation and maintenance costs in 2016. The change in net position in 2016 was an increase of \$174,338.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) (UNAUDITED) For Year Ended December 31, 2016

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

The net position of the City's Enterprise Funds as of December 31, 2016 was \$68,084,235. The water, sewer, and storm utility's net position accounted for \$62,739,902 or 92% of this total.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget appropriations totaled \$30,502,476. The final actual expenditures of \$29,860,797 were \$641,679 less than the final budget appropriations.

The actual revenues and other financing sources were \$29,943,885, which were \$558,591 less than the budgeted amount. Investment income in 2016 was \$235,156. Interest rates continue to remain very low but have shown signs of improvement. At \$7,202,750 the property tax levy is the second largest local source revenue in the general fund. Total taxes were greater than the final budget by \$43,750. 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 2016, these payments totaled \$19,406,099. This represents 65% of total general fund revenues and other financing sources and is consistent with prior year's totals. Revenues and other financing sources were \$83,088 greater than expenditures and other financing uses, which is the net change in fund balance for 2016. As was previously mentioned, no change in fund balance was budgeted for the general fund in 2016.

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

- > General government expenditures were \$437,488 less than budget largely related to reduced personnel costs, and using fewer contracted services in the Finance and Administrative Services department.
- > Actual expenditures for the Public Safety departments were \$199,777 more than the final budget amount. This was due mainly to increases in overtime and legal fees.
- > Public Works department expenditures were \$325,047 less than budget due to the reduction in contracted services, vehicle maintenance and fuel costs, as well as lower snow and ice removal expenses related to less severe winter weather
- > Overall, general fund expenditures and other financing uses were \$641,679 less than budgeted amounts.
- > Tax revenues were slightly higher than budget primarily due to increased motel tax collections.
- > The City's largest source of revenue for its general fund comes from funding it receives from the State of Wisconsin. In 2016 the City received \$19,406,099 in intergovernmental aid from the State to support municipal services and transportation. This amounts to 67% of total general fund revenues and other financing sources.
- > License and permit revenues were \$22,036 less than budget due to fewer sales of liquor licenses and decrease in cable TV franchise fees.
- > Fines, forfeitures and penalties were \$328,652 less than budget largely due to decreased fines collected for traffic and non-traffic related offenses and parking violations.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.) (UNAUDITED) For Year Ended December 31, 2016

CAPITAL ASSETS

The City of Beloit's investment in capital assets for its governmental and business-type activities as of December 31, 2016, was \$188,920,940 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery, and equipment, park facilities, roads, bridges, highways and related fixtures and represents a decrease in net book value of \$1,649,621 from last year. This decrease is the result of current year depreciation exceeding current year additions to capital assets.

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

- > The City added over \$4.1 million in vehicles and equipment in 2016.
- > Currently \$2,682,361 in CWIP at year-end related to the Coley Rd and Wisconsin Ave reconstruction projects.
- > The City added over \$1 million of various improvements to its water and sewer utility funds including replacements and expansions to the water distribution system and the sewer collection system as well as customary infrastructures improvements to the water pollution control facility.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|----------------------------|-----------------|-----------------------------|----------------|-----------------|-----------------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Land | \$ 5.0 | \$ 5.0 | \$ 3.7 | \$ 3.7 | \$ 8.7 | \$ 8.7 |
| Construction in progress | - | 2.7 | - | - | - | 2.7 |
| Buildings | 14.6 | 14.2 | 7.5 | 7.2 | 22.1 | 21.4 |
| Machinery & equipment | 11.6 | 12.8 | 3.5 | 3.2 | 15.1 | 16.0 |
| Other improvements | 3.5 | 3.1 | - | - | 3.5 | 3.1 |
| Streets | 54.5 | 53.4 | - | - | 54.5 | 53.4 |
| Street lights | 5.3 | 5.2 | - | - | 5.3 | 5.2 |
| Traffic signals | 0.7 | 0.6 | - | - | 0.7 | 0.6 |
| Bridges | 10.5 | 10.3 | - | - | 10.5 | 10.3 |
| Storm sewer infrastructure | - | - | 9.4 | 9.3 | 9.4 | 9.3 |
| Water plant & equipment | - | - | 27.4 | 26.9 | 27.4 | 26.9 |
| Sewer plant & equipment | - | - | 33.3 | 31.1 | 33.3 | 31.1 |
| Totals | <u>\$ 105.7</u> | <u>\$ 107.5</u> | <u>\$ 84.8</u> | <u>\$ 81.4</u> | <u>\$ 190.5</u> | <u>\$ 188.9</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 39-41 of this CAFR.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)
For Year Ended December 31, 2016

LONG-TERM OBLIGATIONS

In 2016, the City issued \$17,515,000 in general obligation and revenue debt and retired \$20,401,105 resulting in \$75,525,850 in outstanding general obligation and revenue bonds at the end of 2016. Of the total bonded debt outstanding, \$50,514,403 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 63% of the maximum allowed of \$79,677,965. The City's Stormwater utility revenue bonds and general obligation notes and bonds are rated "A+" and the Water utility revenue bonds are rated "A-" by Standard and Poor's. The general obligation debt rating was affirmed in 2016.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|----------------------------|---------|-----------------------------|---------|---------|---------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| General obligation bonds | \$ 46.8 | \$ 46.8 | \$ 4.2 | \$ 3.7 | \$ 51.0 | \$ 50.5 |
| Revenue bonds | - | - | 27.4 | 25.0 | 27.4 | 25.0 |
| Debt Outstanding | \$ 46.8 | \$ 46.8 | \$ 31.6 | \$ 28.7 | \$ 78.4 | \$ 75.5 |

Columns may not total due to rounding.

Additional information on the City of Beloit's long-term debt and capital leases can be found in footnote IV.F and IV.G on pages 44-52 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 improvements to the local economy and the City remains on a path to full recovery. In April 2009, the City's unemployment rate was 18.3%, which was the highest in the State. As of April 2017, the rate was 4.8%, which was second highest in the State. This trend is positive and has continued to improve, yet still lags behind both State and National averages which are 3.2% and 4.4% respectively.

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.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)
For Year Ended December 31, 2016

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS (cont.)

This fact has become obvious from the economic development activity and growth being realized in the City's Tax Increment District No.10 which is located at the intersection of these highways. Since its inception in 2000, TID No.10 has realized an additional tax base value in excess of \$171 million with over 1,000 new jobs. We are optimistic that this linkage will further enhance the development potential of TID #10 and provide additional economic development opportunities for the City.

Another project that will have a profound impact on the City's economy is the potential for an Indian gaming casino in the City. Five years ago, 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 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. Four years ago 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 2016, the City's tax base increased \$35,621,400 or 2.3% to \$1,593,559,300. Most of this increase occurred in commercial property values and was attributable to new economic development projects and increased economic conditions. Property values continued to stabilize in 2016 and have shown positive growth in net new construction for the City. Several commercial and manufacturing construction projects were completed in 2016.

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>.

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF BELOIT

STATEMENT OF NET POSITION
As of December 31, 2016

| | Primary Government | | | Component Units |
|---|----------------------------|---------------------------------|-----------------------|----------------------|
| | Governmental Activities | Business- type Activities | Totals | |
| ASSETS | | | | |
| Cash and investments | \$ 26,705,457 | \$ 9,230,502 | \$ 35,935,959 | \$ 1,949,649 |
| Receivables (net of allowance for uncollectibles) | | | | |
| Taxes | 22,553,619 | 662,833 | 23,216,452 | - |
| Delinquent personal property taxes | 38,394 | - | 38,394 | - |
| Accounts | 1,040,857 | 3,443,511 | 4,484,368 | 71,555 |
| Pledges | - | - | - | 7,433 |
| Special assessments | 1,335,777 | - | 1,335,777 | - |
| Loans | 3,103,911 | - | 3,103,911 | - |
| Accrued interest | 83,819 | - | 83,819 | 540 |
| Land contract | 1,545,961 | - | 1,545,961 | - |
| Other | 65,264 | 549,030 | 614,294 | - |
| Due from other governmental units | 1,147,652 | 151,356 | 1,299,008 | 21,930 |
| Internal balances - interfunds | 61,858 | (61,858) | - | - |
| Internal balances - advances | 1,481,862 | (1,481,862) | - | - |
| Due from component unit | 94,048 | - | 94,048 | - |
| Inventories | 507,427 | 228,917 | 736,344 | - |
| Tax credit fees | - | - | - | 153,929 |
| Prepaid items | 56,466 | - | 56,466 | 1,726 |
| Lease receivable from primary government | - | - | - | 11,473,188 |
| Restricted Assets | | | | |
| Temporarily Restricted | | | | |
| Cash and investments | - | 4,379,763 | 4,379,763 | 2,919,498 |
| Deposit with risk pool | 1,575,475 | - | 1,575,475 | - |
| Other assets | - | 175,074 | 175,074 | - |
| Land held for resale | 6,522,175 | - | 6,522,175 | - |
| Capital Assets | | | | |
| Land | 4,971,936 | 3,707,005 | 8,678,941 | 601,285 |
| Construction in progress | 2,682,361 | - | 2,682,361 | - |
| Capital assets net of depreciation | 99,844,744 | 77,714,894 | 177,559,638 | 16,794,102 |
| Total Assets | 175,419,063 | 98,699,165 | 274,118,228 | 33,994,835 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Unamortized loss on advanced refunding | 1,127,937 | 62,688 | 1,190,625 | - |
| Pension related amounts | 16,130,521 | 2,808,066 | 18,938,587 | 337,330 |
| Total Deferred Outflows of Resources | 17,258,458 | 2,870,754 | 20,129,212 | 337,330 |
| LIABILITIES | | | | |
| Accounts payable | 1,575,628 | 304,799 | 1,880,427 | 43,398 |
| Accrued liabilities | 352,902 | 158,479 | 511,381 | 1,162,037 |
| Claims payable | 2,278,750 | - | 2,278,750 | - |
| Due to primary government | - | - | - | 94,045 |
| Due to other governmental units | - | - | - | - |
| Other liabilities | - | 149,741 | 149,741 | - |
| Deposits | - | 26,000 | 26,000 | 160,981 |
| Noncurrent liabilities | | | | |
| Due within one year | 9,744,728 | 2,300,635 | 12,045,363 | 2,625,000 |
| Due in more than one year | 94,844,969 | 28,707,875 | 123,552,844 | 11,889,894 |
| Total Liabilities | 108,796,977 | 31,647,529 | 140,444,506 | 15,975,355 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Property tax levied for next period | 22,536,819 | 659,475 | 23,196,294 | 1,406,851 |
| Pension related amounts | 6,169,414 | 1,070,276 | 7,239,690 | 131,403 |
| Total Deferred Inflows of Resources | 28,706,233 | 1,729,751 | 30,435,984 | 1,538,254 |
| NET POSITION (DEFICIT) | | | | |
| Net investment in capital assets | 65,844,049 | 53,967,808 | 115,643,805 | 17,395,387 |
| Restricted for debt service | 1,745,892 | 514,032 | 2,259,924 | - |
| Restricted for library operations | 569,923 | - | 569,923 | - |
| Restricted for replacement | - | 1,595,400 | 1,595,400 | - |
| Restricted for economic development | 4,501,197 | - | 4,501,197 | - |
| Restricted for grant programs | 3,864,390 | - | 3,864,390 | 5,447,903 |
| Restricted for solid waste | 318,565 | - | 318,565 | - |
| Restricted for cemetery perpetual care | 2,241,002 | - | 2,241,002 | - |
| Unrestricted (deficit) | (23,910,707) | 12,115,399 | (7,627,256) | (6,024,734) |
| TOTAL NET POSITION | \$ 55,174,311 | \$ 68,192,639 | \$ 123,366,950 | \$ 16,818,556 |

See accompanying notes to financial statements.

CITY OF БЕЛОIT

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

| Functions/Programs | Program Revenues | | | |
|---|------------------|----------------------|------------------------------------|----------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental Activities | | | | |
| General Government | | | | |
| City Council, Manager, Attorney | \$ 782,031 | \$ 43,065 | \$ - | \$ - |
| Finance and Administrative Services | 6,391,553 | 3,433,164 | 171,591 | - |
| Community Development | 6,574,221 | 147,455 | 3,004,777 | - |
| Economic Development | 368,492 | - | - | - |
| Public Safety | | | | |
| Police Services | 15,906,565 | 970,757 | 860 | - |
| Fire Services | 9,395,681 | 11,972 | 67,277 | - |
| Public works | 16,224,141 | 2,780,201 | 624,057 | 626,960 |
| Parks, recreation, and education | 2,571,609 | 279,608 | 278,679 | - |
| Interest and fiscal charges | 2,011,442 | - | - | - |
| Total Governmental Activities | 60,225,735 | 7,666,222 | 4,147,241 | 626,960 |
| Business-type Activities | | | | |
| Water | 4,761,331 | 5,507,429 | - | 6,490 |
| Sewer | 8,873,499 | 7,167,202 | - | - |
| Golf course | 424,392 | 360,638 | - | - |
| Cemeteries | 307,592 | 144,906 | - | - |
| Ambulance | 1,233,792 | 1,110,999 | - | - |
| Storm sewer | 998,387 | 1,124,771 | - | - |
| Transit | 2,320,457 | 189,917 | 1,234,089 | - |
| Total Business-type Activities | 18,919,450 | 15,605,862 | 1,234,089 | 6,490 |
| Total Primary Government | \$ 79,145,185 | \$ 23,272,084 | \$ 5,381,330 | \$ 633,450 |
| Component Units - Business-type Activities | | | | |
| Community Development Authority | \$ 5,742,639 | \$ 324,320 | \$ 3,951,853 | \$ 15,143 |
| Beloit Public Library Foundation, Inc. | 160,562 | - | 259,667 | - |
| Total Component Units | \$ 5,903,201 | \$ 324,320 | \$ 4,211,520 | \$ 15,143 |

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 | | | |
| Governmental Activities | Business-type Activities | Totals | Component Units |
| \$ (738,966) | \$ - | \$ (738,966) | \$ - |
| (2,786,798) | - | (2,786,798) | - |
| (3,421,989) | - | (3,421,989) | - |
| (368,492) | - | (368,492) | - |
| (14,934,948) | - | (14,934,948) | - |
| (9,316,432) | - | (9,316,432) | - |
| (12,192,923) | - | (12,192,923) | - |
| (2,013,322) | - | (2,013,322) | - |
| (2,011,442) | - | (2,011,442) | - |
| <u>(47,785,312)</u> | <u>-</u> | <u>(47,785,312)</u> | <u>-</u> |
| - | 752,588 | 752,588 | - |
| - | (1,706,297) | (1,706,297) | - |
| - | (63,754) | (63,754) | - |
| - | (162,686) | (162,686) | - |
| - | (122,793) | (122,793) | - |
| - | 126,384 | 126,384 | - |
| - | (896,451) | (896,451) | - |
| - | <u>(2,073,009)</u> | <u>(2,073,009)</u> | <u>-</u> |
| <u>(47,785,312)</u> | <u>(2,073,009)</u> | <u>(49,858,321)</u> | <u>-</u> |
| - | - | - | (1,451,323) |
| - | - | - | 99,105 |
| - | - | - | <u>(1,352,218)</u> |
| 7,080,809 | 662,833 | 7,743,642 | - |
| 4,769,154 | - | 4,769,154 | - |
| 7,688,407 | - | 7,688,407 | - |
| 1,936,877 | - | 1,936,877 | - |
| 724,441 | - | 724,441 | - |
| 21,936,614 | - | 21,936,614 | - |
| 292,699 | 265,580 | 558,279 | 679,591 |
| 961,838 | - | 961,838 | - |
| 974,468 | 43,811 | 1,018,279 | 106,777 |
| 388,040 | (388,040) | - | - |
| <u>46,753,347</u> | <u>584,184</u> | <u>47,337,531</u> | <u>786,368</u> |
| (1,031,965) | (1,488,825) | (2,520,790) | (565,850) |
| <u>56,206,276</u> | <u>69,681,464</u> | <u>125,887,740</u> | <u>17,384,406</u> |
| <u>\$ 55,174,311</u> | <u>\$ 68,192,639</u> | <u>\$ 123,366,950</u> | <u>\$ 16,818,556</u> |

See accompanying notes to financial statements.

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF BELOIT

BALANCE SHEET - GOVERNMENTAL FUNDS
As of December 31, 2016

| | General | TIF District No. 10 | General Debt Service | Capital Improvements | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|------------------------|-------------------------|-------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and investments | \$ 8,062,493 | \$ - | \$ 724,389 | \$ 3,107,993 | \$ 13,563,739 | \$ 25,458,614 |
| Receivables | | | | | | |
| Taxes | 7,350,019 | 5,147,563 | 4,850,000 | 197,845 | 5,008,192 | 22,553,619 |
| Delinquent personal property taxes | 38,394 | - | - | - | - | 38,394 |
| Accounts (net) | 265,310 | - | - | - | 615,439 | 880,749 |
| Special assessments | - | - | - | 1,335,777 | - | 1,335,777 |
| Loans | - | - | - | - | 3,103,911 | 3,103,911 |
| Accrued interest | 69,334 | - | - | - | 14,485 | 83,819 |
| Land contract | - | - | - | - | 1,545,961 | 1,545,961 |
| Other | 65,264 | - | - | - | - | 65,264 |
| Due from other governmental units | - | 719,435 | - | 133,759 | 294,458 | 1,147,652 |
| Due from other funds | 837,230 | - | - | - | - | 837,230 |
| Due from component units | - | - | - | - | 94,048 | 94,048 |
| Inventories | 507,427 | - | - | - | - | 507,427 |
| Prepaid items | 56,466 | - | - | - | - | 56,466 |
| Advances to other funds | 976,643 | - | 1,375,403 | 2,253,875 | 1,042,787 | 5,648,708 |
| TOTAL ASSETS | \$ 18,228,580 | \$ 5,866,998 | \$ 6,949,792 | \$ 7,029,249 | \$ 25,283,020 | \$ 63,357,639 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 814,265 | \$ 137,642 | \$ 1,000 | \$ 232,492 | \$ 332,013 | \$ 1,517,412 |
| Due to other funds | - | 98,510 | - | - | 568,458 | 666,968 |
| Advances from other funds | - | - | - | - | 3,629,278 | 3,629,278 |
| Total Liabilities | 814,265 | 236,152 | 1,000 | 232,492 | 4,529,749 | 5,813,658 |
| Deferred Inflows of Resources | | | | | | |
| Property tax levied for next period | 7,350,019 | 5,147,563 | 4,850,000 | 197,845 | 4,991,392 | 22,536,819 |
| Unavailable revenue | 182,034 | - | - | 1,335,777 | 4,737,900 | 6,255,711 |
| Total Deferred Inflows of Resources | 7,532,053 | 5,147,563 | 4,850,000 | 1,533,622 | 9,729,292 | 28,792,530 |
| Fund Balances (Deficit) | | | | | | |
| Nonspendable | 1,578,930 | - | - | - | - | 1,578,930 |
| Restricted | - | 483,283 | 2,098,792 | 2,190,884 | 7,924,367 | 12,697,326 |
| Assigned | - | - | - | 3,072,251 | 6,772,290 | 9,844,541 |
| Unassigned (deficit) | 8,303,332 | - | - | - | (3,672,678) | 4,630,654 |
| Total Fund Balances | 9,882,262 | 483,283 | 2,098,792 | 5,263,135 | 11,023,979 | 28,751,451 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 18,228,580 | \$ 5,866,998 | \$ 6,949,792 | \$ 7,029,249 | \$ 25,283,020 | |

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. | 107,495,216 |
| Land held for resale is not reported in the funds | 6,522,175 |
| 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. | 6,255,711 |
| Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. | 15,895,494 |
| Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. | (6,079,887) |
| Internal service funds are reported in the statement of net position as governmental funds | 106,523 |
| 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. | (104,900,309) |
| A deferred charge on refunding represents a consumption of net position that applies to a future period and, therefore, is not reported in the funds. | 1,127,937 |

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 55,174,311

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, 2016

| | General | TIF District No. 10 |
|---|---------------------|------------------------|
| REVENUES | | |
| Taxes | \$ 7,202,750 | \$ 4,482,569 |
| Intergovernmental | 19,406,099 | 847,145 |
| Licenses and permits | 840,394 | - |
| Fines, forfeitures and penalties | 743,548 | - |
| Fees and service charges | 779,191 | - |
| Rent | 57,804 | - |
| Special assessments | - | - |
| Investment income | 235,156 | 18,141 |
| Unrealized gain (loss) on investments | (154,714) | - |
| Public charges for services | - | - |
| Other | 41,776 | 51,392 |
| Total Revenues | 29,152,004 | 5,399,247 |
| EXPENDITURES | | |
| Current | | |
| General government | 3,594,944 | - |
| Community development | 1,342,378 | - |
| Public safety | 19,218,338 | - |
| Public works | 5,705,137 | - |
| Parks, recreation, and education | - | - |
| Capital Outlay | - | 3,090,916 |
| Debt Service | | |
| Principal retirement | - | 1,625,440 |
| Interest and fiscal charges | - | 512,318 |
| Total Expenditures | 29,860,797 | 5,228,674 |
| Excess (deficiency) of revenues over (under) expenditures | (708,793) | 170,573 |
| OTHER FINANCING SOURCES (USES) | | |
| Debt issued | - | - |
| Debt premium | - | - |
| Sale of city property | 1,608 | 19,435 |
| Transfers in | 790,273 | - |
| Transfers out | - | (291,528) |
| Total Other Financing Sources (Uses) | 791,881 | (272,093) |
| Net Change in Fund Balances | 83,088 | (101,520) |
| FUND BALANCES - Beginning | 9,799,174 | 584,803 |
| FUND BALANCES - ENDING | \$ 9,882,262 | \$ 483,283 |

| General Debt Service | Capital Improvements | Nonmajor Governmental Funds | Total Governmental Funds |
|-------------------------|-------------------------|-----------------------------------|--------------------------------|
| \$ 4,769,154 | \$ - | \$ 5,163,379 | \$ 21,617,852 |
| - | 133,759 | 2,577,290 | 22,964,293 |
| - | - | 68,343 | 908,737 |
| - | 52,450 | - | 795,998 |
| - | - | 39,297 | 818,488 |
| - | - | - | 57,804 |
| - | 280,934 | - | 280,934 |
| 351 | 17,958 | 241,772 | 513,378 |
| - | - | (71,490) | (226,204) |
| - | - | 2,512,226 | 2,512,226 |
| 155 | 657,816 | 1,423,858 | 2,174,997 |
| <u>4,769,660</u> | <u>1,142,917</u> | <u>11,954,675</u> | <u>52,418,503</u> |
| - | - | - | 3,594,944 |
| - | - | 1,616,718 | 2,959,096 |
| - | - | 919,256 | 20,137,594 |
| - | - | 2,640,913 | 8,346,050 |
| - | - | 2,236,552 | 2,236,552 |
| - | 6,700,437 | 1,757,757 | 11,549,110 |
| 5,032,721 | - | 902,862 | 7,561,023 |
| <u>1,255,837</u> | <u>124,055</u> | <u>119,657</u> | <u>2,011,867</u> |
| <u>6,288,558</u> | <u>6,824,492</u> | <u>10,193,715</u> | <u>58,396,236</u> |
| <u>(1,518,898)</u> | <u>(5,681,575)</u> | <u>1,760,960</u> | <u>(5,977,733)</u> |
| - | 4,960,000 | - | 4,960,000 |
| - | 130,133 | - | 130,133 |
| - | 11,303 | 308,413 | 340,759 |
| 1,277,735 | 647,250 | 37,584 | 2,752,842 |
| - | - | (1,671,040) | (1,962,568) |
| <u>1,277,735</u> | <u>5,748,686</u> | <u>(1,325,043)</u> | <u>6,221,166</u> |
| (241,163) | 67,111 | 435,917 | 243,433 |
| <u>2,339,955</u> | <u>5,196,024</u> | <u>10,588,062</u> | <u>28,508,018</u> |
| <u>\$ 2,098,792</u> | <u>\$ 5,263,135</u> | <u>\$ 11,023,979</u> | <u>\$ 28,751,451</u> |

THIS PAGE IS INTENTIONALLY LEFT BLANK

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, 2016

| | | |
|--|-----------|--------------------|
| Net change in fund balances - total governmental funds | \$ | 243,433 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | | |
| <p>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.</p> | | |
| Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements | | 11,549,110 |
| Less: Some items are reported as capital outlay but not capitalized | | (4,796,497) |
| Depreciation is reported in the government-wide statements | | (3,754,988) |
| Change in land held for resale | | (481,162) |
| Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-in: is to decrease net position. | | (1,210,461) |
| Receivables not currently available are reported as unearned revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. | | 857,718 |
| 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 debt issues (\$4,960,000 G.O. debt) were less than payments (\$4,989,116 G.O. debt, \$10,000 other debt, and \$2,561,907 capital leases). | | 2,601,023 |
| Other post-employment benefit liability | | (3,440,412) |
| Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. | | (104,392) |
| 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 | | (122,337) |
| Accrued interest on debt | | (25,318) |
| Net pension liability | | (7,189,192) |
| Deferred outflows of resources related to pensions | | 11,519,245 |
| Deferred inflows of resources related to pensions | | (6,063,314) |
| Internal service funds are used by management to charge the costs of insurance, printing services, engineering and equipment maintenance to other funds. The decrease in net position of the internal service funds is reported in the governmental activities. | | (614,421) |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | (1,031,965) |

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
As of December 31, 2016

| | Business-type Activities - Enterprise Funds | | | | Totals | Governmental Activities - Internal Service Funds |
|---------------------------------------|---|-------------------|-------------------|---------------------------------|--------------------|---|
| | Water Utility | Sewer Utility | Storm Utility | Nonmajor Enterprise Funds | | |
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| Cash and investments | \$ 998,551 | \$ 7,609,255 | \$ 621,536 | \$ 1,160 | \$ 9,230,502 | \$ 1,246,843 |
| Receivables | | | | | | |
| Taxes | - | - | - | 662,833 | 662,833 | - |
| Accounts | 840,886 | 1,886,450 | 189,659 | 526,516 | 3,443,511 | 160,108 |
| Other | 74,941 | 474,089 | - | - | 549,030 | - |
| Due from other governmental units | - | - | 55,205 | 96,151 | 151,356 | - |
| Inventories | 67,337 | 38,040 | - | 123,540 | 228,917 | - |
| Restricted Assets | | | | | | |
| Bond redemption account | 383,039 | 112,563 | 49,250 | - | 544,852 | - |
| Total Current Assets | <u>2,364,754</u> | <u>10,120,397</u> | <u>915,650</u> | <u>1,410,200</u> | <u>14,811,001</u> | <u>1,406,951</u> |
| Noncurrent Assets | | | | | | |
| Restricted Assets | | | | | | |
| Bond reserve account | 2,129,011 | - | 110,500 | - | 2,239,511 | - |
| Replacement account | - | 1,595,400 | - | - | 1,595,400 | - |
| Deposit with risk pool | - | - | - | - | - | 1,575,475 |
| Total Restricted Assets | <u>2,129,011</u> | <u>1,595,400</u> | <u>110,500</u> | <u>-</u> | <u>3,834,911</u> | <u>1,575,475</u> |
| Capital Assets | | | | | | |
| Land | 1,050,724 | 1,386,281 | - | 1,270,000 | 3,707,005 | - |
| Land improvements | - | - | - | 702,418 | 702,418 | - |
| Buildings | 5,449,135 | 71,479,781 | - | 4,870,297 | 81,799,213 | - |
| Machinery, equipment, and vehicles | 2,791,952 | 1,640,972 | - | 4,450,075 | 8,882,999 | 67,165 |
| Infrastructure | 42,326,358 | 18,081,795 | 12,409,705 | - | 72,817,858 | - |
| Less: Accumulated depreciation | (18,658,092) | (59,735,075) | (3,095,000) | (4,999,427) | (86,487,594) | (63,340) |
| Total Capital Assets, Net | <u>32,960,077</u> | <u>32,853,754</u> | <u>9,314,705</u> | <u>6,293,363</u> | <u>81,421,899</u> | <u>3,825</u> |
| Other Assets | | | | | | |
| Preliminary survey and engineering | - | 175,074 | - | - | 175,074 | - |
| Total Other Assets | <u>-</u> | <u>175,074</u> | <u>-</u> | <u>-</u> | <u>175,074</u> | <u>-</u> |
| Total Noncurrent Assets | <u>35,089,088</u> | <u>34,624,228</u> | <u>9,425,205</u> | <u>6,293,363</u> | <u>85,431,884</u> | <u>1,579,300</u> |
| Total Assets | <u>37,453,842</u> | <u>44,744,625</u> | <u>10,340,855</u> | <u>7,703,563</u> | <u>100,242,885</u> | <u>2,986,251</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Unamortized loss on advance refunding | 58,435 | 2,691 | - | 1,562 | 62,688 | - |
| Pension related amounts | <u>211,355</u> | <u>1,032,852</u> | <u>49,485</u> | <u>1,514,374</u> | <u>2,808,066</u> | <u>235,027</u> |
| Total Deferred Outflows of Resources | <u>269,790</u> | <u>1,035,543</u> | <u>49,485</u> | <u>1,515,936</u> | <u>2,870,754</u> | <u>235,027</u> |

| | Business-type Activities - Enterprise Funds | | | | Totals | Governmental Activities - Internal Service Funds |
|---|---|----------------------|---------------------|---------------------------------|----------------------|---|
| | Water Utility | Sewer Utility | Storm Utility | Nonmajor Enterprise Funds | | |
| LIABILITIES | | | | | | |
| Current Liabilities | | | | | | |
| Accounts payable | \$ 101,500 | \$ 113,227 | \$ 27,424 | \$ 62,648 | \$ 304,799 | \$ 58,216 |
| Accrued liabilities | 8,408 | 3,883 | 3,547 | 1,321 | 17,159 | - |
| Claims payable | - | - | - | - | - | 2,278,750 |
| Due to other funds | - | - | - | 170,262 | 170,262 | - |
| Compensated absences | 34,756 | 164,138 | 5,877 | 142,137 | 346,908 | - |
| Current maturities of general obligation debt | 176,576 | 104,908 | 77,806 | 77,968 | 437,258 | - |
| Customer deposits | 26,000 | - | - | - | 26,000 | - |
| Other current liabilities | - | - | - | 5,145 | 5,145 | - |
| Current Liabilities Payable From Restricted Assets | | | | | | |
| Current maturities of revenue debt | 1,300,000 | 151,469 | 65,000 | - | 1,516,469 | - |
| Accrued interest | 124,834 | 10,786 | 5,700 | - | 141,320 | - |
| Total Current Liabilities | 1,772,074 | 548,411 | 185,354 | 459,481 | 2,965,320 | 2,336,966 |
| Noncurrent Liabilities | | | | | | |
| General obligation debt, less current maturities (including unamortized premium) | 2,466,720 | 678,372 | 817,028 | 318,457 | 4,280,577 | - |
| Compensated absences | 32,210 | 176,593 | - | 40,318 | 249,121 | - |
| Other post-employment benefits | 19,050 | 84,142 | 15,876 | 59,965 | 179,033 | - |
| Revenue debt, less current maturities | 19,855,000 | 2,544,978 | 1,095,000 | - | 23,494,978 | - |
| Deferred credits | 144,596 | - | - | - | 144,596 | - |
| Advances from other funds | - | - | - | 1,481,862 | 1,481,862 | 537,568 |
| Net pension liability | 37,647 | 183,547 | 8,970 | 274,002 | 504,166 | 42,290 |
| Total Noncurrent Liabilities | 22,555,223 | 3,667,632 | 1,936,874 | 2,174,604 | 30,334,333 | 579,858 |
| Total Liabilities | 24,327,297 | 4,216,043 | 2,122,228 | 2,634,085 | 33,299,653 | 2,916,824 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Property tax levied for next period | - | - | - | 659,475 | 659,475 | - |
| Pension related amounts | 79,914 | 389,715 | 19,041 | 581,606 | 1,070,276 | 89,527 |
| Total Deferred Inflows of Resources | 79,914 | 389,715 | 19,041 | 1,241,081 | 1,729,751 | 89,527 |
| NET POSITION (DEFICIT) | | | | | | |
| Net investment in capital assets | 11,349,227 | 29,376,718 | 7,259,871 | 5,981,992 | 53,967,808 | 3,825 |
| Restricted for debt service | 258,205 | 101,777 | 154,050 | - | 514,032 | - |
| Restricted for replacement | - | 1,595,400 | - | - | 1,595,400 | - |
| Unrestricted (deficit) | 1,708,989 | 10,100,515 | 835,150 | (637,659) | 12,006,995 | 211,102 |
| TOTAL NET POSITION | \$ 13,316,421 | \$ 41,174,410 | \$ 8,249,071 | \$ 5,344,333 | 68,084,235 | \$ 214,927 |
| 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 | | | | | 108,404 | |
| NET POSITION OF BUSINESS-TYPE ACTIVITIES | | | | | \$ 68,192,639 | |

See accompanying notes to financial statements.

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF BELOIT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2016

| | Business-type Activities - Enterprise Funds | | | | Totals | Governmental Activities - Internal Service Funds |
|--|---|------------------|------------------|---------------------------------|---------------|---|
| | Water Utility | Sewer Utility | Storm Utility | Nonmajor Enterprise Funds | | |
| OPERATING REVENUES | | | | | | |
| Charges for services | \$ 4,920,703 | \$ 6,982,311 | \$ 1,124,771 | \$ 1,770,403 | \$ 14,798,188 | \$ 12,363,306 |
| Other | 586,726 | 184,891 | - | 36,057 | 807,674 | 955 |
| Total Operating Revenues | 5,507,429 | 7,167,202 | 1,124,771 | 1,806,460 | 15,605,862 | 12,364,261 |
| OPERATING EXPENSES | | | | | | |
| Operation and maintenance | 1,602,916 | 4,746,569 | 585,459 | 3,728,949 | 10,663,893 | 12,562,796 |
| Contractual services | 703,438 | 1,355,658 | 193,382 | 170,851 | 2,423,329 | 512,939 |
| Depreciation | 1,227,645 | 2,640,722 | 146,468 | 336,713 | 4,351,548 | 2,295 |
| Total Operating Expenses | 3,533,999 | 8,742,949 | 925,309 | 4,236,513 | 17,438,770 | 13,078,030 |
| Operating Income (Loss) | 1,973,430 | (1,575,747) | 199,462 | (2,430,053) | (1,832,908) | (713,769) |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Intergovernmental revenues | - | - | - | 1,234,089 | 1,234,089 | - |
| Investment income | 42,584 | 130,664 | 7,082 | 85,250 | 265,580 | - |
| Interest expense | (912,485) | (90,518) | (66,501) | (10,786) | (1,080,290) | - |
| Amortization of loss on refunding | (32,497) | (584) | - | - | (33,081) | - |
| General property taxes | - | - | - | 662,833 | 662,833 | - |
| Debt issuance expense | (267,961) | - | - | - | (267,961) | - |
| Miscellaneous | - | 9,516 | 34,295 | - | 43,811 | - |
| Total Nonoperating Revenues (Expenses) | (1,170,359) | 49,078 | (25,124) | 1,971,386 | 824,981 | - |
| Income (loss) before contributions and transfers | 803,071 | (1,526,669) | 174,338 | (458,667) | (1,007,927) | (713,769) |
| Capital contributions - municipal | 106,293 | 235,830 | - | - | 342,123 | - |
| Capital contributions - TIF | - | 60,110 | - | - | 60,110 | - |
| Capital contributions | 6,490 | - | - | - | 6,490 | - |
| Transfers out | (790,273) | - | - | - | (790,273) | - |
| Change in Net Position | 125,581 | (1,230,729) | 174,338 | (458,667) | (1,389,477) | (713,769) |
| TOTAL NET POSITION - Beginning | 13,190,840 | 42,405,139 | 8,074,733 | 5,803,000 | | 928,696 |
| TOTAL NET POSITION - ENDING | \$ 13,316,421 | \$ 41,174,410 | \$ 8,249,071 | \$ 5,344,333 | | \$ 214,927 |

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 (99,348)

CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES \$ (1,488,825)

CITY OF BELOIT

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2016

| | Business-type Activities - Enterprise Funds | | | | Totals | Governmental Activities - Internal Service Funds |
|---|---|---------------------|-------------------|---------------------------------|----------------------|---|
| | Water Utility | Sewer Utility | Storm Sewer | Nonmajor Enterprise Funds | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Received from customers | \$ 5,669,630 | \$ 7,266,501 | \$ 1,135,697 | \$ 1,877,713 | \$ 15,949,541 | \$ 12,372,697 |
| Customer deposits received | 26,000 | - | - | - | 26,000 | - |
| Paid to suppliers for goods and services | (1,611,666) | (4,205,034) | (488,190) | (1,544,336) | (7,849,226) | (12,179,599) |
| Payments to employees for services | (722,784) | (1,896,968) | (287,074) | (2,176,219) | (5,083,045) | (590,346) |
| Net Cash Flows from Operating Activities | <u>3,361,180</u> | <u>1,164,499</u> | <u>360,433</u> | <u>(1,842,842)</u> | <u>3,043,270</u> | <u>(397,248)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Operating grants received | - | - | - | 1,355,493 | 1,355,493 | - |
| Transfers in (out) | (790,273) | - | - | - | (790,273) | - |
| Property taxes received | - | - | - | 662,833 | 662,833 | - |
| Noncapital advance (and repayment) | - | - | - | (145,617) | (145,617) | 309,618 |
| Net Cash Flows from Noncapital Financing Activities | <u>(790,273)</u> | <u>-</u> | <u>-</u> | <u>1,872,709</u> | <u>1,082,436</u> | <u>309,618</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Debt retired | (14,866,617) | (252,971) | (142,135) | (150,265) | (15,411,988) | - |
| Interest paid | (1,017,985) | (91,616) | (66,969) | (11,143) | (1,187,713) | - |
| Proceeds from issuance of new debt | 13,507,049 | - | - | - | 13,507,049 | - |
| Debt issuance costs | (267,961) | - | - | - | (267,961) | - |
| Acquisition and construction of capital assets | (418,458) | (298,341) | (8,560) | - | (725,359) | - |
| Construction grants received | - | - | - | 46,291 | 46,291 | - |
| Contributions received for construction | 6,490 | 60,110 | - | - | 66,600 | - |
| Net Cash Flows from Capital and Related Financing Activities | <u>(3,057,482)</u> | <u>(582,818)</u> | <u>(217,664)</u> | <u>(115,117)</u> | <u>(3,973,081)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Investment income | 42,584 | 130,664 | 7,082 | 85,250 | 265,580 | - |
| Net Cash Flows from Investing Activities | <u>42,584</u> | <u>130,664</u> | <u>7,082</u> | <u>85,250</u> | <u>265,580</u> | <u>-</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (443,991) | 712,345 | 149,851 | - | 418,205 | (87,630) |
| CASH AND CASH EQUIVALENTS - Beginning | <u>3,954,592</u> | <u>8,604,873</u> | <u>631,435</u> | <u>1,160</u> | <u>13,192,060</u> | <u>1,334,473</u> |
| CASH AND CASH EQUIVALENTS - ENDING | <u>\$ 3,510,601</u> | <u>\$ 9,317,218</u> | <u>\$ 781,286</u> | <u>\$ 1,160</u> | <u>\$ 13,610,265</u> | <u>\$ 1,246,843</u> |

| | Business-type Activities - Enterprise Funds | | | | Totals | Governmental Activities - Internal Service Funds |
|---|---|---------------------|-------------------|---------------------------------|----------------------|---|
| | Water Utility | Sewer Utility | Storm Sewer | Nonmajor Enterprise Funds | | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Operating income (Loss) | \$ 1,973,430 | \$ (1,575,747) | \$ 199,462 | \$ (2,430,053) | \$ (1,832,908) | \$ (713,769) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities | | | | | | |
| Nonoperating income | - | 9,516 | 34,295 | - | 43,811 | - |
| Depreciation charged to other funds | 120,432 | - | - | - | 120,432 | - |
| Depreciation expense | 1,227,645 | 2,640,722 | 146,468 | 336,713 | 4,351,548 | 2,295 |
| Changes in Assets and Liabilities | | | | | | |
| Accounts receivable | 16,769 | 89,783 | (23,369) | 72,321 | 155,504 | (1,132) |
| Inventories | 125 | - | - | 5,384 | 5,509 | - |
| Accounts payable | (60,741) | (180,103) | (2,627) | 23,462 | (220,009) | 18,470 |
| Customer deposits | 26,000 | - | - | - | 26,000 | - |
| Deferred credits | 24,700 | - | - | - | 24,700 | - |
| Other current liabilities | 11,670 | 47,675 | 534 | (4,122) | 55,757 | - |
| Pension related deferrals and assets/liabilities | 21,150 | 132,653 | 5,670 | 153,453 | 312,926 | 24,063 |
| Claims payable | - | - | - | - | - | 272,825 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | \$ 3,361,180 | \$ 1,164,499 | \$ 360,433 | \$ (1,842,842) | \$ 3,043,270 | \$ (397,248) |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS | | | | | | |
| Cash and investments - statement of net position | \$ 998,551 | \$ 7,609,255 | \$ 621,536 | \$ 1,160 | \$ 9,230,502 | \$ 1,246,843 |
| Restricted cash and investments - statement of net position | | | | | | |
| Bond redemption account | 383,039 | 112,563 | 49,250 | - | 544,852 | - |
| Replacement account | - | 1,595,400 | - | - | 1,595,400 | - |
| Bond reserve account | 2,129,011 | - | 110,500 | - | 2,239,511 | - |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 3,510,601 | \$ 9,317,218 | \$ 781,286 | \$ 1,160 | \$ 13,610,265 | \$ 1,246,843 |

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During 2016, \$106,293 of water capital assets were contributed by the municipality.
During 2016, \$12,555,000 of water revenue bonds were issued to refund \$13,445,000 of debt.
During 2016, \$235,830 of sewer capital assets were contributed by the municipality.

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
As of December 31, 2016

| | <u>Agency Fund</u> <u>Tax Collection Fund</u> |
|---------------------------|--|
| ASSETS | |
| Cash and investments | \$ 6,000,392 |
| Property taxes receivable | <u>17,463,521</u> |
| TOTAL ASSETS | <u>\$ 23,463,913</u> |
| LIABILITIES | |
| Due to other taxing units | <u>\$ 23,463,913</u> |
| TOTAL LIABILITIES | <u>\$ 23,463,913</u> |

CITY OF BELOIT

STATEMENT OF NET POSITION - COMPONENT UNITS
As of December 31, 2016

| | <u>Major</u> | <u>Nonmajor</u> | |
|--|----------------------|-------------------|----------------------|
| | Community | Beloit Public | |
| | Development | Library | |
| | Authority | Foundation, Inc. | <u>Totals</u> |
| ASSETS | | | |
| Current Assets | | | |
| Cash and investments | \$ 1,230,480 | \$ 719,169 | \$ 1,949,649 |
| Receivables | | | |
| Accounts | 71,209 | 346 | 71,555 |
| Pledges | - | 3,750 | 3,750 |
| Accrued interest | - | 540 | 540 |
| Lease receivable from primary government | 2,625,000 | - | 2,625,000 |
| Due from other governmental units | 21,930 | - | 21,930 |
| Prepaid items | 1,726 | - | 1,726 |
| Tax credit fees | 153,929 | - | 153,929 |
| Total Current Assets | <u>4,104,274</u> | <u>723,805</u> | <u>4,828,079</u> |
| Noncurrent Assets | | | |
| Restricted Assets | | | |
| Cash and investments | 2,919,498 | - | 2,919,498 |
| Capital Assets | | | |
| Land | 601,285 | - | 601,285 |
| Land improvements | 561,467 | - | 561,467 |
| Buildings | 2,046,944 | - | 2,046,944 |
| Building improvements | 17,613,559 | - | 17,613,559 |
| Machinery, equipment, furnishings and vehicles | 796,711 | - | 796,711 |
| Less: Accumulated depreciation | <u>(4,224,579)</u> | <u>-</u> | <u>(4,224,579)</u> |
| Total Capital Assets, Net | <u>17,395,387</u> | <u>-</u> | <u>17,395,387</u> |
| Other Assets | | | |
| Pledges | - | 3,683 | 3,683 |
| Lease receivable from primary government | 8,848,188 | - | 8,848,188 |
| Total Other Assets | <u>8,848,188</u> | <u>3,683</u> | <u>8,851,871</u> |
| Total Noncurrent Assets | <u>29,163,073</u> | <u>3,683</u> | <u>29,166,756</u> |
| Total Assets | <u>33,267,347</u> | <u>727,488</u> | <u>33,994,835</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related amounts | 337,330 | - | 337,330 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | 43,398 | - | 43,398 |
| Accrued liabilities | 1,162,037 | - | 1,162,037 |
| Due to primary government | 94,045 | - | 94,045 |
| Deposits | 160,981 | - | 160,981 |
| Lease revenue bonds payable | 2,625,000 | - | 2,625,000 |
| Total Current Liabilities | <u>4,085,461</u> | <u>-</u> | <u>4,085,461</u> |
| Noncurrent Liabilities | | | |
| Compensated absences | 45,599 | - | 45,599 |
| Loans payable | 99,134 | - | 99,134 |
| Other notes payable | 738,091 | - | 738,091 |
| Net pension liability | 62,070 | - | 62,070 |
| Lease revenue bonds payable | 10,945,000 | - | 10,945,000 |
| Total Noncurrent Liabilities | <u>11,889,894</u> | <u>-</u> | <u>11,889,894</u> |
| Total Liabilities | <u>15,975,355</u> | <u>-</u> | <u>15,975,355</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unearned revenue | 1,406,851 | - | 1,406,851 |
| Pension related amounts | 131,403 | - | 131,403 |
| Total Deferred Inflows of Resources | <u>1,538,254</u> | <u>-</u> | <u>1,538,254</u> |
| NET POSITION (DEFICIT) | | | |
| Net investment in capital assets | 17,395,387 | - | 17,395,387 |
| Restricted for grant programs | 5,323,103 | 124,800 | 5,447,903 |
| Unrestricted (deficit) | <u>(6,627,422)</u> | <u>602,688</u> | <u>(6,024,734)</u> |
| TOTAL NET POSITION | <u>\$ 16,091,068</u> | <u>\$ 727,488</u> | <u>\$ 16,818,556</u> |

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF ACTIVITIES - COMPONENT UNITS For the Year Ended December 31, 2016

| | <u>Major</u> | <u>Nonmajor</u> | |
|--|---------------------------------------|--|----------------------|
| | Community Development Authority | Beloit Public Library Foundation, Inc. | <u>Totals</u> |
| EXPENSES | | | |
| Community development | \$ 4,886,889 | \$ - | \$ 4,886,889 |
| Library services | - | 160,562 | 160,562 |
| Total Expenses | <u>4,886,889</u> | <u>160,562</u> | <u>5,047,451</u> |
| PROGRAM REVENUES | | | |
| Charges for services | 324,320 | - | 324,320 |
| Operating grants and contributions | 3,951,853 | 259,667 | 4,211,520 |
| Other revenue | 80,621 | - | 80,621 |
| Total Program Revenues | <u>4,356,794</u> | <u>259,667</u> | <u>4,616,461</u> |
| Net Revenues (Expenses) | <u>(530,095)</u> | <u>99,105</u> | <u>(430,990)</u> |
| GENERAL REVENUES (EXPENSES) | | | |
| Investment income | 634,348 | 45,243 | 679,591 |
| Interest and amortization expense | (855,750) | - | (855,750) |
| Miscellaneous | 26,156 | - | 26,156 |
| Total General Revenues (Expenses) | <u>(195,246)</u> | <u>45,243</u> | <u>(150,003)</u> |
| Revenues (Expenses) Before Contributions | (725,341) | 144,348 | (580,993) |
| Capital contributions | 15,143 | - | 15,143 |
| Change in Net Position | (710,198) | 144,348 | (565,850) |
| TOTAL NET POSITION - Beginning | <u>16,801,266</u> | <u>583,140</u> | <u>17,384,406</u> |
| TOTAL NET POSITION - ENDING | <u>\$ 16,091,068</u> | <u>\$ 727,488</u> | <u>\$ 16,818,556</u> |

See accompanying notes to financial statements

CITY OF BELOIT

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

| NOTE | <u>Page</u> |
|--|-------------|
| I. Summary of Significant Accounting Policies | 17 |
| A. Reporting Entity | 17 |
| B. Government-Wide and Fund Financial Statements | 18 |
| C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation | 21 |
| D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity | 23 |
| 1. Deposits and Investments | 23 |
| 2. Receivables | 24 |
| 3. Inventories and Prepaid Items | 26 |
| 4. Restricted Assets | 26 |
| 5. Capital Assets | 26 |
| 6. Deferred Outflows of Resources | 27 |
| 7. Compensated Absences | 27 |
| 8. Long-Term Obligations/Conduit Debt | 27 |
| 9. Deferred Inflows of Resources | 28 |
| 10. Equity Classifications | 28 |
| 11. Basis for Existing Rates | 29 |
| 12. Pension | 30 |
| II. Reconciliation of Government-Wide and Fund Financial Statements | 30 |
| A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position | 30 |
| III. Stewardship, Compliance, and Accountability | 31 |
| A. Budgetary Information | 31 |
| B. Excess Expenditures Over Appropriations | 31 |
| C. Deficit Balances | 32 |
| D. Limitations on the City's Tax Levy | 32 |
| IV. Detailed Notes on All Funds | 33 |
| A. Deposits and Investments | 33 |
| B. Receivables | 37 |
| C. Restricted Assets | 38 |
| D. Capital Assets | 39 |
| E. Interfund Receivables/Payables, Advances, and Transfers | 41 |
| F. Long-Term Obligations | 44 |
| G. Lease Disclosures | 50 |
| H. Net Position/Fund Balances | 53 |
| I. Component Units | 56 |
| V. Other Information | 83 |
| A. Employees' Retirement System | 83 |
| B. Risk Management | 89 |
| C. Commitments and Contingencies | 92 |
| D. Other Postemployment Benefits | 93 |
| E. Bond Covenant Disclosures | 95 |
| F. Tax Abatement | 95 |
| G. Subsequent Events | 96 |
| H. Effect of New Accounting Standards on Current-Period Financial Statements | 96 |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Beloit, Wisconsin (the "City") 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. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and is able to impose its will on that organization; (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government; (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit 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, or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or had the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and its component unit have substantively the same governing body and a financial benefit or burden relationship exists; (2) the primary government and the component unit have substantially the same governing body and management of the primary government has operational responsibility for the component unit; (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens; or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

Discretely Presented Component Units

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, 2016. 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, 2016

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Units (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. The district's financial statements are not included in these financial statements as the activity of the district was deemed to be immaterial to the City. 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 economic resources of the Foundation are held for the direct benefit of the City of Beloit library and are significant to the City. 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, 2016 (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

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

In August 2015, the GASB issued statement No. 77 – *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. This standard was implemented January 1, 2016.

Government-Wide Financial Statements

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, 2016

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 City 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, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

Fund Financial Statements (cont.)

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

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
Storm Sewer – accounts for operations of the storm 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 | Equipment 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
Transit System

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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 deferred inflows. 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, 2016

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 inflows. 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 unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

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 unavailable revenues. At December 31, 2016, there were \$1,126,951 of unrecorded anticipated future 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.

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.

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, sewer, and storm 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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, 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.

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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

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 methods and inputs as outlined in Note IV.A. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as unrealized gain (loss) on investments. 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, 2016, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV.A. for further information.

2. Receivables

Property Taxes

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

Property tax calendar – 2016 tax roll:

| | |
|--|------------------|
| Lien date and levy date | December 2016 |
| Tax bills mailed | December 2016 |
| Payment in full, or | January 31, 2017 |
| First installment due | January 31, 2017 |
| Second installment due | March 31, 2017 |
| Third installment due | May 31, 2017 |
| Fourth installment due | July 31, 2017 |
| Personal property taxes in full | January 31, 2017 |
| Tax sale – 2016 delinquent real estate taxes | October 2018 |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

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, sewer or storm 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.

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 \$11,902. The loans receivable balance within the fund statements also includes conditional-type loans in the amount of \$878,697 which are not expected to be repaid unless conditional use or other provisions occur as part of the loan agreement. For these types of loans an allowance was established.

It is the City’s policy to record unavailable 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.

Land Contract

During 2016, the City entered into a land contract which shows up as a receivable and unavailable revenue in TIF No. 8 in the fund statements. A monthly payment schedule has been setup charging 4% interest over 20 years. The receivable balance related to this land contract is \$1,545,961 as of December 31, 2016.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

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.

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. There was no interest that 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 |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets (cont.)

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. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arises from advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of the debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

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, 2016 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 amortized over the life of the issue using the effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

8. Long-Term Obligations/Conduit Debt (cont.)

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 \$143,916 made up of one issue.

9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

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 \$4,168,052.

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 balances are displayed 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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements (cont.)

- c. Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (ordinance) 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.
- d. Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The council may take official action to assign amounts. 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 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.

Storm Sewer Utility

Current storm sewer rates were approved by the council and effective on January 1, 2007.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

12. Pension

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 | 25,830,223 |
| Other improvements | 6,168,407 |
| Infrastructure | 91,629,543 |
| Construction in progress | 2,682,361 |
| Less: Accumulated depreciation | (44,781,678) |
| Less: Internal service fund capital assets, net of depreciation | <u>(3,825)</u> |
| Capital Assets | <u>\$ 107,495,216</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION (cont.)

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 \$104,900,309 difference in liabilities are as follows:

| | |
|--|-----------------------|
| Bonds and notes payable | \$ 46,798,538 |
| Unamortized debt premium | 530,646 |
| Compensated absences | 3,000,157 |
| Other post-employment benefit liabilities | 39,538,245 |
| Other debt | 40,000 |
| Capital leases | 11,776,009 |
| Net pension liability | 2,863,812 |
| Accrued interest | <u>352,902*</u> |
| Net Adjustment to Reduce Fund Balance – Total Governmental Funds to Arrive at Net Position – Governmental Activities | <u>\$ 104,900,309</u> |

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

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for all funds with the exception of the Perpetual Care special revenue fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

The City controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the City's year-end budget to actual report.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

C. DEFICIT BALANCES

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

As of December 31, 2016, the following individual funds held a deficit balance:

| <u>Fund</u> | <u>Amount</u> | <u>Reason</u> |
|---|---------------|-----------------------------------|
| Special Revenue – Rental Rehab (WRRP/HOME) | \$ 20,336 | Excess expenditures over revenues |
| Special Revenue – TIF District No. 5 | 171,447 | Excess expenditures over revenues |
| Special Revenue – TIF District No. 8 | 1,156,340 | Excess expenditures over revenues |
| Special Revenue – TIF District No. 9 | 2,249,047 | Excess expenditures over revenues |
| Special Revenue – Community Development | 43,021 | Excess expenditures over revenues |
| Special Revenue – Police | 32,487 | Excess expenditures over revenues |
| Enterprise – Golf Course | 141,988 | Excess expenses over revenues |
| Internal Service – Retiree Health Insurance | 508,191 | Excess expenses over revenues |
| Internal Service – Health Insurance | 1,343,877 | 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

Wisconsin law 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. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

| | Carrying Value | Statement Balance | Associated Risks |
|---|-------------------|----------------------|---|
| Demand deposits | \$ 7,857,113 | \$ 9,272,083 | Custodial credit risk |
| U.S. agencies – implicitly guaranteed | 996,190 | 996,190 | Custodial credit risk, interest rate risk, credit risk, concentration of credit risk |
| U.S. agencies – explicitly guaranteed | 1,237,813 | 1,237,813 | Custodial credit risk, interest rate risk |
| Municipal bonds | 6,406,534 | 6,406,534 | Custodial credit risk, interest rate risk, credit risk, concentration of credit risk |
| Corporate bonds | 6,198,650 | 6,198,650 | Credit risk, custodial credit risk, concentration of credit risk, interest rate risk |
| LGIP | 23,611,183 | 23,611,183 | Credit risk |
| Petty cash | 8,631 | - | N/A |
| Total Cash and Investments | \$ 46,316,114 | \$ 47,722,453 | |
| Reconciliation to financial statements | | | |
| Per statement of net position | | | |
| Unrestricted cash and investments | \$ 35,935,959 | | |
| Restricted cash and investments | 4,379,763 | | |
| Per statement of assets and liabilities – agency fund | | | |
| Cash and investments | 6,000,392 | | |
| Total Cash and Investments | \$ 46,316,114 | | |

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) and \$250,000 for demand deposit amounts (interest-bearing and noninterest bearing). 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 deposits.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing the amounts in Category 1 above.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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, 2016, the banks had pledged various government securities in the amount of \$8,837,914 to secure the City's deposits.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- > Market approach – prices or other information from market transactions involving identical or similar assets

| Investment Type | December 31, 2016 | | | Total |
|-------------------------------------|-------------------|----------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| US agencies – implicitly guaranteed | \$ - | \$ 996,190 | \$ - | \$ 996,190 |
| US agencies – explicitly guaranteed | - | 1,237,813 | - | 1,237,813 |
| Corporate bonds | - | 6,198,650 | - | 6,198,650 |
| Municipal bonds | - | 6,406,534 | - | 6,406,534 |
| Totals | <u>\$ -</u> | <u>\$ 14,839,187</u> | <u>\$ -</u> | <u>\$ 14,839,187</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

A. DEPOSITS AND INVESTMENTS (cont.)

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, 2016, the City had no bank balances exposed to custodial credit risk.

As of the December 31, 2016, 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, 2016, 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 – implicitly guaranteed | AA+ | N/A | AAA |
| Municipal bonds | AA | N/A | A3 to AA3 |
| Corporate bonds | A- to AA- | N/A | A1 to AAA |

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

LGIP – external pool

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, 2016

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, 2016, of the City's total portfolio, 6.9% was invested in FHLB investments and 5.6% was invested in Wisconsin State Municipal bonds.

Concentration of Credit Risk (by Dealer):

| Dealer | Fair Value | Percentage of Portfolio |
|--------------------------------|---------------|----------------------------|
| Multi-Bank Securities, Inc. | \$ 4,270,245 | 11% |
| Vining Sparks | 6,654,945 | 17 |
| Coastal Securities | 2,264,680 | 6 |
| BOSC, Inc. | 1,649,316 | 4 |
| Total Concentrated Investments | \$ 14,839,186 | 38% |

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, 2016, 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 |
| U.S. agencies – implicitly guaranteed | \$ 996,190 | 16% | \$ - | \$ - | \$ 996,190 | \$ - |
| U.S. agencies – explicitly guaranteed | 1,237,813 | 3 | - | 237,703 | 1,000,110 | - |
| Municipal bonds | 6,406,534 | 17 | 849,626 | 1,720,839 | 3,582,031 | 254,038 |
| Corporate bonds | 6,198,650 | 3 | 3,549,745 | 2,648,905 | - | - |
| Totals | \$ 14,839,187 | | \$ 4,399,371 | \$ 4,607,447 | \$ 5,578,331 | \$ 254,038 |

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, 2016

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 | \$ 38,394 |
| Capital Projects – equipment replacement – loans | 13,139 |
| Capital Projects – capital improvement – special assessments | 1,335,777 |
| Special Revenue – TIF No. 8 – land contract | 1,490,496 |
| Nonmajor Governmental Funds – loans | <u>2,541,271</u> |
| Total Amount Not Expected to be Collected Within One Year | <u><u>\$ 5,419,077</u></u> |

Allowances on receivables as of year-end are as follows:

| | Total |
|--|--------------------------|
| Governmental Fund Types – municipal court receivable | \$ 293,532 |
| Governmental Fund Types – economic development loans | 11,902 |
| Business Type – ambulance receivables | <u>166,316</u> |
| Total Uncollectibles | <u><u>\$ 471,750</u></u> |

Governmental funds report *unavailable or unearned 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 *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

| | Unearned | Unavailable |
|--|-----------------------------|----------------------------|
| Property taxes receivable for subsequent year | \$ 22,536,819 | \$ - |
| Loans receivable | - | 3,005,367 |
| Accounts receivable – noncurrent | - | 248,482 |
| Investment income – noncurrent | - | 100,974 |
| Special assessments | - | 1,354,927 |
| Land contract receivable | <u>-</u> | <u>1,545,961</u> |
| Total Unearned/Unavailable Revenue for Governmental Funds | <u><u>\$ 22,536,819</u></u> | <u><u>\$ 6,255,711</u></u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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.

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 cash and investments at December 31, 2016:

| | <u>Water</u> | <u>Sewer</u> | <u>Storm</u> |
|---|---------------------|---------------------|-------------------|
| Bond redemption account | \$ 383,039 | \$ 112,563 | \$ 49,250 |
| Equipment replacement account | - | 1,595,400 | - |
| Bond reserve account | <u>2,129,011</u> | <u>-</u> | <u>110,500</u> |
| Total Enterprise Fund Restricted Assets | <u>\$ 2,512,050</u> | <u>\$ 1,707,963</u> | <u>\$ 159,750</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|-------------|-------------|-------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 4,971,936 | \$ - | \$ - | \$ 4,971,936 |
| Construction in progress | - | 2,682,361 | - | 2,682,361 |
| Total Capital Assets Not Being Depreciated | 4,971,936 | 2,682,361 | - | 7,654,297 |
| Capital assets being depreciated | | | | |
| Land improvements | 67,854 | - | - | 67,854 |
| Buildings | 20,930,395 | - | - | 20,930,395 |
| Machinery, equipment, and vehicles | 25,057,450 | 4,070,252 | 3,297,479 | 25,830,223 |
| Other improvements | 6,168,407 | - | - | 6,168,407 |
| Streets | 69,268,561 | - | - | 69,268,561 |
| Structures | 405,684 | - | - | 405,684 |
| Street lights | 6,578,339 | - | - | 6,578,339 |
| Traffic signals | 2,562,159 | - | - | 2,562,159 |
| Bridges | 12,814,800 | - | - | 12,814,800 |
| Total Capital Assets Being Depreciated | 143,853,649 | 4,070,252 | 3,297,479 | 144,626,422 |
| Less: Accumulated depreciation for | | | | |
| Land improvements | (61,070) | - | - | (61,070) |
| Buildings | (6,377,662) | (394,316) | - | (6,771,978) |
| Machinery, equipment, and vehicles | (13,474,004) | (1,657,294) | (2,087,018) | (13,044,280) |
| Other improvements | (2,922,210) | (128,966) | - | (3,051,176) |
| Streets | (14,723,774) | (1,161,020) | - | (15,884,794) |
| Structures | (72,415) | (17,578) | - | (89,993) |
| Street lights | (1,284,839) | (126,842) | - | (1,411,681) |
| Traffic signals | (1,879,085) | (86,675) | - | (1,965,760) |
| Bridges | (2,316,354) | (184,592) | - | (2,500,946) |
| Total Accumulated Depreciation | (43,111,413) | (3,757,283) | (2,087,018) | (44,781,678) |
| Net Capital Assets Being Depreciated | 100,742,236 | 312,969 | 1,210,461 | 99,844,744 |
| Total Governmental Activities – Capital Assets, Net of Depreciation | \$ 105,714,172 | | | \$ 107,499,041 |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

| | |
|---|---------------------|
| Finance and administrative services | \$ 172,305 |
| Finance and administrative services (internal service) | 2,295 |
| Public safety – police | 220,937 |
| Public safety – fire | 324,619 |
| Public works, which includes the depreciation of infrastructure | 2,899,172 |
| Library | <u>137,955</u> |
| Total Governmental Activities Depreciation Expense | <u>\$ 3,757,283</u> |

| Business-type Activities | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|--------------------|------------------|---------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 3,707,005 | \$ - | \$ - | \$ 3,707,005 |
| Total Capital Assets Not Being Depreciated | <u>3,707,005</u> | <u>-</u> | <u>-</u> | <u>3,707,005</u> |
| Other capital assets | | | | |
| Land improvements | 702,418 | - | - | 702,418 |
| Buildings | 10,372,342 | - | - | 10,372,342 |
| Machinery, equipment, and vehicles | 8,717,551 | 116,958 | 4,418 | 8,830,091 |
| Sewer mains | 17,754,699 | 371,726 | 22,315 | 18,104,110 |
| Sewer treatment facility | 71,457,465 | - | - | 71,457,465 |
| Water mains | 41,961,519 | 534,026 | 169,188 | 42,326,357 |
| Storm infrastructure | 12,394,926 | 14,779 | - | 12,409,705 |
| Total Capital Assets Being Depreciated | <u>163,360,920</u> | <u>1,037,489</u> | <u>195,921</u> | <u>164,202,488</u> |
| Less: Accumulated depreciation for | | | | |
| Land improvements | (693,699) | (4,118) | - | (697,817) |
| Buildings | (2,890,400) | (266,903) | - | (3,157,303) |
| Machinery, equipment, and vehicles | (5,234,970) | (388,927) | 4,418 | (5,619,479) |
| Sewer mains | (4,604,982) | (179,944) | 22,315 | (4,762,611) |
| Sewer treatment facility | (51,292,370) | (2,393,563) | - | (53,685,933) |
| Water mains | (14,546,583) | (1,092,056) | 169,188 | (15,469,451) |
| Storm infrastructure | (2,948,532) | (146,468) | - | (3,095,000) |
| Total Accumulated Depreciation | <u>(82,211,536)</u> | <u>(4,471,979)</u> | <u>195,921</u> | <u>(86,487,594)</u> |
| Business-type Capital Assets, Net of Depreciation | <u>81,149,384</u> | <u>(3,434,490)</u> | <u>-</u> | <u>77,714,894</u> |
| Total Business-type Capital Assets, Net of Depreciation | <u>\$ 84,856,389</u> | | | <u>\$ 81,421,899</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities

| | |
|--------------------------------|---------------------|
| Water | \$ 1,227,645 |
| Sewer | 2,640,722 |
| Storm | 146,468 |
| Transit | 322,227 |
| Golf Course | 12,470 |
| Cemetery | <u>2,016</u> |
| Total Business-type Activities | |
| Depreciation Expense | <u>\$ 4,351,548</u> |

Depreciation expense may be different from business-type activity accumulated depreciation additions because of joint metering, salvage, cost of removal, internal allocators, or costs associated with the disposal of assets.

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES, AND TRANSFERS

Interfund Receivables/Payables

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

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---|---|------------------|
| General | Special Revenue – TIF District No. 5 | \$ 171,447 |
| General | Special Revenue – TIF District No. 10 | 98,510 |
| General | Special Revenue – Fire Multi-Year Grants | 9,540 |
| General | Special Revenue – Community Development | 224,553 |
| General | Special Revenue – Solid Waste | 106,613 |
| General | Special Revenue – Police | 52,433 |
| General | Special Revenue – Rental Rehab (WRRP/HOME) | 3,872 |
| General | Enterprise – Transit System | 95,073 |
| General | Enterprise – Ambulance | <u>75,189</u> |
| Sub-total – Fund Financial Statements | | 837,230 |
| Less: Allocation of Internal Service funds | | (108,404) |
| Less: Fund eliminations | | <u>(666,968)</u> |
| Total – Government-Wide Statement of Net Position | | <u>\$ 61,858</u> |

All amounts are due within one year.

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

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 equipment replacement fund is advancing funds to the retiree health insurance fund, transit fund, and cemetery fund. The purpose of these advances is for deficit cash balances at year end. No repayment schedules have been established for these advances.

The following is a schedule of interfund advances:

| Receivable Fund | Payable Fund | Totals | Amount Not Due in One Year |
|-------------------------|--|---------------------|----------------------------------|
| General | Enterprise – Golf course fund | \$ 976,643 | \$ 976,643 |
| Equipment replacement | Enterprise – Cemeteries | 171,494 | 171,494 |
| Equipment replacement | Enterprise – Transit system | 333,725 | 333,725 |
| Equipment replacement | Internal Service – Retiree health insurance | 537,568 | 537,568 |
| General debt service | Special Revenue – TIF District No. 8 | 1,183,738 | 1,183,738 |
| General debt service | Special Revenue – TIF District No. 9 | 191,665 | 191,665 |
| Capital improvements | Special Revenue – TIF District No. 9 | <u>2,253,875</u> | <u>2,253,875</u> |
| Sub-Totals | | 5,648,708 | 5,648,708 |
| Less: Fund eliminations | | <u>(4,166,846)</u> | <u>(4,166,846)</u> |
| Totals | | <u>\$ 1,481,862</u> | <u>\$ 1,481,862</u> |

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

Transfers

The following is a schedule of interfund transfers:

| Fund Transferred To | Fund Transferred From | Amount | Purpose |
|---|--|--------------------------|--|
| General | Water Utility | \$ 790,273 | Payment in lieu of tax |
| Debt Service – General Debt Service | Special Revenue – TIF District No. 5 | 342,200* | Debt service |
| Debt Service – General Debt Service | Special Revenue – TIF District No. 6 | 170,165 | Debt service |
| Debt Service – General Debt Service | Special Revenue – TIF District No. 8 | 215,649 | Debt service |
| Debt Service – General Debt Service | Special Revenue – TIF District No. 9 | 16,675 | Debt service |
| Debt Service – General Debt Service | Special Revenue – TIF District No. 10 | 291,528 | Debt service |
| Debt Service – General Debt Service | Special Revenue – TIF District No. 11 | 99,930 | Debt service |
| Debt Service – General Debt Service | Special Revenue – TIF District No. 12 | 65,900 | Debt service |
| Debt Service – General Debt Service | Special Revenue – TIF District No. 13 | <u>75,688</u> | Debt service |
| Total Debt Service – General | | <u>1,277,735</u> | |
| Capital Improvements Equipment Replacement | Equipment Replacement Solid Waste | 647,250 <u>37,584</u> | Capital asset purchases Capital asset purchases |
| Sub-Total – Fund Financial Statements | | 2,752,842 | |
| Less: Capital contributions from Governmental Activities to Business-type Activities | | (402,233) | |
| Less: Fund eliminations | | <u>(1,962,569)</u> | |
| Total – Government-wide Statement of Activities | | <u>\$ 388,040</u> | |

* Note that the scheduled transfer was for \$532,150; however, this difference of \$189,950 was paid via levy due to insufficient increment collected in the TIF.

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2016 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|--|----------------------|----------------------|---------------------|-----------------------|-----------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Bonds and Notes Payable | | | | | |
| General Obligation Debt | | | | | |
| General | \$ 46,827,654 | \$ 4,960,000 | \$ 4,989,116 | \$ 46,798,538 | \$ 5,323,352 |
| Premium on debt | 568,900 | - | 38,254 | 530,646 | - |
| Sub-totals | <u>47,396,554</u> | <u>4,960,000</u> | <u>5,027,370</u> | <u>47,329,184</u> | <u>5,323,352</u> |
| Other Liabilities | | | | | |
| Compensated Absences | | | | | |
| Sick leave | 1,304,234 | 334,122 | 180,034 | 1,458,322 | 199,108 |
| Vacation | 1,573,586 | 1,541,835 | 1,573,586 | 1,541,835 | 1,541,835 |
| Other post-employment benefit liability | 36,097,833 | 3,440,412 | - | 39,538,245 | - |
| Other Debt | | | | | |
| Town of Turtle | 50,000 | - | 10,000 | 40,000 | 10,000 |
| Capital Leases | | | | | |
| Payable to component unit | 13,991,490 | - | 2,518,302 | 11,473,188 | 2,625,000 |
| Other capital leases | 346,426 | - | 43,605 | 302,821 | 45,433 |
| Net pension liability (asset) | (4,388,651) | 7,294,753 | - | 2,906,102 | - |
| Total Other Liabilities | <u>48,974,918</u> | <u>12,611,122</u> | <u>4,325,527</u> | <u>57,260,513</u> | <u>4,421,376</u> |
| Total Governmental Activities Long-Term Liabilities | <u>\$ 96,371,472</u> | <u>\$ 17,571,122</u> | <u>\$ 9,352,897</u> | <u>\$ 104,589,697</u> | <u>\$ 9,744,728</u> |

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Bonds and Notes Payable | | | | | |
| General obligation debt | | | | | |
| | \$ 4,224,935 | \$ - | \$ 509,070 | \$ 3,715,865 | \$ 437,258 |
| Revenue bonds | 24,515,000 | 12,555,000 | 14,755,000 | 22,315,000 | 1,365,000 |
| CWFL revenue bond | 2,844,366 | - | 147,919 | 2,696,447 | 151,469 |
| Add/(Subtract) Deferred Amounts For | | | | | |
| Premiums | 124,094 | 952,049 | 74,173 | 1,001,970 | - |
| Sub-total | <u>31,708,395</u> | <u>13,507,049</u> | <u>15,486,162</u> | <u>29,729,282</u> | <u>1,953,727</u> |
| Other Liabilities | | | | | |
| Compensated absences | | | | | |
| | 539,204 | 366,458 | 309,633 | 596,029 | 346,908 |
| Other post-employment benefit liability | | | | | |
| | 179,033 | - | - | 179,033 | - |
| Net pension liability (asset) | | | | | |
| | (772,281) | 1,276,447 | - | 504,166 | - |
| Sub-total | <u>(54,044)</u> | <u>1,642,905</u> | <u>309,633</u> | <u>1,279,228</u> | <u>346,908</u> |
| Total Business-type Activities Long-Term Liabilities | <u>\$ 31,654,351</u> | <u>\$ 15,149,954</u> | <u>\$ 15,795,795</u> | <u>\$ 31,008,510</u> | <u>\$ 2,300,635</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

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

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2016, was \$79,677,965. Total general obligation debt outstanding at year end was \$50,514,403.

| | Date of Issue | Due Date | Interest Rates | Original Indebted- ness | Balance 12-31-16 |
|--|------------------|-------------|-------------------|-------------------------------|-----------------------------|
| Governmental Activities – General Obligation Debt | | | | | |
| General obligation corporate purpose bonds Series 2008 | 6-19-08 | 6-1-28 | 3.75-4.10% | \$ 2,260,670 | \$ 1,461,525 |
| General obligation corporate purpose bonds Series 2009 | 5-28-09 | 5-1-29 | 1.10-4.60 | 7,057,000 | 1,611,000 |
| General obligation refunding bonds Series 2011A | 10-21-11 | 4-1-25 | 2.45 | 9,726,168 | 6,214,762 |
| General obligation refunding bonds Series 2011B | 12-8-11 | 3-1-25 | 1.00-4.10 | 4,280,000 | 2,575,000 |
| 2011 state trust fund loan | 8-1-11 | 3-15-21 | 3.75 | 1,500,000 | 807,670 |
| General obligation corporate purpose bonds Series 2012A | 6-21-12 | 3-1-32 | 2.00-3.25 | 7,130,000 | 5,850,000 |
| 2012 state trust fund loan | 10-1-12 | 3-15-17 | 2.50 | 330,000 | 86,527 |
| General obligation refunding bonds Series 2013A | 2-13-13 | 5-1-27 | 2.00-3.00 | 6,729,000 | 4,519,500 |
| General obligation refunding bonds Series 2013C | 2-13-13 | 5-1-21 | 0.55-2.50 | 885,000 | 600,000 |
| General obligation corporate purpose bonds Series 2013D | 6-13-13 | 4-1-33 | 2.00-3.38 | 7,485,000 | 6,120,000 |
| 2013 State trust fund loan | 8-1-13 | 3-15-23 | 2.75 | 667,100 | 480,677 |
| General obligation promissory notes Series 2014A | 5-15-14 | 5-1-24 | 2.00-2.40 | 850,000 | 735,000 |
| General obligation corporate purpose bonds Series 2014B | 5-15-14 | 5-1-34 | 2.00-3.50 | 7,777,275 | 7,586,877 |
| General obligation promissory notes Series 2015B | 3-19-15 | 3-1-25 | 0.80-2.40 | 720,000 | 655,000 |
| General obligation corporate purpose bonds Series 2015C | 3-19-15 | 3-1-35 | 2.00-3.25 | 2,450,000 | 2,335,000 |
| 2015 State trust fund loan | 11-23-15 | 3-15-25 | 3.25 | 200,000 | 200,000 |
| General obligation promissory notes Series 2016A | 5-12-16 | 4-1-26 | 1.60-2.00 | 1,725,000 | 1,725,000 |
| General obligation corporate purpose bonds Series 2016B | 5-12-16 | 4-1-36 | 2.00-3.00 | 3,235,000 | <u>3,235,000</u> |
| Total Governmental Activities – General Obligation Debt | | | | | <u>\$ 46,798,538</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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 12-31-16 |
|--|------------------|-------------|-------------------|-------------------------------|---------------------|
| Business-type Activities – General Obligation Debt | | | | | |
| General obligation corporate purpose bonds Series 2008 | 6-19-08 | 6-1-28 | 3.75-4.10% | \$ 1,954,330 | \$ 1,263,475 |
| General obligation corporate purpose bonds Series 2009 | 5-28-09 | 5-1-29 | 1.10-4.60 | 333,000 | 189,000 |
| General obligation refunding bonds Series 2011A | 10-21-11 | 4-1-25 | 2.45 | 1,353,832 | 940,239 |
| General obligation corporate purpose bonds Series 2012A | 6-21-12 | 3-1-26 | 2.00-3.25 | 110,000 | 110,000 |
| 2012 state trust fund loan | 10-1-12 | 3-15-17 | 2.50 | 47,000 | 12,323 |
| General obligation refunding bonds Series 2013A | 2-13-13 | 5-1-27 | 2.00-3.00 | 601,000 | 370,500 |
| General obligation corporate purpose bonds Series 2013D | 6-13-13 | 4-1-30 | 2.00-3.38 | 250,000 | 190,000 |
| 2013 state trust fund loan | 8-1-13 | 3-15-23 | 2.75 | 129,600 | 7,205 |
| General obligation promissory notes Series 2014A | 5-15-14 | 5-1-24 | 2.00-2.40 | 270,000 | 220,000 |
| General obligation corporate purpose bonds Series 2014B | 5-15-14 | 5-1-24 | 2.00-3.50 | 387,725 | 383,123 |
| General obligation promissory notes Series 2015B | 3-19-15 | 3-1-25 | 0.80-2.40 | 40,000 | <u>30,000</u> |
| Total Business-type Activities – General Obligation Debt | | | | | <u>\$ 3,715,865</u> |

Debt service requirements to maturity are as follows:

| Years | Governmental Activities General Obligation Debt | | Business-type Activities General Obligation Debt | |
|-------------|--|---------------------|---|-------------------|
| | Principal | Interest | Principal | Interest |
| 2017 | \$ 5,323,352 | \$ 1,255,603 | \$ 437,258 | \$ 107,790 |
| 2018 | 4,470,086 | 1,082,926 | 341,647 | 96,323 |
| 2019 | 4,353,115 | 970,196 | 351,922 | 86,211 |
| 2020 | 3,721,616 | 865,567 | 311,946 | 76,684 |
| 2021 | 3,747,855 | 766,138 | 314,669 | 67,720 |
| 2022 – 2026 | 15,893,335 | 2,479,115 | 1,557,603 | 194,473 |
| 2027 – 2031 | 6,609,179 | 852,637 | 400,820 | 18,363 |
| 2032 – 2036 | <u>2,680,000</u> | <u>153,666</u> | - | - |
| Totals | <u>\$ 46,798,538</u> | <u>\$ 8,425,848</u> | <u>\$ 3,715,865</u> | <u>\$ 647,564</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

Capital Leases

Refer to Note IV.G.

Other Debt Information

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

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

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.

| | <u>Balance 1-1-16</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance 12-31-16</u> |
|------------------|---------------------------|------------------|------------------|-----------------------------|
| Town of Turtle | \$ 50,000 | \$ - | \$ 10,000 | \$ 40,000 |
| Total Other Debt | <u>\$ 50,000</u> | <u>\$ -</u> | <u>\$ 10,000</u> | <u>\$ 40,000</u> |

Debt service requirements to maturity are as follows:

| <u>Years</u> | <u>Governmental Activities – Other Debt</u> | |
|--------------|---|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2017 | \$ 10,000 | \$ - |
| 2018 | 10,000 | - |
| 2019 | 10,000 | - |
| 2020 | <u>10,000</u> | <u>-</u> |
| Totals | <u>\$ 40,000</u> | <u>\$ -</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt

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

The water utility has pledged future sales revenues, net of specified operating expenses, to repay revenue bonds issued in 2009, 2010, 2013 and 2016. 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 60% of net revenues. The total principal and interest remaining to be paid on the bonds is \$27,068,458. Principal and interest paid for the current year and total customer net revenues were \$2,263,725 and \$3,243,659, respectively.

The stormwater utility has pledged future sales revenues, net of specified operating expenses, to repay revenue bonds issued in 2015. 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 29% of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,435,900. Principal and interest paid for the current year and total customer net revenues were \$99,850 and \$353,012, respectively.

The sewer utility has pledged future sales revenues, net of specified operating expenses, to repay a clean water fund loan issued in 2011. Proceeds from the loan provided financing for the sewer system. The loan is payable solely from sewer revenues and is payable through 2031. Annual principal and interest payments on the bonds are expected to require 18% of net revenues. The total principal and interest remaining to be paid on the loan is \$3,210,396. Principal and interest paid for the current year and total customer net revenues were \$214,409 and \$1,195,639, respectively.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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 12-31-16</u> |
|--|----------------------|-----------------|-----------------------|------------------------------------|-----------------------------|
| Water Utility | | | | | |
| Revenue bonds | 5-28-09 | 11-1-29 | 3.50-5.00% | \$ 3,910,000 | \$ 2,800,000 |
| Revenue bonds | 4-6-10 | 11-1-30 | 2.00-4.50 | 4,025,000 | 2,830,000 |
| Refunding revenue bonds | 2-13-13 | 11-1-19 | 2.00-3.00 | 5,745,000 | 2,970,000 |
| Refunding revenue bonds | 11-9-16 | 11-1-28 | 4.00-4.50 | 12,555,000 | <u>12,555,000</u> |
| Total Water Utility Revenue Debt | | | | | <u>21,155,000</u> |
| Stormwater Utility | | | | | |
| Refunding revenue bonds | 3-4-15 | 5-1-30 | 2.00-3.50 | 1,225,000 | <u>1,160,000</u> |
| Total Stormwater Utility Revenue Debt | | | | | <u>1,160,000</u> |
| Total Revenue Bonds | | | | | <u>\$ 22,315,000</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> |
| 2017 | \$ 1,365,000 | \$ 792,052 |
| 2018 | 1,385,000 | 768,970 |
| 2019 | 1,435,000 | 725,370 |
| 2020 | 1,545,000 | 678,968 |
| 2021 | 1,605,000 | 617,818 |
| 2022 – 2026 | 9,015,000 | 2,095,226 |
| 2027 – 2030 | <u>5,965,000</u> | <u>510,956</u> |
| Totals | <u>\$ 22,315,000</u> | <u>\$ 6,189,360</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, 2016, the City has received \$3,397,675 in loan proceeds and paid \$147,919 and \$66,490 in principal and interest, respectively, in 2016.

| | <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 | \$ 2,844,366\$ | - | \$ 147,919 | \$ 2,696,447 | \$ 151,469 |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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 |
|-------------|---------------------|-------------------|-----------------------------|
| 2017 | \$ 151,469 | \$ 62,897 | \$ 214,366 |
| 2018 | 155,104 | 59,218 | 214,322 |
| 2019 | 158,827 | 55,451 | 214,278 |
| 2020 | 162,638 | 51,593 | 214,231 |
| 2021 | 166,542 | 47,643 | 214,185 |
| 2022 – 2026 | 894,617 | 175,567 | 1,070,184 |
| 2027 – 2031 | <u>1,007,250</u> | <u>61,580</u> | <u>1,068,830</u> |
| Totals | <u>\$ 2,696,447</u> | <u>\$ 513,949</u> | <u>\$ 3,210,396</u> |

Current Refunding

On November 9, 2016, the water utility issued \$12,555,000 in revenue bonds with an average coupon rate of 2.56% to refund \$13,390,000 of outstanding 2007 revenue bonds with an average coupon rate of 2.68%. The net proceeds along with existing funds of the City were used to prepay the outstanding debt.

The cash flow requirements on the refunded bonds prior to the current refunding was \$18,164,455 from 2016 through 2030. The cash flow requirements on the refunding bonds are \$16,091,419 from 2017 through 2028. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,576,478.

G. LEASE DISCLOSURES

| | Balance 1-1-16 | Increases | Decreases | Balance 12-31-16 |
|--|----------------------|-------------|---------------------|----------------------|
| Capital Leases | | | | |
| Governmental Activities (to Note IV.F.) | | | | |
| Payable to component unit | \$ 13,991,490 | \$ - | \$ 2,518,302 | \$ 11,473,188 |
| Other capital leases | <u>346,426</u> | <u>-</u> | <u>43,605</u> | <u>302,821</u> |
| Totals | <u>\$ 14,337,916</u> | <u>\$ -</u> | <u>\$ 2,561,907</u> | <u>\$ 11,776,009</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

G. LEASE DISCLOSURES (cont.)

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.

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:

| <u>Calendar Year</u> | <u>TIF No. 13</u> | <u>TIF No. 10</u> | <u>TIF No. 6</u> | <u>TIF No. 5</u> |
|--|-------------------|---------------------|-------------------|----------------------|
| 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 | 105,383 | 758,663 | - | - |
| 2022 | 107,055 | 736,194 | - | - |
| 2023 | 103,433 | 717,313 | - | - |
| 2024 | 99,675 | 706,513 | - | - |
| 2025 | 95,873 | 689,069 | - | - |
| 2026 | 91,980 | - | - | - |
| Sub-Totals | <u>1,010,864</u> | <u>11,814,734</u> | <u>762,449</u> | <u>2,032,986</u> |
| Less: Reserve funds to be applied to final principal payment | (90,517) | (1,650,240) | (94,015) | (262,044) |
| Less: Amount representing interest | <u>(175,863)</u> | <u>(1,774,731)</u> | <u>(47,449)</u> | <u>(52,986)</u> |
| Present Value of Minimum Lease Payments | <u>\$ 744,484</u> | <u>\$ 8,389,763</u> | <u>\$ 620,985</u> | <u>\$ 1,717,956</u> |
| Total TIF No. 13, TIF No. 10, TIF No. 6, and TIF No. 5 | | | | <u>\$ 11,473,188</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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>(365,294)</u> |
| Total | <u><u>\$ 29,618</u></u> |

The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2016, are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Governmental Activities</u> |
|---|--------------------------|-------------------------|------------------------------------|
| 2017 | \$ 45,433 | \$ 12,697 | \$ 58,130 |
| 2018 | 47,338 | 10,792 | 58,130 |
| 2019 | 49,323 | 8,807 | 58,130 |
| 2020 | 51,391 | 6,739 | 58,130 |
| 2021 | 53,546 | 4,584 | 58,130 |
| 2022 | <u>55,790</u> | <u>2,340</u> | <u>58,130</u> |
| | <u><u>\$ 302,821</u></u> | <u><u>\$ 45,959</u></u> | 348,780 |
| Less: Amount representing interest | | | <u>(45,959)</u> |
| Present Value of Minimum Lease Payments | | | <u><u>\$ 302,821</u></u> |

Lessee – Operating Lease

In 2012 the City entered into a four year lease agreement for the use of golf carts. Current year principal and interest payments totaled \$28,417 and \$1,743, respectively. Future principal and interest payments as of December 31, 2016 are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Business-Type Activities</u> |
|------|------------------|-----------------|-------------------------------------|
| 2017 | <u>\$ 49,452</u> | <u>\$ 2,061</u> | <u>\$ 79,930</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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, 2016 includes the following:

Governmental Activities

| | |
|---|----------------------|
| Net investment in capital assets | |
| Land | \$ 4,971,936 |
| Construction in progress | 2,682,361 |
| Other capital assets, net of accumulated depreciation | 99,844,744 |
| Less: Related long-term debt outstanding | (33,603,687) |
| Less: Capital leases – payable to component unit | (10,839,480) |
| Less: Unamortized premium on debt | (530,646) |
| Add: Unamortized loss on advance refunding | 1,127,937 |
| Add: Unspent capital bond proceeds | 2,190,884 |
| Total Net Investment in Capital Assets | <u>65,844,049</u> |
| Restricted | |
| General debt service | 1,745,892 |
| TIF District No. 6 – economic development | 1,160,033 |
| TIF District No. 10 – economic development | 483,283 |
| TIF District No. 11 – economic development | 629,452 |
| TIF District No. 12 – economic development | 298,615 |
| TIF District No. 13 – economic development | 1,844,225 |
| TIF District No. 14 – economic development | 85,589 |
| Rental rehab (WRRP/HOME) grant | 1,012,668 |
| Community Development Block Grant | 2,423,483 |
| Fire – multi-year grants | 15,538 |
| DPW – multi-year grants | 237,955 |
| Community development grants | 174,746 |
| Library operations | 569,923 |
| Cemetery perpetual care | 2,241,002 |
| Solid waste | 318,565 |
| Total Restricted | <u>13,240,969</u> |
| Unrestricted (deficit) | <u>(23,910,707)</u> |
| Total Governmental Activities Net Position | <u>\$ 55,174,311</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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, 2016 include the following:

| | General | TIF District No. 10 | General Debt Service | Capital Improvements | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------------------------|---------------------|------------------------|-------------------------|-------------------------|-----------------------------------|--------------------------------|
| Fund Balances | | | | | | |
| Nonspendable: | | | | | | |
| Delinquent personal property taxes | \$ 38,394 | \$ - | \$ - | \$ - | \$ - | \$ 38,394 |
| Inventories | 507,427 | - | - | - | - | 507,427 |
| Prepaid items | 56,466 | - | - | - | - | 56,466 |
| Advances to other funds | 976,643 | - | - | - | - | 976,643 |
| Total Nonspendable | <u>1,578,930</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,578,930</u> |
| Restricted for: | | | | | | |
| Debt service | - | - | 2,098,792 | - | - | 2,098,792 |
| Capital projects | - | - | - | 2,190,884 | - | 2,190,884 |
| Economic development | - | 483,283 | - | - | 4,017,914 | 4,501,197 |
| Grant programs | - | - | - | - | 791,448 | 791,448 |
| Library operations | - | - | - | - | 569,923 | 569,923 |
| Solid waste | - | - | - | - | 318,565 | 318,565 |
| Cemetery perpetual care | - | - | - | - | 2,226,517 | 2,226,517 |
| Total Restricted | <u>-</u> | <u>483,283</u> | <u>2,098,792</u> | <u>2,190,884</u> | <u>7,924,367</u> | <u>12,697,326</u> |
| Assigned to: | | | | | | |
| Capital projects | - | - | - | 3,072,251 | 6,772,290 | 9,844,541 |
| Total Assigned | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,072,251</u> | <u>6,772,290</u> | <u>9,844,541</u> |
| Unassigned: | | | | | | |
| | <u>8,303,332</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(3,672,678)</u> | <u>4,630,654</u> |
| Total Fund Balances | <u>\$ 9,882,262</u> | <u>\$ 483,283</u> | <u>\$ 2,098,792</u> | <u>\$ 5,263,135</u> | <u>\$ 11,023,979</u> | <u>\$ 28,751,451</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

| | Water | Sewer | Storm | Nonmajor Proprietary Funds | Totals |
|---|---------------|---------------|--------------|----------------------------------|---------------|
| Net investment in capital assets | | | | | |
| Land | \$ 1,050,724 | \$ 1,386,281 | \$ - | \$ 1,270,000 | \$ 3,707,005 |
| Other capital assets, net of accumulated depreciation | 31,909,353 | 31,467,473 | 9,314,705 | 5,023,363 | 77,714,894 |
| Less: Long-term debt outstanding | (22,796,326) | (3,479,727) | (2,054,834) | (397,933) | (28,728,820) |
| Add: Noncapital debt outstanding | - | - | - | 85,000 | 85,000 |
| Add: Unamortized loss on advance refunding | 58,435 | 2,691 | - | 1,562 | 62,688 |
| Less: Unamortized premium on debt | (1,001,970) | - | - | - | (1,001,970) |
| Add: Restricted assets not funded by revenues | 2,129,011 | - | - | - | 2,129,011 |
| Total Net Investment in Capital Assets | 11,349,227 | 29,376,718 | 7,259,871 | 5,981,992 | 53,967,808 |
| Restricted Net Position | | | | | |
| Redemption account | 383,039 | 112,563 | 49,250 | - | 544,852 |
| Replacement account | - | 1,595,400 | - | - | 1,595,400 |
| Reserve account | 2,129,011 | - | 110,500 | - | 2,239,511 |
| Pension | - | - | - | - | - |
| Less: Restricted assets not funded by revenues | (2,129,011) | - | - | - | (2,129,011) |
| Less: Current liabilities payable from restricted assets | (124,834) | (10,786) | (5,700) | - | (141,320) |
| Total Restricted Net Position | 258,205 | 1,697,177 | 154,050 | - | 2,109,432 |
| Unrestricted (Deficit) | 1,708,989 | 10,100,515 | 835,150 | (637,659) | 12,006,995 |
| Total Enterprise Funds Net Position | \$ 13,316,421 | \$ 41,174,410 | \$ 8,249,071 | \$ 5,344,333 | \$ 68,084,235 |
| Add: Portion of internal service funds net position allocated to business-type activities | | | | | 108,404 |
| Total Business-type Activities Net Position | | | | | \$ 68,192,639 |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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, 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 | \$ 3,015,089 | \$ 3,023,215 | Custodial credit risk |
| Total Cash and Investments | \$ 3,015,089 | \$ 3,023,215 | |
| Reconciliation to financial statements | | | |
| Per statement of net position | | | |
| Unrestricted cash and investments | \$ 918,277 | | |
| Restricted cash and investments | <u>2,096,812</u> | | |
| Total Cash and Investments | \$ 3,015,089 | | |

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) and \$250,000 for demand deposit amounts (interest-bearing and noninterest bearing). 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 deposits.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in calculating custodial credit risk.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority – Primary Government (cont.)

b. Cash and Investments (cont.)

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, 2016, \$426,403 of the CDA's total bank balances of \$926,403 were exposed to custodial credit risk as follows:

| | |
|--------------------------------|-------------------|
| Uninsured and uncollateralized | <u>\$ 426,403</u> |
|--------------------------------|-------------------|

c. Restricted Assets

Restricted assets at December 31, 2016, consist of the following:

| | |
|---|---------------------|
| Cash and cash equivalents – bond redemption | <u>\$ 2,096,812</u> |
| Total Restricted Assets | <u>\$ 2,096,812</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority – Primary Government (cont.)

d Capital Assets

The useful life assigned to buildings is 40 years. Machinery and equipment are assigned useful lives ranging from 5-10 years. The change in capital assets for 2016 are as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|----------------------|-----------|-----------|-------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 414,539 | \$ - | \$ - | \$ 414,539 |
| Capital assets being depreciated | | | | |
| Buildings | 835,189 | 6,775 | - | 841,964 |
| Furniture, equipment, and machinery-dwellings | 46,406 | 12,714 | - | 59,120 |
| Furniture, equipment, and machine-administrative | 167,196 | - | - | 167,196 |
| Total Capital Assets Being Depreciated | 1,048,791 | 19,489 | - | 1,068,280 |
| Less: Accumulated Depreciation | (676,162) | (27,610) | - | (703,772) |
| Total Capital Assets, Net of Depreciation | \$ 815,595 | | | \$ 779,047 |

e. Long-Term Obligations

Lease Revenue Bonds

The CDA has pledged future revenues from the City of Beloit resulting from TIF increments to repay \$24,915,000 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 \$15,621,028. Principal and interest paid for the current year and total pledged revenues were both \$3,181,973.

The following is a summary of the lease revenue bond transactions for the year ended December 31, 2016.

| | Balance 1-1-16 | Increases | Decreases | Balance 12-31-16 |
|---------------------|-------------------|-----------|--------------|---------------------|
| Lease revenue bonds | \$ 16,120,000 | \$ - | \$ 2,550,000 | \$ 13,570,000 |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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 12-31-16 |
|-------------------------------------|---------------|----------|----------------|----------------------------|----------------------|
| 2007A Lease Revenue Refunding Bonds | 2-21-07 | 3-1-20 | 3.50-4.20% | \$ 8,915,000 | \$ 4,760,000 |
| 2007B Lease Revenue Bonds | 7-12-07 | 6-1-19 | 3.70-4.35 | 2,015,000 | 715,000 |
| 2008A Lease Revenue Refunding Bonds | 6-19-08 | 3-1-25 | 4.00-6.75 | 2,640,000 | 1,915,000 |
| 2009A Lease Revenue Bonds | 7-1-09 | 3-1-25 | 1.30-5.00 | 5,340,000 | 3,365,000 |
| 2011A Lease Revenue Bonds | 6-27-11 | 6-1-18 | 1.00-3.05 | 3,175,000 | 975,000 |
| 2011B Lease Revenue Bonds | 6-27-11 | 6-1-26 | 2.90-4.40 | 1,165,000 | 835,000 |
| 2012A Lease Revenue Bonds | 6-21-12 | 6-1-18 | 0.80-1.82 | 1,665,000 | <u>1,005,000</u> |
| Totals | | | | | <u>\$ 13,570,000</u> |

Debt service requirements to maturity are as follows:

| Calendar Year | Principal | Interest | Totals |
|------------------|----------------------|---------------------|----------------------|
| 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 | 66,188 | 806,188 |
| 2025 | 760,000 | 24,940 | 784,940 |
| 2026 | 90,000 | 1,980 | 91,980 |
| Totals | <u>\$ 13,570,000</u> | <u>\$ 2,051,028</u> | <u>\$ 15,621,028</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority – Primary Government (cont.)

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, 2016 includes the following:

| | |
|---|---------------------|
| Net investment in capital assets | |
| Land | \$ 414,539 |
| Other capital assets, net of accumulated depreciation | <u>364,508</u> |
| Total Net Investment in Capital Assets | <u>779,047</u> |
| Restricted | |
| Low Rent Public Housing | <u>5,323,103</u> |
| Total Restricted | <u>5,323,103</u> |
| Unrestricted | <u>544,056</u> |
| Total Net Position | <u>\$ 6,646,206</u> |

CITY OF БЕЛОIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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 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, 2016

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.

The company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

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 | 15-40 |
| 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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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.)

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.

Financing Costs

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

Amortized costs included in interest expense amounted to \$377 for the year ended December 31, 2016.

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.

Unearned 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 unearned revenue relating to this grant is recognized as other income in the statement of operations (shown as amortization of unearned 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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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.)

Subsequent Events

These financial statements have not been updated for subsequent events occurring after March 15, 2017, 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:

| | | |
|----------------------------|----|----------------|
| Replacement reserve | \$ | 58,643 |
| Operating reserve | | 145,499 |
| Tenants' security deposits | | <u>32,172</u> |
| Total | \$ | <u>236,314</u> |

Replacement Reserve

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.

| | | |
|--------------------|----|---------------|
| Balance, beginning | \$ | 15,341 |
| Monthly deposits | | 43,257 |
| Interest earned | | <u>45</u> |
| Balance, Ending | \$ | <u>58,643</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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 (cont.)

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. 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.

| | |
|--------------------|-------------------|
| Balance, beginning | \$ 100,295 |
| Interest earned | 129 |
| Deposits | <u>45,075</u> |
| Balance, Ending | <u>\$ 145,499</u> |

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.

| | |
|--------------------|-----------------|
| Balance, beginning | \$ 45,067 |
| Interest earned | 8 |
| Withdrawals | <u>(45,075)</u> |
| Balance, Ending | <u>\$ -</u> |

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 | 8,397,386 |
| Land improvements | 164,412 |
| Furnishings and equipment | <u>260,764</u> |
| | 10,783,911 |
| Less: Accumulated depreciation | <u>1,653,340</u> |
| Total | <u>\$ 9,130,571</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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 and Other Notes Payable

Mortgage and other notes payable consists of the following:

| | |
|---|---------------------|
| CDA; managing member; non-recourse mortgage note payable under the capital lease described in Note K.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 \$109,871 for the year ended December 31, 2016; accrued interest was \$617,826 as of December 31, 2016. | \$ 1,950,000 |
| CDA; nonrecourse mortgage note in the original amount of \$500,000; noninterest bearing; due in one installment on September 21, 2040; collateralized by a mortgage on the project's rental property. | 500,000 |
| CDA; nonrecourse mortgage note in the original amount of \$619,253; noninterest bearing; due in one installment on September 21, 2040; collateralized by a mortgage on the project's rental property. | 430,559 |
| CDA; nonrecourse 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 expense totaled \$16,273 for the year ended December 31, 2016; accrued interest was \$73,099 as of December 31, 2016. | 350,000 |
| City of Beloit; nonrecourse mortgage note in the original amount of \$170,639; noninterest 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, 2016. | - |
| Total Long-term Debt | 3,230,559 |
| Less: Unamortized debt issuance costs | 12,737 |
| Total | <u>\$ 3,217,822</u> |

In 2016, the company retrospectively adopted the requirements in FASB Accounting Standards Codification 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Mortgage notes payable as of December 31, 2015 was previously reported in the balance sheet as \$3,230,559 with the associated \$13,114 unamortized financing costs included in assets.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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 and Other Notes Payable (cont.)

Repayment of principal on the mortgage and other notes payable as of December 31, 2016, is as follows:

Year Ending December 31,

| | | |
|------------|----|-------------------------|
| 2017 | \$ | - |
| 2018 | | - |
| 2019 | | - |
| 2020 | | - |
| 2021 | | - |
| Thereafter | | <u>3,230,559</u> |
| Total | \$ | <u><u>3,230,559</u></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><u>1,950,000</u></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 \$124,369 as of December 31, 2016.

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.g. in this section).

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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, \$71,232 was contributed as rental property for year ended December 31, 2016. The investor members are required to make capital contributions totaling \$6,439,817. All contributions were made as of December 31, 2016.

g. Related Party Transactions

Accounts Payable

Included in accounts payable are amounts owed to the CDA for reimbursement of operating expenses totaling \$60,861 as of December 31, 2016.

Property Management Agreement

The company has entered into a property management agreement with the CDA under which the company is obligated to pay a property management fee equal to 5% of gross residential rents on a monthly basis. The agreement is automatically renewed from year to year unless otherwise terminated. Property management fees totaled 4,729 for the period ended December 31, 2016.

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%. Included in accrued expenses are accrued asset management fees of \$9,750 and accrued interest on the asset management fees of \$643 as of December 31, 2016. Interest incurred on the asset management fee totaled \$439 for the year ended December 31, 2016.

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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

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

g. Related Party Transactions (cont.)

Operating Deficit Guaranty

The managing member is obligated, after all funds in the operating reserve account have been depleted, to fund operating deficits during the operating deficit guaranty period. The operating deficit guaranty period is defined as the period beginning with the date of achievement of breakeven operations and ending on the later of the third anniversary of the date of achievement of breakeven operations or when the project has maintained the operating reserve target amount of \$100,000 during the compliance period and the project has made all required deposits to the replacement reserve. The obligation to fund operating deficits shall be limited to \$145,000. Such loans are non-interest bearing and repayable solely from available cash flow as defined in the operating agreement. There was no operating deficit loans as of December 31, 2016.

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 \$147,038 were earned during the period ended December 31, 2016. Included in accounts receivable are operating subsidies of \$19,404 as of December 31, 2016.

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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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 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, 2016

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.

The company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

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, 2016

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 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 \$301 for the period ended December 31, 2016.

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 March 1, 2017, 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:

| | | |
|----------------------------|----|----------------|
| Replacement reserve | \$ | 90,415 |
| Operating reserve | | 190,698 |
| ACC reserve | | 281,028 |
| Tenants' security deposits | | 24,231 |
| Total | \$ | <u>586,372</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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.

| | | |
|--------------------|----|---------------|
| Balance, beginning | \$ | 68,046 |
| Deposits | | 22,285 |
| Interest earned | | <u>84</u> |
| Balance, Ending | \$ | <u>90,415</u> |

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.

| | | |
|--------------------|----|----------------|
| Balance, beginning | \$ | 190,507 |
| Interest earned | | <u>191</u> |
| Balance, Ending | \$ | <u>190,698</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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.)

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 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.

| | | |
|--------------------|----|---------|
| Balance, beginning | \$ | 280,747 |
| Interest earned | | 281 |
| Balance, Ending | \$ | 281,028 |

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 | | 9,216,173 |
| Land improvements | | 397,055 |
| Furnishings and equipment | | 309,631 |
| | | 11,508,256 |
| Less: Accumulated depreciation | | 1,867,467 |
| Total | \$ | 9,640,789 |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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 and Other Notes Payable

Mortgage and other notes payable consists of the following:

| | |
|---|----------------------------|
| CDA; managing member; nonrecourse mortgage note payable under the capital lease described in Note K.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 \$70,244 for the year ended December 31, 2016; accrued interest was \$336,711 as of December 31, 2016. | \$ 1,410,000 |
| CDA; nonrecourse 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; interest expense totaled \$1,150 for the year ended December 31, 2016; accrued interest was \$4,218 as of December 31, 2016. | 230,074 |
| CDA; nonrecourse 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; interest expense totaled \$1,283 for the year ended December 31, 2016; accrued interest was \$5,024 as of December 31, 2016. | 256,500 |
| CDA; nonrecourse mortgage note in the original amount of \$540,000; noninterest bearing; due in one installment on October 13, 2051, collateralized by a mortgage on the project's rental property. | 540,000 |
| CDA; nonrecourse 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; interest expense totaled \$2,371 for the year ended December 31, 2016; accrued interest was \$8,446 as of December 31, 2016. | <u>474,260</u> |
| Total Mortgage Notes Payable | 2,910,834 |
| Less: Unamortized financing cost | <u>10,491</u> |
| Total | <u><u>\$ 2,900,343</u></u> |

In 2016, the company retrospectively adopted the requirements in FASB Accounting Standards Codification 835-30 to present debt issuance cost as a reduction of the carrying amount of the debt rather than an asset. Mortgage notes payable as of December 31, 2015 was previously reported in the balance sheet as \$2,910,834 with the associated \$10,792 unamortized debt issuance costs included in assets.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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 and Other Notes Payable (cont.)

Repayment of principal on the mortgage and other notes payable as of December 31, 2016, is follows:

Year Ending December 31,

| | | |
|------------|----|-------------------------|
| 2017 | \$ | - |
| 2018 | | - |
| 2019 | | - |
| 2020 | | - |
| 2021 | | - |
| Thereafter | | <u>2,910,834</u> |
| Total | \$ | <u><u>2,910,834</u></u> |

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><u>1,410,000</u></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 \$75,536 as of December 31, 2016.

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.f. in this section).

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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. Related Party Transactions

Accounts Payable

Included in accounts payable are amounts owed to the CDA for reimbursement of operating expenses totaling \$27,293 as of December 31, 2016.

Property Management Agreement

The company has entered into a property management agreement with the CDA under which the company is now obligated to pay a property management fee equal to 5% of gross residential rents and ACC operating subsidy received on a monthly basis. The agreement is automatically renewed from year to year unless otherwise terminated. Property management fees totaled \$13,459 for the period ended December 31, 2016.

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 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 were \$7,428 for the period ended December 31, 2016. Asset management fees accrued and included in accrued expenses were \$28,784 as of December 31, 2016.

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, 2016.

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 \$166,392 were earned during the period ended December 31, 2016. Included in accounts receivables are operating subsidies receivable of \$50,412 as of December 31, 2016.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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. Related Party Transactions (cont.)

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.

g. 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.

h. Commitments and Contingencies

Land Use Restriction Agreement (LURA)

The company has entered 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 sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If the company fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor member. The company is obligated to certify tenant eligibility.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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. Commitments and Contingencies (cont.)

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.

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.
3. The preparation of financial statements in conformity with GAAP 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.
4. The Foundation has evaluated subsequent events through March 31, 2017 the date which the financial statements were available to be issued.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc. (cont.)

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. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2016, the Foundation had an uninsured cash balance of \$7,570.

d. Receivables

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Management feels all contribution and pledge amounts will be collected based on management's review of specific amounts, and therefore an allowance for uncollectables is not recorded.

Pledges receivable as of December 31, 2016 consisted of the following:

| | <u>2016</u> |
|---|-----------------|
| Receivable in less than one year | \$ 3,750 |
| Receivable in one to five years | <u>3,750</u> |
| Total Pledges Receivable | 7,500 |
| Less: Discount on long-term receivables | <u>67</u> |
| Net Pledges Receivable | <u>\$ 7,433</u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc. (cont.)

d. Receivables (cont.)

The effective interest rate used to calculate the discount on long term receivables is 1.20% obtained from U.S Department of Treasury two year curve rate as of December 31, 2016.

Accounts receivable include due for Individual Appeal Donations. Management has evaluated these amounts and feels that the amount reported will be collectable.

e. 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:

| | 12-31-16 |
|-----------------------|------------|
| Library building fund | \$ 5,434 |
| Blender café fund | 119,366 |
| Total | \$ 124,800 |

f. 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:

| | 2016 | |
|----------------|------------|------------|
| | Market | Cost |
| Mutual Funds - | | |
| Equity | \$ 434,450 | \$ 439,453 |
| Fixed income | 159,224 | 164,769 |
| Totals | \$ 593,674 | \$ 604,222 |

Unrealized gains amounted to \$(10,548) as of December 31, 2016. Current unrealized losses of \$(11,797) have been reflected in the Statement of Activities for 2016.

Interest and dividends earned on the above investments amounted to \$23,125 for 2016. 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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc. (cont.)

g. Fair Value Measurements

The Foundation has adopted the Financial Accounting Standards Board (FASB) FASB ASC 820-10, *Fair Value Measurements and Disclosures*. FASB ASC 820-10 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants in the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Foundation considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

FASB ASC 820-10 establishes a fair value hierarchy that requires the Foundation to maximize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level on input that is significant to the fair value measurement.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Significant other observable inputs other than Level 1 that are either directly or indirectly, such as quoted market prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full terms of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair values of assets measured on a recurring basis at December 31, 2016 are as follows.

| | Fair Value Measurements at Reporting Date Using | |
|--------------------------|--|---|
| | Fair Value | Quoted Prices In Active Markets for Identical Assets (Level 1) |
| <u>December 31, 2016</u> | | |
| Marketable securities | \$ 593,674 | \$ 593,674 |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc. (cont.)

h. 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, 2016. 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.

i. 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. The Foundation's contributions to the library as of December 31, 2016 were \$14,012.

j. Blender Café

During 2016, the Foundation started a capital campaign for Blender Café', which is a café at the library that is planning to open April 2017. The Foundation is collecting donations for the Blender Café' and then passing those donations through to the City of Beloit to pay for the construction of the Café. The Foundation's contributions for the Blender Café as of December 31, 2016 were \$130,600.

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Summary of Significant Accounting Policies

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and 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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Vesting. 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.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. 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 participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

| Year | Core Fund Adjustment | Variable Fund Adjustment |
|------|----------------------|--------------------------|
| 2006 | 0.8% | 3% |
| 2007 | 3.0 | 10 |
| 2008 | 6.6 | 0 |
| 2009 | (2.1) | (42) |
| 2010 | (1.3) | 22 |
| 2011 | (1.2) | 11 |
| 2012 | (7.0) | (7) |
| 2013 | (9.6) | 9 |
| 2014 | 4.7 | 25 |
| 2015 | 2.9 | 2 |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Required contributions for protective employees 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.

During the reporting period, the WRS recognized \$2,012,193 in contributions from the City and CDA.

Contribution rates as of December 31, 2016 are:

| | <u>Employee</u> | <u>Employer</u> |
|------------------------------------|-----------------|-----------------|
| General | 6.6% | 6.6% |
| Executives and Elected Officials | 6.6% | 6.6% |
| Protective with Social Security | 6.6% | 9.4% |
| Protective without Social Security | 6.6% | 13.2% |

Pension Assets, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the City and CDA reported a liability of \$3,472,339 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City and CDA's proportion of the net pension liability was based on the City and CDA's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City and CDA's proportion was 0.21368493%, which was an increase of 0.00013062% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City and CDA recognized pension expense of \$4,144,475.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

At December 31, 2016, the City and CDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 587,307 | \$ 7,307,477 |
| Change in assumptions | 2,429,400 | - |
| Net differences between projected and actual earnings on pension plan investments | 14,216,367 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 63,616 |
| Employer contributions subsequent to the measurement date | 2,042,843 | - |
| Totals | \$ 19,275,917 | \$ 7,371,093 |

\$2,042,843 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ended December 31: | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------|-----------------------------------|----------------------------------|
| 2017 | \$ 4,474,508 | \$ 1,784,629 |
| 2018 | 4,474,508 | 1,784,629 |
| 2019 | 4,474,508 | 1,784,629 |
| 2020 | 3,732,323 | 1,781,818 |
| 2021 | 77,227 | 235,388 |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|--------------------------------|
| Actuarial Valuation Date: | December 31, 2014 |
| Measurement Date of Net Pension Liability (Asset) | December 31, 2015 |
| Actuarial Cost Method: | Entry Age |
| Asset Valuation Method: | Fair Market Value |
| Long-Term Expected Rate of Return: | 7.2% |
| Discount Rate: | 7.2% |
| Salary Increases: | |
| Inflation | 3.2% |
| Seniority/Merit | 0.2% - 5.8% |
| Mortality: | Wisconsin 2012 Mortality Table |
| Post-retirement Adjustments*: | 2.1% |

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Core Fund Asset Class | Current Asset Allocation % | Destination Target Asset Allocation % | Long-Term Expected Nominal Rate of Return % | Long-Term Expected Real Rate of Return % |
|----------------------------------|-------------------------------|---|--|--|
| US Equities | 27% | 23% | 7.6% | 4.7% |
| International Equities | 24.5 | 22 | 8.5 | 5.6 |
| Fixed Income | 27.5 | 37 | 4.4 | 1.6 |
| Inflation Sensitive Assets | 10 | 20 | 4.2 | 1.4 |
| Real Estate | 7 | 7 | 6.5 | 3.6 |
| Private Equity/Debt | 7 | 7 | 9.4 | 6.5 |
| Multi-Asset | 4 | 4 | 6.7 | 3.8 |
| Total Core Fund | 107 | 120 | 7.4 | 4.5 |
| <u>Variable Fund Asset Class</u> | | | | |
| U.S. Equities | 70 | 70 | 7.6 | 4.7 |
| International Equities | 30 | 30 | 8.5 | 5.6 |
| Total Variable Fund | 100 | 100 | 7.9 | 5.0 |

New England Pension Consultants Long-Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City and CDA's proportionate share of the net pension liability/(asset) to changes in the discount rate. The following presents the City and CDA's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.20 percent, as well as what the City and CDA's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

| | 1% Decrease to Discount Rate (6.20%) | Current Discount Rate (7.20%) | 1% Increase to Discount Rate (8.20%) |
|--|--|----------------------------------|--|
| City and CDA's proportionate share of the net pension liability/(asset) | \$24,355,050 | \$3,472,339 | \$(12,837,431) |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

At December 31, 2016, the City and CDA reported a payable to the pension plan, which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Self Insurance

The City has a limited risk management program for employee health and dental benefits with claims processed by a third-party claims administrator on behalf of the City. The claims are being paid out of the internal service fund, and are funded by allocations charged to other funds. Interfund premiums are based on claims experience. As a part of the plan a reinsurance policy has been purchased which picks up claims in excess of \$100,000 per individual 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 four years. Total amounts charged back to the various departments during the year were \$6,292,941.

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, 2016. The estimated liability for self insured losses for this program consisted of the following at December 31, 2016:

| | |
|----------------------------------|---------------------|
| Reported and Known Claims | \$ 856,118 |
| Incurred but not Reported Claims | <u>1,336,565</u> |
| Total | <u>\$ 2,192,683</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> |
|------|------------------------------|----------------------------|------------------------|--------------------------------|
| 2015 | \$ 1,835,972 | \$ 7,535,797 | \$ 7,467,450 | \$ 1,904,319 |
| 2016 | 1,904,319 | 8,307,758 | 8,019,394 | 2,192,683 |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

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 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 3.28%.

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 can be obtained directly from CVMIC's offices.

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, 2016. A total liability of approximately \$86,067 at December 31, 2016 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 auto 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.

The City's auto liability insurance policy has 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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

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

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.

The City's share of this corporation is 1.17% for auto liability and 2.07% of physical damage liability. A list of the other members and their share of participation is available in the TMI report, which can be obtained directly from TMI's offices.

C. COMMITMENTS AND CONTINGENCIES

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.

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.

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

| | |
|----------------|--------------|
| Nonmajor Funds | \$ 2,666,148 |
|----------------|--------------|

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS

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

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the City and the union. The City makes the same monthly health insurance contribution on behalf of the retiree as it makes on behalf of all other active employees during that year. The City contributes 100% and 100% of the current year premiums for a family and a single plan, respectively, for eligible retired plan members and their spouses. For fiscal year 2016, the City contributed \$2,098,850 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 2016, total member contributions were \$0 and there were 326 active and 183 retiree plan participants.

The City's annual other post-employment 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 | \$ 5,696,505 |
| Interest on net OPEB obligation | 1,088,306 |
| Adjustment to annual required contribution | <u>(1,245,506)</u> |
| Annual OPEB cost | 5,539,305 |
| Contributions made | <u>(2,098,850)</u> |
| Increase in Net OPEB Obligation | 3,440,456 |
| Net OPEB Obligation – Beginning of Year | <u>36,276,866</u> |
| Net OPEB Obligation – End of Year | <u><u>\$ 39,717,322</u></u> |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016, 2015, and 2014 were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------------|---|------------------------|
| 12/31/16 | \$ 5,539,305 | 38% | \$ 39,717,322 |
| 12/31/15 | 7,360,025 | 37% | 36,276,866 |
| 12/31/14 | 7,139,347 | 36% | 31,663,841 |

The funded status of the plan as of January 1, 2016, as determined at January 1, 2016, the most recent actuarial valuation date, was as follows:

| | |
|---|-----------------------|
| Actuarial accrued liability (AAL) | \$ 102,502,429 |
| Actuarial value of plan assets | <u>-</u> |
| Unfunded Actuarial Accrued Liability (UAAL) | <u>\$ 102,502,429</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 0% |
| Covered payroll (active plan members) | \$ 24,088,678 |
| UAAL as a percentage of covered payroll | 425.52% |

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 entry age actuarial cost method was used. The actuarial assumptions include a 3.00% investment rate of return and an annual healthcare cost trend rate of 7.50% initially, reduced by decrements to an ultimate rate of 5.0%. Both rates include a 2.50% 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, 2016 was 30 years.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

E. BOND COVENANT DISCLOSURES

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 – 2016 | Sewer – 2016 | Storm Sewer – 2016 |
|---|------------------|------------------|-----------------------|
| Operating revenues | \$ 5,507,429 | \$ 7,167,202 | \$ 1,124,771 |
| Investment income | 42,584 | 130,664 | 7,082 |
| Operating expenses excluding depreciation | (2,306,354) | (6,102,227) | (778,841) |
| Defined Earnings | \$ 3,243,659 | \$ 1,195,639 | \$ 353,012 |
| Annual debt service on revenue bonds | \$ 2,263,725 | \$ 214,409 | \$ 99,850 |
| Coverage factor | x 1.25 | x 1.10 | x 1.25 |
| Required Net Earnings | \$ 2,829,656 | \$ 235,850 | \$ 124,813 |

F. TAX ABATEMENT

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City, through its Tax Incremental Financing Districts (TIF) Nos. 6, 11 and 10, has entered into tax abatement agreements with developers in the form of tax incremental financing incentive payments to stimulate economic development. The abatements are authorized through the TIF project plans. The developers pay property taxes as they become due, and after meeting the criteria established in the development agreements, are entitled to future incentive payments that directly correlate to the taxes paid.

| Agreement Description | Calculation Method | Developer Commitment | 2016 Payments |
|-----------------------|--------------------|------------------------------|---------------|
| TIF 6 | 35% | Construction of improvements | \$ 34,574 |
| TIF 10 | 20% | Construction of improvements | 58,994 |
| TIF 10 | 35% | Construction of improvements | 412,316 |
| TIF 10 | 20% | Construction of improvements | 57,868 |
| TIF 10 | 35% | Construction of improvements | 81,588 |
| TIF 10 | 35% | Construction of improvements | 709 |
| TIF 11 | 20% | Construction of improvements | 22,656 |

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

G. SUBSEQUENT EVENTS

On June 6, 2017 the City issued General Obligation Promissory Notes in the amount of \$1,730,000. The amount will be used to finance projects in the City's Capital Improvement Program.

On June 6, 2017 the City issued General Obligation Bonds in the amount of \$5,645,000. The amount will be used to finance projects in the City's Capital Improvement Program as well as refund the 2008 GO Bonds.

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

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*
- > Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*
- > Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (effective December 31, 2018)*
- > Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*
- > Statement No. 81, *Irrevocable Split-Interest Agreements*
- > Statement No. 82, *Pension Issues-an Amendment of GASB Statement No. 67, No. 68, and No. 73*
- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 85, *Omnibus 2017*
- > Statement No. 86, *Certain Debt Extinguishment Issues*

When they become effective, application of these standards may restate portions of these financial statements.

THIS PAGE IS INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BELOIT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2016

| | Original and Final Budget | Actual | Variance with Final Budget |
|--|------------------------------|-------------------|-------------------------------|
| TAXES | | | |
| Current levy | \$ 7,069,000 | \$ 7,076,780 | \$ 7,780 |
| Mobile home taxes | 15,000 | 13,891 | (1,109) |
| Prior year tax collection/rescinded taxes | 2,000 | - | (2,000) |
| Payment in lieu of taxes - housing authority | - | 26,342 | 26,342 |
| Motel tax | <u>73,000</u> | <u>85,737</u> | <u>12,737</u> |
| Total Taxes | <u>7,159,000</u> | <u>7,202,750</u> | <u>43,750</u> |
| INTERGOVERNMENTAL | | | |
| Shared aidable revenue | 16,190,000 | 16,160,803 | (29,197) |
| Fire distribution fee | 60,270 | 67,277 | 7,007 |
| Expenditure restraint payment | 648,000 | 651,280 | 3,280 |
| State highway aids | 1,680,000 | 1,646,669 | (33,331) |
| State aid - connecting streets | 261,620 | 260,860 | (760) |
| Motor vehicle registration | 525,000 | 538,244 | 13,244 |
| Municipal service payment | 22,000 | 18,033 | (3,967) |
| Computer exemption aid | <u>66,000</u> | <u>62,933</u> | <u>(3,067)</u> |
| Total Intergovernmental Revenues | <u>19,452,890</u> | <u>19,406,099</u> | <u>(46,791)</u> |
| LICENSES AND PERMITS | | | |
| Licenses | | | |
| Liquor - malt permits | 63,695 | 56,658 | (7,037) |
| Cable TV | 440,000 | 428,853 | (11,147) |
| Other licenses | <u>17,860</u> | <u>17,594</u> | <u>(266)</u> |
| Total Licenses | <u>521,555</u> | <u>503,105</u> | <u>(18,450)</u> |
| Permits | | | |
| Construction permits | 144,460 | 140,798 | (3,662) |
| Other permits | 193,215 | 193,523 | 308 |
| Underground storage tank inspection | <u>3,200</u> | <u>2,968</u> | <u>(232)</u> |
| Total Permits | <u>340,875</u> | <u>337,289</u> | <u>(3,586)</u> |
| Total Licenses and Permits | <u>862,430</u> | <u>840,394</u> | <u>(22,036)</u> |

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

CITY OF BELOIT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended December 31, 2016

| | Original and Final Budget | Actual | Variance with Final Budget |
|---|------------------------------|----------------|-------------------------------|
| FINES, FORFEITURES AND PENALTIES | | | |
| Municipal court costs | \$ 130,000 | \$ 111,384 | \$ (18,616) |
| Nontraffic fines | 320,000 | 250,439 | (69,561) |
| Traffic fines | 170,000 | 109,617 | (60,383) |
| Parking fines | 257,000 | 97,791 | (159,209) |
| Penalties on taxes | 110,000 | 98,454 | (11,546) |
| Other | 85,200 | 75,863 | (9,337) |
| Total Fines, Forfeitures and Penalties | <u>1,072,200</u> | <u>743,548</u> | <u>(328,652)</u> |
| FEES AND SERVICE CHARGES | | | |
| Animal shelter | 8,700 | 7,497 | (1,203) |
| Recreation | | | |
| Other recreation | 151,444 | 197,050 | 45,606 |
| Telfer Park and Rivercenter | 124,598 | 118,858 | (5,740) |
| Swimming pool | 64,364 | 63,668 | (696) |
| Total Recreation | <u>340,406</u> | <u>379,576</u> | <u>39,170</u> |
| Other General Revenue | | | |
| Fire inspection fees | 135,490 | 140,272 | 4,782 |
| Property transfer certificates | 14,050 | 19,906 | 5,856 |
| In-house fees | 37,350 | 43,582 | 6,232 |
| Hazardous material response | 10,500 | 9,216 | (1,284) |
| Donations and miscellaneous | 88,455 | 85,740 | (2,715) |
| Nutrition coordinator | 7,229 | 9,855 | 2,626 |
| Recoveries from city | - | 93 | 93 |
| Miscellaneous police revenues | 101,000 | 83,454 | (17,546) |
| Total Other General Revenue | <u>394,074</u> | <u>392,118</u> | <u>(1,956)</u> |
| Total Fees and Service Charges | <u>743,180</u> | <u>779,191</u> | <u>36,011</u> |

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

CITY OF BELOIT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2016

| | Original and Final Budget | Actual | Variance with Final Budget |
|---|------------------------------|----------------------|-------------------------------|
| RENT | \$ 17,000 | \$ 57,804 | \$ 40,804 |
| INVESTMENT INCOME | 250,000 | 235,156 | (14,844) |
| UNREALIZED GAIN (LOSS) ON INVESTMENTS | - | (154,714) | (154,714) |
| OTHER | 41,776 | 41,776 | - |
| Total Revenues | <u>29,598,476</u> | <u>29,152,004</u> | <u>(446,472)</u> |
| OTHER FINANCING SOURCES | | | |
| Sale of city property | 40,000 | 1,608 | (38,392) |
| Transfers in - tax equivalent | <u>864,000</u> | <u>790,273</u> | <u>(73,727)</u> |
| Total Other Financing Sources | <u>904,000</u> | <u>791,881</u> | <u>(112,119)</u> |
| TOTAL REVENUES AND OTHER FINANCING SOURCES | <u>\$ 30,502,476</u> | <u>\$ 29,943,885</u> | <u>\$ (558,591)</u> |

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF BELOIT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended December 31, 2016

| CURRENT EXPENDITURES | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|--------------------------------------|-------------------|---------------------------------------|
| GENERAL GOVERNMENT | | | |
| City Council, Manager, Attorney | | | |
| Council | \$ 49,342 | \$ 47,582 | \$ 1,760 |
| City manager | 296,837 | 274,254 | 22,583 |
| City attorney | <u>396,574</u> | <u>401,886</u> | <u>(5,312)</u> |
| Total City Council, Manager and Attorney | <u>742,753</u> | <u>723,722</u> | <u>19,031</u> |
| Finance and Administrative Services | | | |
| Personnel and labor relations | 231,075 | 199,899 | 31,176 |
| Municipal court | 342,863 | 321,707 | 21,156 |
| Computer information systems | 620,063 | 549,593 | 70,470 |
| Records and elections | 356,145 | 372,423 | (16,278) |
| Property appraisal | 199,303 | 195,141 | 4,162 |
| Collections | 80,434 | 70,925 | 9,509 |
| Accounting | 284,536 | 283,275 | 1,261 |
| Financial management | 323,992 | 207,999 | 115,993 |
| Licenses and permits | 268,077 | 89,861 | 178,216 |
| Bad debts | 500 | 117 | 383 |
| Insurance | 292,052 | 292,051 | 1 |
| City hall operation | <u>290,639</u> | <u>288,231</u> | <u>2,408</u> |
| Total Finance and Administrative Services | <u>3,289,679</u> | <u>2,871,222</u> | <u>418,457</u> |
| Total General Government | <u>4,032,432</u> | <u>3,594,944</u> | <u>437,488</u> |
| COMMUNITY DEVELOPMENT | | | |
| City planning | 674,935 | 655,561 | 19,374 |
| Economic development | 256,918 | 265,940 | (9,022) |
| Code enforcement | <u>489,446</u> | <u>420,877</u> | <u>68,569</u> |
| Total Community Development | <u>1,421,299</u> | <u>1,342,378</u> | <u>78,921</u> |
| PUBLIC SAFETY | | | |
| Police Department | | | |
| Staff services | <u>11,518,510</u> | <u>11,616,831</u> | <u>(98,321)</u> |
| Total Police Department | <u>11,518,510</u> | <u>11,616,831</u> | <u>(98,321)</u> |
| Fire Department | | | |
| Staff services | 634,601 | 693,867 | (59,266) |
| Inspection and prevention | 309,537 | 282,145 | 27,392 |
| Fire fighting and rescue | <u>6,555,913</u> | <u>6,625,495</u> | <u>(69,582)</u> |
| Total Fire Department | <u>7,500,051</u> | <u>7,601,507</u> | <u>(101,456)</u> |
| Total Public Safety | <u>19,018,561</u> | <u>19,218,338</u> | <u>(199,777)</u> |

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

CITY OF BELOIT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2016

| CURRENT EXPENDITURES (cont.) | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|-------------------------------------|--------------------------------------|----------------------|---------------------------------------|
| PUBLIC WORKS | | | |
| DPW engineering | | | |
| DPW administration and engineering | \$ 774,595 | \$ 688,931 | \$ 85,664 |
| Total DPW engineering | <u>774,595</u> | <u>688,931</u> | <u>85,664</u> |
| DPW operations | | | |
| Streets and sanitation | 2,725,315 | 2,547,250 | 178,065 |
| Central stores | <u>34,076</u> | <u>32,982</u> | <u>1,094</u> |
| Total DPW operations | <u>2,759,391</u> | <u>2,580,232</u> | <u>179,159</u> |
| DPW parks and recreation | | | |
| Parks | 1,551,553 | 1,502,696 | 48,857 |
| Recreation | 323,385 | 322,936 | 449 |
| Edwards pavilion | 204,137 | 174,496 | 29,641 |
| Senior center | 146,285 | 166,459 | (20,174) |
| Rotary river center | 37,966 | 28,530 | 9,436 |
| Swimming pools | 205,398 | 207,967 | (2,569) |
| Big Hill park | <u>27,474</u> | <u>32,890</u> | <u>(5,416)</u> |
| Total DPW parks and recreation | <u>2,496,198</u> | <u>2,435,974</u> | <u>60,224</u> |
| Total Public Works | <u>6,030,184</u> | <u>5,705,137</u> | <u>325,047</u> |
| | | | |
| TOTAL EXPENDITURES | <u>\$ 30,502,476</u> | <u>\$ 29,860,797</u> | <u>\$ 641,679</u> |

CITY OF БЕЛОIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - TIF DISTRICT NO. 10 (MAJOR FUND)
For the Year Ended December 31, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---------------------------------------|--------------------|-------------------|-------------------|-------------------------------|
| REVENUES | | | | |
| Taxes | \$ 4,336,187 | \$ 4,336,187 | \$ 4,482,569 | \$ 146,382 |
| Intergovernmental | 637,516 | 837,516 | 847,145 | 509,629 |
| Investment income | 18,000 | 18,000 | 18,141 | 141 |
| Other | 16,300 | 16,300 | 51,392 | 35,092 |
| Total Revenues | <u>5,008,003</u> | <u>5,208,003</u> | <u>5,399,247</u> | <u>691,244</u> |
| EXPENDITURES | | | | |
| Capital Outlay | 2,746,115 | 2,946,115 | 3,090,916 | (144,801) |
| Debt Service | | | | |
| Principal retirement | 1,615,000 | 1,615,000 | 1,625,440 | (10,440) |
| Interest and fiscal charges | 512,318 | 512,318 | 512,318 | - |
| Total Expenditures | <u>4,873,433</u> | <u>5,073,433</u> | <u>5,228,674</u> | <u>(155,241)</u> |
| Excess of Revenues Over Expenditures | <u>134,570</u> | <u>134,570</u> | <u>170,573</u> | <u>536,003</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of city property | - | - | 19,435 | 19,435 |
| Transfers out | (291,528) | (291,528) | (291,528) | - |
| Total Other Financing Sources (Uses) | <u>(291,528)</u> | <u>(291,528)</u> | <u>(272,093)</u> | <u>19,435</u> |
| Net Change in Fund Balance | (156,958) | (156,958) | (101,520) | 555,438 |
| FUND BALANCE - Beginning | <u>584,803</u> | <u>584,803</u> | <u>584,803</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 427,845</u> | <u>\$ 427,845</u> | <u>\$ 483,283</u> | <u>\$ 555,438</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, 2016

| 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 |
|--------------------------------|---------------------------------|--|------------------------|-----------------|--------------------|--|
| 1/1/2016 | \$ | - \$ 102,502,429 | \$ 102,502,429 | 0% | \$ 24,088,678 | 425.52% |
| 1/1/2014 | | - 118,761,524 | 118,761,524 | 0% | 23,557,185 | 504.14% |
| 1/1/2012 | | - 130,931,944 | 130,931,944 | 0% | 19,598,021 | 668.09% |

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

CITY OF BELOIT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) -
WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2016

| <u>Fiscal Year Ending</u> | <u>Proportion of the Net Pension Liability (Asset)</u> | <u>Proportionate Share of the Net Pension Liability (Asset)</u> | <u>Covered Payroll</u> | <u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u> |
|-------------------------------|--|---|----------------------------|--|---|
| 12/31/16 | 0.21368493% | \$ 3,472,339 | \$ 22,979,036 | 15.10% | 98.20% |
| 12/31/15 | -0.21355431% | (5,245,478) | 23,533,359 | 22.29% | 102.74% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2016

| <u>Fiscal Year Ending</u> | <u>Contractually Required Contributions</u> | <u>Contributions in Relation to the Contractually Required Contributions</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Payroll</u> | <u>Contributions as a Percentage of Covered Payroll</u> |
|-------------------------------|---|--|---|----------------------------|---|
| 12/31/16 | \$ 2,042,843 | \$ 2,042,843 | \$ - | \$ 22,815,405 | 8.94% |
| 12/31/15 | 2,006,238 | 2,006,238 | - | 22,979,036 | 8.73% |

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

CITY OF BELOIT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2016

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each 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 2017. 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.

FUNDING PROGRESS DATA

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

WISCONSIN RETIREMENT SYSTEM

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The City is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented. The additional information will be displayed as it becomes available.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in Assumptions. There were no changes in assumptions.

See accompanying auditors' report.

THIS PAGE IS INTENTIONALLY LEFT BLANK

SUPPLEMENTARY INFORMATION

CITY OF BELOIT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2016

| | 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 | \$ - | \$ 485,369 | \$ - | \$ 1,160,033 | \$ 131,625 | \$ 159,564 |
| Receivables | | | | | | |
| Taxes | - | - | 1,019,412 | 861,973 | 128,503 | 139,871 |
| Delinquent personal property taxes | - | - | - | - | - | - |
| Accounts (net) | - | - | - | - | - | 36,929 |
| Special assessments | - | - | - | - | - | - |
| Loans | 1,032,636 | 1,885,528 | - | - | - | - |
| Accrued interest | - | - | - | - | - | - |
| Land contract | - | - | - | - | 1,545,961 | - |
| Due from other governmental units | 283 | 88,483 | - | - | - | - |
| Due from component unit | - | - | - | - | - | - |
| Advances to other funds | - | - | - | - | - | - |
| TOTAL ASSETS | \$ 1,032,919 | \$ 2,459,380 | \$ 1,019,412 | \$ 2,022,006 | \$ 1,806,089 | \$ 336,364 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS) | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 16,379 | \$ 35,897 | \$ - | \$ - | \$ 104,227 | \$ - |
| Due to other funds | 3,872 | - | 171,447 | - | - | - |
| Advances from other funds | - | - | - | - | 1,183,738 | 2,445,540 |
| Total Liabilities | <u>20,251</u> | <u>35,897</u> | <u>171,447</u> | <u>-</u> | <u>1,287,965</u> | <u>2,445,540</u> |
| Deferred Inflows of Resources | | | | | | |
| Property tax levied for next period | - | - | 1,019,412 | 861,973 | 128,503 | 139,871 |
| Unavailable revenue | 1,033,004 | 1,885,528 | - | - | 1,545,961 | - |
| Total Deferred Inflows of Resources | <u>1,033,004</u> | <u>1,885,528</u> | <u>1,019,412</u> | <u>861,973</u> | <u>1,674,464</u> | <u>139,871</u> |
| Fund Balances (Deficits) | | | | | | |
| Restricted | - | 537,955 | - | 1,160,033 | - | - |
| Assigned | - | - | - | - | - | - |
| Unassigned (deficit) | (20,336) | - | (171,447) | - | (1,156,340) | (2,249,047) |
| Total Fund Balances (Deficits) | <u>(20,336)</u> | <u>537,955</u> | <u>(171,447)</u> | <u>1,160,033</u> | <u>(1,156,340)</u> | <u>(2,249,047)</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS) | \$ 1,032,919 | \$ 2,459,380 | \$ 1,019,412 | \$ 2,022,006 | \$ 1,806,089 | \$ 336,364 |

| 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 |
| \$ 629,452 | \$ 265,199 | \$ 1,844,225 | \$ 85,589 | \$ 8,558 | \$ 183,442 | \$ 69,889 | \$ 613,111 |
| 226,059 | 43,120 | 575,760 | 59,817 | - | 26,000 | - | 1,780,877 |
| - | - | - | - | - | - | - | - |
| - | 33,416 | - | - | 9,540 | - | 61,345 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 86,614 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 6,980 | 67,780 | 130,932 | - |
| - | - | - | - | - | - | 94,048 | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 855,511</u> | <u>\$ 341,735</u> | <u>\$ 2,419,985</u> | <u>\$ 145,406</u> | <u>\$ 25,078</u> | <u>\$ 277,222</u> | <u>\$ 442,828</u> | <u>\$ 2,393,988</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 13,267 | \$ 43,529 | \$ 43,188 |
| - | - | - | - | 9,540 | - | 224,553 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 9,540 | 13,267 | 268,082 | 43,188 |
| 226,059 | 43,120 | 575,760 | 59,817 | - | 26,000 | - | 1,780,877 |
| - | - | - | - | - | - | 217,767 | - |
| <u>226,059</u> | <u>43,120</u> | <u>575,760</u> | <u>59,817</u> | <u>-</u> | <u>26,000</u> | <u>217,767</u> | <u>1,780,877</u> |
| 629,452 | 298,615 | 1,844,225 | 85,589 | 15,538 | 237,955 | - | 569,923 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | (43,021) | - |
| <u>629,452</u> | <u>298,615</u> | <u>1,844,225</u> | <u>85,589</u> | <u>15,538</u> | <u>237,955</u> | <u>(43,021)</u> | <u>569,923</u> |
| <u>\$ 855,511</u> | <u>\$ 341,735</u> | <u>\$ 2,419,985</u> | <u>\$ 145,406</u> | <u>\$ 25,078</u> | <u>\$ 277,222</u> | <u>\$ 442,828</u> | <u>\$ 2,393,988</u> |

CITY OF BELOIT

Continued From
Previous Page

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (cont.)
As of December 31, 2016

| | Special Revenue Funds | | | Capital Projects Funds | | Total |
|---|-----------------------|-------------------|---------------------|------------------------|-----------------------|-----------------------------|
| | Police | Solid Waste | Perpetual Care | Computer Replacement | Equipment Replacement | Nonmajor Governmental Funds |
| ASSETS | | | | | | |
| Cash and investments | \$ 21,096 | \$ - | \$ 2,226,517 | \$ 283,888 | \$ 5,396,182 | \$ 13,563,739 |
| Receivables | | | | | | |
| Taxes | 130,000 | 16,800 | - | - | - | 5,008,192 |
| Delinquent personal property taxes | - | - | - | - | - | - |
| Accounts (net) | - | 433,054 | - | - | 41,155 | 615,439 |
| Special assessments | - | - | - | - | - | - |
| Loans | - | - | - | - | 99,133 | 3,103,911 |
| Accrued interest | - | - | 14,485 | - | - | 14,485 |
| Land contract | - | - | - | - | - | 1,545,961 |
| Due from other governmental units | - | - | - | - | - | 294,458 |
| Due from component unit | - | - | - | - | - | 94,048 |
| Advances to other funds | - | - | - | - | 1,042,787 | 1,042,787 |
| TOTAL ASSETS | \$ 151,096 | \$ 449,854 | \$ 2,241,002 | \$ 283,888 | \$ 6,579,257 | \$ 25,283,020 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS) | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 1,150 | \$ 24,676 | \$ - | \$ - | \$ 49,700 | \$ 332,013 |
| Due to other funds | 52,433 | 106,613 | - | - | - | 568,458 |
| Advances from other funds | - | - | - | - | - | 3,629,278 |
| Total Liabilities | <u>53,583</u> | <u>131,289</u> | <u>-</u> | <u>-</u> | <u>49,700</u> | <u>4,529,749</u> |
| Deferred Inflows of Resources | | | | | | |
| Property tax levied for next period | 130,000 | - | - | - | - | 4,991,392 |
| Unavailable revenue | - | - | 14,485 | - | 41,155 | 4,737,900 |
| Total Deferred Inflows of Resources | <u>130,000</u> | <u>-</u> | <u>14,485</u> | <u>-</u> | <u>41,155</u> | <u>9,729,292</u> |
| Fund Balances (Deficits) | | | | | | |
| Restricted | - | 318,565 | 2,226,517 | - | - | 7,924,367 |
| Assigned | - | - | - | 283,888 | 6,488,402 | 6,772,290 |
| Unassigned (deficit) | <u>(32,487)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(3,672,678)</u> |
| Total Fund Balances (Deficits) | <u>(32,487)</u> | <u>318,565</u> | <u>2,226,517</u> | <u>283,888</u> | <u>6,488,402</u> | <u>11,023,979</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS) | \$ 151,096 | \$ 449,854 | \$ 2,241,002 | \$ 283,888 | \$ 6,579,257 | \$ 25,283,020 |

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF BELOIT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

| | 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 | \$ - | \$ - | \$ 1,090,975 | \$ 916,265 | \$ 138,113 | \$ 150,821 |
| Intergovernmental | 134,491 | 543,133 | 73,709 | 223,720 | - | 2,979 |
| Licenses and permits | - | - | - | - | - | - |
| Fees and service charges | - | - | - | - | - | - |
| Investment income | 12,100 | 23,221 | 184 | 16,378 | 65,867 | 3,580 |
| Unrealized gain (loss) on investments | - | - | - | - | - | - |
| Public charges for services | - | - | - | - | - | 36,929 |
| Other | 150,482 | 375,975 | 21,242 | - | 9,926 | - |
| Total Revenues | <u>297,073</u> | <u>942,329</u> | <u>1,186,110</u> | <u>1,156,363</u> | <u>213,906</u> | <u>194,309</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Community development | 307,760 | 789,434 | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Public works | - | - | - | - | - | - |
| Parks, recreation, and education | - | - | - | - | - | - |
| Capital Outlay | - | - | 23,879 | 38,174 | 305,935 | 958 |
| Debt Service | | | | | | |
| Principal retirement | - | - | 607,841 | 225,010 | - | - |
| Interest and fiscal charges | - | - | 52,246 | 35,483 | - | - |
| Total Expenditures | <u>307,760</u> | <u>789,434</u> | <u>683,966</u> | <u>298,667</u> | <u>305,935</u> | <u>958</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(10,687)</u> | <u>152,895</u> | <u>502,144</u> | <u>857,696</u> | <u>(92,029)</u> | <u>193,351</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Sale of city property | - | - | - | - | 288,848 | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | (342,200) | (170,164) | (215,649) | (16,675) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>(342,200)</u> | <u>(170,164)</u> | <u>73,199</u> | <u>(16,675)</u> |
| Net Change in Fund Balances | (10,687) | 152,895 | 159,944 | 687,532 | (18,830) | 176,676 |
| FUND BALANCES (DEFICIT) - Beginning of Year | <u>(9,649)</u> | <u>385,060</u> | <u>(331,391)</u> | <u>472,501</u> | <u>(1,137,510)</u> | <u>(2,425,723)</u> |
| FUND BALANCES (DEFICIT) - END OF YEAR | <u>\$ (20,336)</u> | <u>\$ 537,955</u> | <u>\$ (171,447)</u> | <u>\$ 1,160,033</u> | <u>\$ (1,156,340)</u> | <u>\$ (2,249,047)</u> |

| 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 |
| \$ 224,421 | \$ 36,084 | \$ 576,507 | \$ 72,652 | \$ - | \$ 26,000 | \$ - | \$ 1,780,877 |
| 30 | 3,656 | 5,365 | 5,904 | 327,272 | 288,783 | 385,510 | 291,679 |
| - | - | - | - | - | 3,396 | - | - |
| - | - | - | - | - | - | - | 39,297 |
| 9,293 | 3,995 | 27,305 | 1,406 | 14 | 16 | 2,490 | 436 |
| - | - | - | - | - | - | - | - |
| - | 33,416 | - | - | - | - | - | 26,175 |
| - | - | - | - | 100 | 1,453 | 15,172 | 11,329 |
| <u>233,744</u> | <u>77,151</u> | <u>609,177</u> | <u>79,962</u> | <u>327,386</u> | <u>319,648</u> | <u>403,172</u> | <u>2,149,793</u> |
| - | - | - | - | - | - | 519,524 | - |
| - | - | - | - | 322,678 | - | - | - |
| - | - | - | - | - | 264,114 | - | - |
| - | - | - | - | - | - | - | 2,236,552 |
| 23,556 | 900 | 118,495 | 54,440 | 1,643 | - | - | 78,383 |
| - | - | 70,011 | - | - | - | - | - |
| - | - | 31,928 | - | - | - | - | - |
| <u>23,556</u> | <u>900</u> | <u>220,434</u> | <u>54,440</u> | <u>324,321</u> | <u>264,114</u> | <u>519,524</u> | <u>2,314,935</u> |
| <u>210,188</u> | <u>76,251</u> | <u>388,743</u> | <u>25,522</u> | <u>3,065</u> | <u>55,534</u> | <u>(116,352)</u> | <u>(165,142)</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>(99,930)</u> | <u>(65,900)</u> | <u>(75,688)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>(99,930)</u> | <u>(65,900)</u> | <u>(75,688)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 110,258 | 10,351 | 313,055 | 25,522 | 3,065 | 55,534 | (116,352) | (165,142) |
| <u>519,194</u> | <u>288,264</u> | <u>1,531,170</u> | <u>60,067</u> | <u>12,473</u> | <u>182,421</u> | <u>73,331</u> | <u>735,065</u> |
| <u>\$ 629,452</u> | <u>\$ 298,615</u> | <u>\$ 1,844,225</u> | <u>\$ 85,589</u> | <u>\$ 15,538</u> | <u>\$ 237,955</u> | <u>\$ (43,021)</u> | <u>\$ 569,923</u> |

CITY OF БЕЛОIT

Continued From
Previous Page

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR GOVERNMENTAL FUNDS (cont.)
For the Year Ended December 31, 2016

| | Special Revenue Funds | | | Capital Projects Funds | | Total Nonmajor Governmental Funds |
|--|-----------------------|------------------|-------------------|-------------------------|--------------------------|--|
| | Police | Solid Waste | Perpetual Care | Computer Replacement | Equipment Replacement | |
| REVENUES | | | | | | |
| Taxes | \$ 130,000 | \$ 20,664 | \$ - | \$ - | \$ - | \$ 5,163,379 |
| Intergovernmental | 159,926 | 131,133 | - | - | - | 2,577,290 |
| Licenses and permits | - | 64,947 | - | - | - | 68,343 |
| Fees and service charges | - | - | - | - | - | 39,297 |
| Investment income | 102 | - | - | 4,130 | 71,255 | 241,772 |
| Unrealized gain (loss) on investments | - | - | (64,475) | - | (7,015) | (71,490) |
| Public charges for services | 151,273 | 2,227,368 | 37,065 | - | - | 2,512,226 |
| Other | 16,538 | - | - | 345 | 821,296 | 1,423,858 |
| Total Revenues | 457,839 | 2,444,112 | (27,410) | 4,475 | 885,536 | 11,954,675 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Community development | - | - | - | - | - | 1,616,718 |
| Public safety | 596,578 | - | - | - | - | 919,256 |
| Public works | - | 2,376,799 | - | - | - | 2,640,913 |
| Parks, recreation, and education | - | - | - | - | - | 2,236,552 |
| Capital Outlay | - | - | - | 24,598 | 1,086,796 | 1,757,757 |
| Debt Service | | | | | | |
| Principal retirement | - | - | - | - | - | 902,862 |
| Interest and fiscal charges | - | - | - | - | - | 119,657 |
| Total Expenditures | 596,578 | 2,376,799 | - | 24,598 | 1,086,796 | 10,193,715 |
| Excess (deficiency) of revenues over (under) expenditures | (138,739) | 67,313 | (27,410) | (20,123) | (201,260) | 1,760,960 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Sale of city property | - | 986 | - | - | 18,579 | 308,413 |
| Transfers in | - | - | - | - | 37,584 | 37,584 |
| Transfers out | - | (37,584) | - | - | (647,250) | (1,671,040) |
| Total Other Financing Sources (Uses) | - | (36,598) | - | - | (591,087) | (1,325,043) |
| Net Change in Fund Balances | (138,739) | 30,715 | (27,410) | (20,123) | (792,347) | 435,917 |
| FUND BALANCES (DEFICIT) - Beginning of Year | 106,252 | 287,850 | 2,253,927 | 304,011 | 7,280,749 | 10,588,062 |
| FUND BALANCES (DEFICIT) - END OF YEAR | \$ (32,487) | \$ 318,565 | \$ 2,226,517 | \$ 283,888 | \$ 6,488,402 | \$ 11,023,979 |

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, 2016

| | Original and Final Budget | Actual | Variance |
|--|------------------------------|---------------------|---------------------|
| REVENUES | | | |
| Taxes | \$ 4,769,154 | \$ 4,769,154 | \$ - |
| Investment income | - | 351 | 351 |
| Other | 388,050 | 155 | (387,895) |
| Total Revenues | <u>5,157,204</u> | <u>4,769,660</u> | <u>(387,544)</u> |
| EXPENDITURES | | | |
| Debt Service | | | |
| Principal retirement | 5,032,721 | 5,032,721 | - |
| Interest and fiscal charges | 1,306,518 | 1,255,837 | 50,681 |
| Total Expenditures | <u>6,339,239</u> | <u>6,288,558</u> | <u>50,681</u> |
| Deficiency of Revenues Under Expenditures | <u>(1,182,035)</u> | <u>(1,518,898)</u> | <u>(336,863)</u> |
| OTHER FINANCING SOURCES | | | |
| Transfers in | 1,182,035 | 1,277,735 | 95,700 |
| Total Other Financing Sources | <u>1,182,035</u> | <u>1,277,735</u> | <u>95,700</u> |
| Net Change in Fund Balance | - | (241,163) | (241,163) |
| FUND BALANCE - Beginning | <u>2,339,955</u> | <u>2,339,955</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 2,339,955</u> | <u>\$ 2,098,792</u> | <u>\$ (241,163)</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, 2016

| | Original and Final Budget | Actual | Variance |
|---|------------------------------|---------------------|---------------------|
| REVENUES | | | |
| Intergovernmental | \$ 1,261,447 | \$ 133,759 | \$ (1,127,688) |
| Fines, forfeitures and penalties | - | 52,450 | 52,450 |
| Special assessments | 195,000 | 280,934 | 85,934 |
| Investment income | - | 17,958 | 17,958 |
| Other | 556,891 | 657,816 | 100,925 |
| Total Revenues | <u>2,013,338</u> | <u>1,142,917</u> | <u>(870,421)</u> |
| EXPENDITURES | | | |
| Capital Outlay | 9,088,999 | 6,700,437 | 2,388,562 |
| Debt service | | | |
| Interest and fiscal charges | - | 124,055 | (124,055) |
| Total Expenditures | <u>9,088,999</u> | <u>6,824,492</u> | <u>2,264,507</u> |
| Deficiency of Revenues Over Expenditures | <u>(7,075,661)</u> | <u>(5,681,575)</u> | <u>1,394,086</u> |
| OTHER FINANCING SOURCES | | | |
| Debt issued | 5,089,871 | 4,960,000 | (129,871) |
| Debt premium | - | 130,133 | 130,133 |
| Sale of city property | - | 11,303 | 11,303 |
| Transfers in | - | 647,250 | 647,250 |
| Total Other Financing Sources | <u>5,089,871</u> | <u>5,748,686</u> | <u>658,815</u> |
| Net Change in Fund Balance | (1,985,790) | 67,111 | 2,052,901 |
| FUND BALANCE - Beginning | <u>5,196,024</u> | <u>5,196,024</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 3,210,234</u> | <u>\$ 5,263,135</u> | <u>\$ 2,052,901</u> |

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL - RENTAL REHAB (WRRP/HOME) FUND
For the Year Ended December 31, 2016

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|------------------------------------|--------------------------------------|--------------------|--------------------|
| REVENUES | | | |
| Intergovernmental | \$ 91,116 | \$ 134,491 | \$ 43,375 |
| Investment income | - | 12,100 | 12,100 |
| Other | - | 150,482 | 150,482 |
| Total Revenues | <u>91,116</u> | <u>297,073</u> | <u>205,957</u> |
| EXPENDITURES | | | |
| Current | | | |
| Community development | <u>91,116</u> | <u>307,760</u> | <u>(216,644)</u> |
| Total Expenditures | <u>91,116</u> | <u>307,760</u> | <u>(216,644)</u> |
| Net Change in Fund Balance | - | (10,687) | (10,687) |
| FUND BALANCE (DEFICIT) - Beginning | <u>(9,649)</u> | <u>(9,649)</u> | <u>-</u> |
| FUND BALANCE (DEFICIT) - ENDING | <u>\$ (9,649)</u> | <u>\$ (20,336)</u> | <u>\$ (10,687)</u> |

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, 2016

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------------|--------------------------------------|-------------------|---------------------|
| REVENUES | | | |
| Intergovernmental | \$ 577,356 | \$ 543,133 | \$ (34,223) |
| Investment income | - | 23,221 | 23,221 |
| Other | 317,000 | 375,975 | 58,975 |
| Total Revenues | <u>894,356</u> | <u>942,329</u> | <u>47,973</u> |
| EXPENDITURES | | | |
| Current | | | |
| Community development | <u>577,356</u> | <u>789,434</u> | <u>(212,078)</u> |
| Total Expenditures | <u>577,356</u> | <u>789,434</u> | <u>(212,078)</u> |
| Net Change in Fund Balance | 317,000 | 152,895 | (164,105) |
| FUND BALANCE - Beginning | <u>385,060</u> | <u>385,060</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 702,060</u> | <u>\$ 537,955</u> | <u>\$ (164,105)</u> |

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL - TIF DISTRICT NO. 5
 For the Year Ended December 31, 2016

| | Original and Final Budget | Actual | Variance |
|---|------------------------------|---------------------|------------------|
| REVENUES | | | |
| Taxes | \$ 1,053,561 | \$ 1,090,975 | \$ 37,414 |
| Intergovernmental | 87,892 | 73,709 | (14,183) |
| Investment income | - | 184 | 184 |
| Other | - | 21,242 | 21,242 |
| Total Revenues | <u>1,141,453</u> | <u>1,186,110</u> | <u>44,657</u> |
| EXPENDITURES | | | |
| Capital Outlay | 20,150 | 23,879 | (3,729) |
| Debt Service | | | |
| Principal retirement | 640,000 | 607,841 | 32,159 |
| Interest and fiscal charges | <u>52,246</u> | <u>52,246</u> | - |
| Total Expenditures | <u>712,396</u> | <u>683,966</u> | <u>28,430</u> |
| Excess of Revenues Over Expenditures | <u>429,057</u> | <u>502,144</u> | <u>73,087</u> |
| OTHER FINANCING USES | | | |
| Transfers out | <u>(332,150)</u> | <u>(342,200)</u> | <u>(10,050)</u> |
| Total Other Financing Uses | <u>(332,150)</u> | <u>(342,200)</u> | <u>(10,050)</u> |
| Net Change in Fund Balance | 96,907 | 159,944 | 63,037 |
| FUND BALANCE (DEFICIT) - Beginning | <u>(331,391)</u> | <u>(331,391)</u> | - |
| FUND BALANCE (DEFICIT) - ENDING | <u>\$ (234,484)</u> | <u>\$ (171,447)</u> | <u>\$ 63,037</u> |

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL - TIF DISTRICT NO. 6
 For the Year Ended December 31, 2016

| | Original and Final Budget | Actual | Variance |
|---|------------------------------|---------------------|-------------------|
| REVENUES | | | |
| Taxes | \$ 884,842 | \$ 916,265 | \$ 31,423 |
| Intergovernmental | 99,787 | 223,720 | 123,933 |
| Investment income | 11,000 | 16,378 | 5,378 |
| Total Revenues | <u>995,629</u> | <u>1,156,363</u> | <u>160,734</u> |
| EXPENDITURES | | | |
| Capital Outlay | 36,490 | 38,174 | (1,684) |
| Debt Service | | | |
| Principal retirement | 225,000 | 225,010 | (10) |
| Interest and fiscal charges | <u>35,482</u> | <u>35,483</u> | <u>(1)</u> |
| Total Expenditures | <u>296,972</u> | <u>298,667</u> | <u>(1,695)</u> |
| Excess of Revenues Over Expenditures | <u>698,657</u> | <u>857,696</u> | <u>159,039</u> |
| OTHER FINANCING USES | | | |
| Transfers out | <u>(170,165)</u> | <u>(170,164)</u> | <u>1</u> |
| Total Other Financing Uses | <u>(170,165)</u> | <u>(170,164)</u> | <u>1</u> |
| Net Change in Fund Balance | 528,492 | 687,532 | 159,040 |
| FUND BALANCE - Beginning | <u>472,501</u> | <u>472,501</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 1,000,993</u> | <u>\$ 1,160,033</u> | <u>\$ 159,040</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, 2016

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|-----------------------|-----------------------|-----------------------|-------------------------------|
| REVENUES | | | | |
| Taxes | \$ 133,375 | \$ 133,375 | \$ 138,113 | \$ 4,738 |
| Investment income | - | - | 65,867 | 65,867 |
| Other | 33,103 | 33,103 | 9,926 | (23,177) |
| Total Revenues | <u>166,478</u> | <u>166,478</u> | <u>213,906</u> | <u>47,428</u> |
| EXPENDITURES | | | | |
| Capital Outlay | 2,150 | 206,250 | 305,935 | (99,685) |
| Total Expenditures | <u>2,150</u> | <u>206,250</u> | <u>305,935</u> | <u>(99,685)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>164,328</u> | <u>(39,772)</u> | <u>(92,029)</u> | <u>(52,257)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of city property | - | - | 288,848 | 288,848 |
| Transfers out | (130,000) | (130,000) | (215,649) | (85,649) |
| Total Other Financing Sources (Uses) | <u>(130,000)</u> | <u>(130,000)</u> | <u>73,199</u> | <u>203,199</u> |
| Net Change in Fund Balance | 34,328 | (169,772) | (18,830) | 150,942 |
| FUND BALANCE (DEFICIT) - Beginning | <u>(1,137,510)</u> | <u>(1,137,510)</u> | <u>(1,137,510)</u> | <u>-</u> |
| FUND BALANCE (DEFICIT) - ENDING | <u>\$ (1,103,182)</u> | <u>\$ (1,307,282)</u> | <u>\$ (1,156,340)</u> | <u>\$ 150,942</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, 2016

| | Original and Final Budget | Actual | Variance |
|---|------------------------------|-----------------------|------------------|
| REVENUES | | | |
| Taxes | \$ 145,649 | \$ 150,821 | \$ 5,172 |
| Intergovernmental | 2,034 | 2,979 | 945 |
| Public charges for services | 28,251 | 36,929 | 8,678 |
| Investment income | 4,000 | 3,580 | (420) |
| Total Revenues | <u>179,934</u> | <u>194,309</u> | <u>14,375</u> |
| EXPENDITURES | | | |
| Capital Outlay | <u>1,150</u> | <u>958</u> | <u>192</u> |
| Total Expenditures | <u>1,150</u> | <u>958</u> | <u>192</u> |
| Excess of Revenues Over Expenditures | <u>178,784</u> | <u>193,351</u> | <u>14,567</u> |
| OTHER FINANCING USES | | | |
| Transfer out | <u>(16,675)</u> | <u>(16,675)</u> | <u>-</u> |
| Total Other Financing Uses | <u>(16,675)</u> | <u>(16,675)</u> | <u>-</u> |
| Net Change in Fund Balance | 162,109 | 176,676 | 14,567 |
| FUND BALANCE (DEFICIT) - Beginning | <u>(2,425,723)</u> | <u>(2,425,723)</u> | <u>-</u> |
| FUND BALANCE (DEFICIT) - ENDING | <u>\$ (2,263,614)</u> | <u>\$ (2,249,047)</u> | <u>\$ 14,567</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, 2016

| | Original and Final Budget | Actual | Variance |
|---|------------------------------|-------------------|-----------------|
| REVENUES | | | |
| Taxes | \$ 216,724 | \$ 224,421 | 7,697 |
| Intergovernmental | 255 | 30 | (225) |
| Investment income | 7,500 | 9,293 | 1,793 |
| Total Revenues | <u>224,479</u> | <u>233,744</u> | <u>9,265</u> |
| EXPENDITURES | | | |
| Capital Outlay | <u>23,384</u> | <u>23,556</u> | <u>(172)</u> |
| Total Expenditures | <u>23,384</u> | <u>23,556</u> | <u>(172)</u> |
| Excess of Revenues Over Expenditures | <u>201,095</u> | <u>210,188</u> | <u>9,093</u> |
| OTHER FINANCING USES | | | |
| Transfers out | <u>(99,930)</u> | <u>(99,930)</u> | <u>-</u> |
| Total Other Financing Uses | <u>(99,930)</u> | <u>(99,930)</u> | <u>-</u> |
| Net Change in Fund Balance | 101,165 | 110,258 | 9,093 |
| FUND BALANCE - Beginning | <u>519,194</u> | <u>519,194</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 620,359</u> | <u>\$ 629,452</u> | <u>\$ 9,093</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, 2016

| | Original and Final Budget | Actual | Variance |
|---|------------------------------|-------------------|-------------------|
| REVENUES | | | |
| Taxes | \$ 34,846 | \$ 36,084 | \$ 1,238 |
| Intergovernmental | 6,085 | 3,656 | (2,429) |
| Investment income | 3,000 | 3,995 | 995 |
| Public charges for services | 39,411 | 33,416 | (5,995) |
| Total Revenues | <u>83,342</u> | <u>77,151</u> | <u>(6,191)</u> |
| EXPENDITURES | | | |
| Capital Outlay | <u>1,150</u> | <u>900</u> | <u>250</u> |
| Total Expenditures | <u>1,150</u> | <u>900</u> | <u>250</u> |
| Excess of Revenues Over Expenditures | <u>82,192</u> | <u>76,251</u> | <u>(5,941)</u> |
| OTHER FINANCING USES | | | |
| Transfers out | <u>(65,900)</u> | <u>(65,900)</u> | <u>-</u> |
| Total Other Financing Uses | <u>(65,900)</u> | <u>(65,900)</u> | <u>-</u> |
| Net Change in Fund Balance | 16,292 | 10,351 | (5,941) |
| FUND BALANCE - Beginning | <u>288,264</u> | <u>288,264</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 304,556</u> | <u>\$ 298,615</u> | <u>\$ (5,941)</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, 2016

| | Original and Final Budget | Actual | Variance |
|---|------------------------------|---------------------|--------------------|
| REVENUES | | | |
| Taxes | \$ 556,736 | \$ 576,507 | \$ 19,771 |
| Intergovernmental | 2,281 | 5,365 | 3,084 |
| Investment income | <u>22,000</u> | <u>27,305</u> | <u>5,305</u> |
| Total Revenues | <u>581,017</u> | <u>609,177</u> | <u>28,160</u> |
| EXPENDITURES | | | |
| Capital Outlay | 10,150 | 118,495 | (108,345) |
| Debt Service | | | |
| Principal retirement | 70,000 | 70,011 | (11) |
| Interest and fiscal charges | <u>31,927</u> | <u>31,928</u> | <u>(1)</u> |
| Total Expenditures | <u>112,077</u> | <u>220,434</u> | <u>(108,357)</u> |
| Excess of Revenues Over Expenditures | <u>468,940</u> | <u>388,743</u> | <u>(80,197)</u> |
| OTHER FINANCING USES | | | |
| Transfers out | <u>(75,688)</u> | <u>(75,688)</u> | <u>-</u> |
| Total Other Financing Uses | <u>(75,688)</u> | <u>(75,688)</u> | <u>-</u> |
| Net Change in Fund Balance | 393,252 | 313,055 | (80,197) |
| FUND BALANCE - Beginning | <u>1,531,170</u> | <u>1,531,170</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 1,924,422</u> | <u>\$ 1,844,225</u> | <u>\$ (80,197)</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, 2016

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------------|--------------------------------------|------------------|--------------------|
| REVENUES | | | |
| Taxes | \$ 70,161 | \$ 72,652 | \$ 2,491 |
| Intergovernmental | 3,661 | 5,904 | 2,243 |
| Investment income | 3,000 | 1,406 | (1,594) |
| Total Revenues | <u>76,822</u> | <u>79,962</u> | <u>3,140</u> |
| | | | |
| EXPENDITURES | | | |
| Capital Outlay | <u>1,150</u> | <u>54,440</u> | <u>(53,290)</u> |
| Total Expenditures | <u>1,150</u> | <u>54,440</u> | <u>(53,290)</u> |
| | | | |
| Net Change in Fund Balance | 75,672 | 25,522 | (50,150) |
| | | | |
| FUND BALANCE - Beginning | <u>60,067</u> | <u>60,067</u> | <u>-</u> |
| | | | |
| FUND BALANCE - ENDING | <u>\$ 135,739</u> | <u>\$ 85,589</u> | <u>\$ (50,150)</u> |

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) -
 BUDGET AND ACTUAL - FIRE MULTI-YEAR GRANTS
 For the Year Ended December 31, 2016

| | Original and Final Budget | Actual | Variance |
|---------------------------------|------------------------------|------------------|------------------|
| REVENUES | | | |
| Intergovernmental | \$ 624,245 | \$ 327,272 | \$ (296,973) |
| Investment income | - | 14 | 14 |
| Other revenues | - | 100 | 100 |
| Total Revenues | <u>624,245</u> | <u>327,386</u> | <u>(296,859)</u> |
| EXPENDITURES | | | |
| Current | | | |
| Public safety | 701,539 | 322,678 | 378,861 |
| Capital Outlay | - | 1,643 | (1,643) |
| Total Expenditures | <u>701,539</u> | <u>324,321</u> | <u>377,218</u> |
| Net Change in Fund Balance | (77,294) | 3,065 | 80,359 |
| FUND BALANCE - Beginning | <u>12,473</u> | <u>12,473</u> | <u>-</u> |
| FUND BALANCE (DEFICIT) - ENDING | <u>\$ (64,821)</u> | <u>\$ 15,538</u> | <u>\$ 80,359</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, 2016

| | Original and Final Budget | Actual | Variance |
|----------------------------|------------------------------|-------------------|------------------|
| REVENUES | | | |
| Taxes | \$ 26,000 | \$ 26,000 | \$ - |
| Intergovernmental | 207,681 | 288,783 | 81,102 |
| Licenses and permits | - | 3,396 | 3,396 |
| Investment income | - | 16 | 16 |
| Other | - | 1,453 | 1,453 |
| Total Revenues | <u>233,681</u> | <u>319,648</u> | <u>85,967</u> |
| EXPENDITURES | | | |
| Current | | | |
| Public works | <u>233,681</u> | <u>264,114</u> | <u>(30,433)</u> |
| Total Expenditures | <u>233,681</u> | <u>264,114</u> | <u>(30,433)</u> |
| Net Change in Fund Balance | - | 55,534 | 55,534 |
| FUND BALANCE - Beginning | <u>182,421</u> | <u>182,421</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 182,421</u> | <u>\$ 237,955</u> | <u>\$ 55,534</u> |

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL - COMMUNITY DEVELOPMENT
For the Year Ended December 31, 2016

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---------------------------------|--------------------------------------|--------------------|---------------------|
| REVENUES | | | |
| Intergovernmental | \$ 556,858 | \$ 385,510 | \$ (171,348) |
| Investment income | - | 2,490 | 2,490 |
| Other | - | 15,172 | 15,172 |
| Total Revenues | <u>556,858</u> | <u>403,172</u> | <u>(153,686)</u> |
| EXPENDITURES | | | |
| Current | | | |
| Community development | <u>556,858</u> | <u>519,524</u> | <u>37,334</u> |
| Total Expenditures | <u>556,858</u> | <u>519,524</u> | <u>37,334</u> |
| Net Change in Fund Balance | - | (116,352) | (116,352) |
| FUND BALANCE - Beginning | <u>73,331</u> | <u>73,331</u> | <u>-</u> |
| FUND BALANCE (DEFICIT) - ENDING | <u>\$ 73,331</u> | <u>\$ (43,021)</u> | <u>\$ (116,352)</u> |

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - LIBRARY For the Year Ended December 31, 2016

| | Original and Final Budget | Actual | Variance |
|---------------------------------|------------------------------|-------------------|---------------------|
| REVENUES | | | |
| Taxes | \$ 1,780,877 | \$ 1,780,877 | \$ - |
| Intergovernmental | 278,680 | 291,679 | 12,999 |
| Fees and service charges | 50,000 | 39,297 | (10,703) |
| Investment income | 500 | 436 | (64) |
| Public charges for services | 26,900 | 26,175 | (725) |
| Other | 138,476 | 11,329 | (127,147) |
| Total Revenues | <u>2,275,433</u> | <u>2,149,793</u> | <u>(125,640)</u> |
| EXPENDITURES | | | |
| Current | | | |
| Parks, recreation and education | 2,258,433 | 2,236,552 | 21,881 |
| Capital Outlay | <u>17,000</u> | <u>78,383</u> | <u>(61,383)</u> |
| Total Expenditures | <u>2,275,433</u> | <u>2,314,935</u> | <u>(39,502)</u> |
| Net Change in Fund Balance | - | (165,142) | (165,142) |
| FUND BALANCE - Beginning | <u>735,065</u> | <u>735,065</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 735,065</u> | <u>\$ 569,923</u> | <u>\$ (165,142)</u> |

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL - POLICE For the Year Ended December 31, 2016

| | Original and Final Budget | Actual | Variance |
|--|------------------------------|--------------------|--------------------|
| REVENUES | | | |
| Taxes | \$ 130,478 | \$ 130,000 | \$ (478) |
| Intergovernmental | 169,109 | 159,926 | (9,183) |
| Public charges for services | 156,000 | 151,273 | (4,727) |
| Investment income | - | 102 | 102 |
| Other | - | 16,538 | 16,538 |
| Total Revenues | <u>455,587</u> | <u>457,839</u> | <u>2,252</u> |
| EXPENDITURES | | | |
| Current | | | |
| Public safety | <u>467,255</u> | <u>596,578</u> | <u>(129,323)</u> |
| Total Expenditures | <u>467,255</u> | <u>596,578</u> | <u>(129,323)</u> |
| Deficiency of Revenues Under Expenditures | <u>(11,668)</u> | <u>(138,739)</u> | <u>(127,071)</u> |
| OTHER FINANCING USES | | | |
| Transfers out | <u>(80,000)</u> | <u>-</u> | <u>80,000</u> |
| Total Other Financing Uses | <u>(80,000)</u> | <u>-</u> | <u>80,000</u> |
| Net Change in Fund Balance | (91,668) | (138,739) | (47,071) |
| FUND BALANCE - Beginning | <u>106,252</u> | <u>106,252</u> | <u>-</u> |
| FUND BALANCE (DEFICIT) - ENDING | <u>\$ 14,584</u> | <u>\$ (32,487)</u> | <u>\$ (47,071)</u> |

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SOLID WASTE For the Year Ended December 31, 2016

| | Original and Final Budget | Actual | Variance |
|--|------------------------------|-------------------|------------------|
| REVENUES | | | |
| Taxes | \$ 29,000 | \$ 20,664 | \$ (8,336) |
| Intergovernmental | 138,000 | 131,133 | (6,867) |
| Licenses and permits | 64,089 | 64,947 | 858 |
| Public charges for services | <u>2,257,644</u> | <u>2,227,368</u> | <u>(30,276)</u> |
| Total Revenues | <u>2,488,733</u> | <u>2,444,112</u> | <u>(44,621)</u> |
| EXPENDITURES | | | |
| Current | | | |
| Public works | 2,431,161 | 2,376,799 | 54,362 |
| Debt Service | | | |
| Principal retirement | 47,304 | - | 47,304 |
| Interest and fiscal charges | <u>16,268</u> | <u>-</u> | <u>16,268</u> |
| Total Expenditures | <u>2,494,733</u> | <u>2,376,799</u> | <u>117,934</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(6,000)</u> | <u>67,313</u> | <u>(73,313)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Sale of city property | 6,000 | 986 | (5,014) |
| Transfers out | <u>-</u> | <u>(37,584)</u> | <u>(37,584)</u> |
| Total Other Financing Sources (Uses) | <u>6,000</u> | <u>(36,598)</u> | <u>(42,598)</u> |
| Net Change in Fund Balance | - | 30,715 | 30,715 |
| FUND BALANCE - Beginning | <u>287,850</u> | <u>287,850</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 287,850</u> | <u>\$ 318,565</u> | <u>\$ 30,715</u> |

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - COMPUTER REPLACEMENT For the Year Ended December 31, 2016

| | Original and Final Budget | Actual | Variance |
|----------------------------|------------------------------|-------------------|--------------------|
| REVENUES | | | |
| Investment income | \$ 1,000 | \$ 4,130 | \$ 3,130 |
| Other | - | 345 | 345 |
| Total Revenues | <u>1,000</u> | <u>4,475</u> | <u>3,475</u> |
| EXPENDITURES | | | |
| Capital Outlay | - | 24,598 | (24,598) |
| Total Expenditures | <u>-</u> | <u>24,598</u> | <u>(24,598)</u> |
| Net Change in Fund Balance | 1,000 | (20,123) | (21,123) |
| FUND BALANCE - Beginning | <u>304,011</u> | <u>304,011</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 305,011</u> | <u>\$ 283,888</u> | <u>\$ (21,123)</u> |

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - EQUIPMENT REPLACEMENT FUND For the Year Ended December 31, 2016

| | Original and Final Budget | Actual | Variance |
|--|------------------------------|---------------------|---------------------|
| REVENUES | | | |
| Investment income | \$ 110,000 | \$ 71,255 | \$ (38,745) |
| Unrealized gain (loss) on investments | - | (7,015) | (7,015) |
| Other | <u>841,296</u> | <u>821,296</u> | <u>(20,000)</u> |
| Total Revenues | <u>951,296</u> | <u>885,536</u> | <u>(65,760)</u> |
| EXPENDITURES | | | |
| Capital Outlay | <u>1,031,874</u> | <u>1,086,796</u> | <u>(54,922)</u> |
| Total Expenditures | <u>1,031,874</u> | <u>1,086,796</u> | <u>(54,922)</u> |
| Deficiency of Revenues Under Expenditures | <u>(80,578)</u> | <u>(201,260)</u> | <u>(120,682)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Sale of fixed assets | - | 18,579 | 18,579 |
| Transfers in | - | 37,584 | 37,584 |
| Transfers out | - | <u>(647,250)</u> | <u>(647,250)</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(591,087)</u> | <u>(591,087)</u> |
| Net Change in Fund Balance | (80,578) | (792,347) | (711,769) |
| FUND BALANCE - Beginning | <u>7,280,749</u> | <u>7,280,749</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 7,200,171</u> | <u>\$ 6,488,402</u> | <u>\$ (711,769)</u> |

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF BELOIT

COMBINING STATEMENT OF NET POSITION (DEFICIT) - NONMAJOR PROPRIETARY FUNDS
As of December 31, 2016

| | Enterprise Funds | | | | Totals |
|---------------------------------------|------------------|----------------|----------------|------------------|------------------|
| | Golf Course | Cemeteries | Ambulance | Transit System | |
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and investments | \$ 750 | \$ 50 | \$ - | \$ 360 | \$ 1,160 |
| Receivables | | | | | |
| Taxes | 50,000 | 28,114 | - | 584,719 | 662,833 |
| Customer accounts | 1,200 | - | 475,714 | 49,602 | 526,516 |
| Due from other governmental units | - | - | - | 96,151 | 96,151 |
| Inventories | - | - | - | 123,540 | 123,540 |
| Total Current Assets | <u>51,950</u> | <u>28,164</u> | <u>475,714</u> | <u>854,372</u> | <u>1,410,200</u> |
| Noncurrent Assets | | | | | |
| 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 | - | 4,469,156 | 4,870,297 |
| Machinery, equipment, and vehicles | 64,388 | 43,028 | - | 4,342,659 | 4,450,075 |
| Less: Accumulated depreciation | (958,622) | (145,122) | - | (3,895,683) | (4,999,427) |
| Total Capital Assets, Net | <u>869,724</u> | <u>375,507</u> | <u>-</u> | <u>5,048,132</u> | <u>6,293,363</u> |
| Total Noncurrent Assets | <u>869,724</u> | <u>375,507</u> | <u>-</u> | <u>5,048,132</u> | <u>6,293,363</u> |
| Total Assets | <u>921,674</u> | <u>403,671</u> | <u>475,714</u> | <u>5,902,504</u> | <u>7,703,563</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Unamortized loss on advance refunding | - | - | - | 1,562 | 1,562 |
| Pension related amounts | 98,365 | 13,700 | 806,791 | 595,518 | 1,514,374 |
| Total Deferred Outflows of Resources | <u>98,365</u> | <u>13,700</u> | <u>806,791</u> | <u>597,080</u> | <u>1,515,936</u> |
| LIABILITIES | | | | | |
| Current Liabilities | | | | | |
| Accounts payable | 2,980 | 929 | 9,180 | 49,559 | 62,648 |
| Accrued liabilities | - | - | - | 1,321 | 1,321 |
| Due to other funds | - | - | 75,189 | 95,073 | 170,262 |
| Compensated absences | 10,450 | 2,622 | 47,116 | 81,949 | 142,137 |
| Current maturities of | | | | | |
| general obligation debt | 14,457 | 18,814 | - | 44,697 | 77,968 |
| Other current liabilities | 5,145 | - | - | - | 5,145 |
| Total Current Liabilities | <u>33,032</u> | <u>22,365</u> | <u>131,485</u> | <u>272,599</u> | <u>459,481</u> |
| Noncurrent Liabilities | | | | | |
| General obligation debt | 20,000 | 56,257 | - | 242,200 | 318,457 |
| Compensated absences | 20,546 | 3,165 | - | 16,607 | 40,318 |
| Other post-employment benefits | 4,763 | 4,763 | - | 50,439 | 59,965 |
| Advances from other funds | 976,643 | 171,494 | - | 333,725 | 1,481,862 |
| Net pension liability | 18,266 | 2,503 | 144,873 | 108,360 | 274,002 |
| Total Noncurrent Liabilities | <u>1,040,218</u> | <u>238,182</u> | <u>144,873</u> | <u>751,331</u> | <u>2,174,604</u> |
| Total Liabilities | <u>1,073,250</u> | <u>260,547</u> | <u>276,358</u> | <u>1,023,930</u> | <u>2,634,085</u> |

| | Enterprise Funds | | | | Totals |
|--------------------------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
| | Golf Course | Cemeteries | Ambulance | Transit System | |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Property tax levied for next period | \$ 50,000 | \$ 28,114 | \$ - | \$ 581,361 | \$ 659,475 |
| Pension related amounts | <u>38,777</u> | <u>5,314</u> | <u>307,499</u> | <u>230,016</u> | <u>581,606</u> |
| Total Deferred Inflows of Resources | <u>88,777</u> | <u>33,428</u> | <u>307,499</u> | <u>811,377</u> | <u>1,241,081</u> |
| NET POSITION (DEFICIT) | | | | | |
| Net investment in capital assets | 865,267 | 355,490 | - | 4,761,235 | 5,981,992 |
| Unrestricted (deficit) | <u>(1,007,255)</u> | <u>(232,094)</u> | <u>698,648</u> | <u>(96,958)</u> | <u>(637,659)</u> |
| TOTAL NET POSITION (DEFICIT) | <u>\$ (141,988)</u> | <u>\$ 123,396</u> | <u>\$ 698,648</u> | <u>\$ 4,664,277</u> | <u>\$ 5,344,333</u> |

CITY OF BELOIT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT) - NONMAJOR PROPRIETARY FUNDS For the Year Ended December 31, 2016

| | Enterprise Funds | | | | Totals |
|--|---------------------|-------------------|-------------------|---------------------|---------------------|
| | Golf Course | Cemeteries | Ambulance | Transit System | |
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 360,638 | \$ 144,906 | \$ 1,110,999 | \$ 153,860 | \$ 1,770,403 |
| Other | - | - | - | 36,057 | 36,057 |
| Total Operating Revenues | <u>360,638</u> | <u>144,906</u> | <u>1,110,999</u> | <u>189,917</u> | <u>1,806,460</u> |
| OPERATING EXPENSES | | | | | |
| Operation and maintenance | 412,548 | 301,421 | 1,219,748 | 1,795,232 | 3,728,949 |
| Contractual services | - | - | - | 170,851 | 170,851 |
| Depreciation | 12,470 | 2,016 | - | 322,227 | 336,713 |
| Total Operating Expenses | <u>425,018</u> | <u>303,437</u> | <u>1,219,748</u> | <u>2,288,310</u> | <u>4,236,513</u> |
| Operating Income (Loss) | <u>(64,380)</u> | <u>(158,531)</u> | <u>(108,749)</u> | <u>(2,098,393)</u> | <u>(2,430,053)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Intergovernmental revenues | - | - | - | 1,234,089 | 1,234,089 |
| Investment income (loss) | 14 | 85,269 | (25) | (8) | 85,250 |
| Interest expense | (721) | (1,899) | - | (8,166) | (10,786) |
| General property taxes | 50,000 | 28,114 | - | 584,719 | 662,833 |
| Total Nonoperating Revenues (Expenses) | <u>49,293</u> | <u>111,484</u> | <u>(25)</u> | <u>1,810,634</u> | <u>1,971,386</u> |
| Change in Net Position | (15,087) | (47,047) | (108,774) | (287,759) | (458,667) |
| TOTAL NET POSITION (DEFICIT) - | | | | | |
| Beginning | <u>(126,901)</u> | <u>170,443</u> | <u>807,422</u> | <u>4,952,036</u> | <u>5,803,000</u> |
| TOTAL NET POSITION (DEFICIT) - ENDING | <u>\$ (141,988)</u> | <u>\$ 123,396</u> | <u>\$ 698,648</u> | <u>\$ 4,664,277</u> | <u>\$ 5,344,333</u> |

CITY OF BELOIT

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended December 31, 2016

| | Enterprise Funds | | | | Totals |
|---|------------------|--------------|--------------|----------------|----------------|
| | Golf Course | Cemeteries | Ambulance | Transit System | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Received from customers | \$ 361,728 | \$ 144,906 | \$ 1,189,675 | \$ 181,404 | \$ 1,877,713 |
| Paid to suppliers for goods and services | (234,582) | (153,584) | (109,905) | (1,046,265) | (1,544,336) |
| Payments to employees for services | (165,466) | (146,063) | (1,037,674) | (827,016) | (2,176,219) |
| Net Cash Provided by Operating Activities | (38,320) | (154,741) | 42,096 | (1,691,877) | (1,842,842) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Operating grants received | - | - | - | 1,355,493 | 1,355,493 |
| Property taxes received | 50,000 | 28,114 | - | 584,719 | 662,833 |
| Noncapital interfund/advance (and repayment) | 3,375 | 61,852 | (42,071) | (168,773) | (145,617) |
| Net Cash Provided by Noncapital Financing Activities | 53,375 | 89,966 | (42,071) | 1,771,439 | 1,872,709 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Debt retired | (14,348) | (18,595) | - | (117,322) | (150,265) |
| Interest paid | (721) | (1,899) | - | (8,523) | (11,143) |
| Construction grants received | - | - | - | 46,291 | 46,291 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (15,069) | (20,494) | - | (79,554) | (115,117) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Investment income (loss) | 14 | 85,269 | (25) | (8) | 85,250 |
| Net Cash Provided by Investing Activities | 14 | 85,269 | (25) | (8) | 85,250 |
| Net Increase (Decrease) in Cash and Cash Equivalents | - | - | - | - | - |
| CASH AND CASH EQUIVALENTS - Beginning | 750 | 50 | - | 360 | 1,160 |
| CASH AND CASH EQUIVALENTS - ENDING | \$ 750 | \$ 50 | \$ - | \$ 360 | \$ 1,160 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | | |
| Operating income (Loss) | \$ (64,380) | \$ (158,531) | \$ (108,749) | \$ (2,098,393) | \$ (2,430,053) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities | | | | | |
| Depreciation expense | 12,470 | 2,016 | - | 322,227 | 336,713 |
| Change in noncash Components of Working Capital | | | | | |
| Accounts receivable | (1,200) | - | 78,676 | (5,155) | 72,321 |
| Inventories | - | - | - | 5,384 | 5,384 |
| Accounts payable | (3,508) | 504 | 562 | 25,904 | 23,462 |
| Other post-employment benefits | - | - | - | - | - |
| Other current liabilities | 3,639 | (67) | 1,796 | (9,490) | (4,122) |
| Pension related deferrals and assets/liabilities | 14,659 | 1,337 | 69,811 | 67,646 | 153,453 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | \$ (38,320) | \$ (154,741) | \$ 42,096 | \$ (1,691,877) | \$ (1,842,842) |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS | | | | | |
| Cash and investments - statement of net position | \$ 750 | \$ 50 | \$ - | \$ 360 | \$ 1,160 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 750 | \$ 50 | \$ - | \$ 360 | \$ 1,160 |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITY | | | | | |
| None | | | | | |

CITY OF BELOIT

ENTERPRISE FUND - BELOIT MASS TRANSIT DETAILED SCHEDULE OF REVENUES AND EXPENSES - REGULATORY BASIS For the Year Ended December 31, 2016

| | <u>2016</u> |
|---|---------------------|
| REVENUE | |
| 401 - Passenger fares for transit service | \$ 153,860 |
| 407 - Non-transportation revenue | |
| Advertising | 28,637 |
| Investment Income | (8) |
| Rental Income | 7,049 |
| Charter and miscellaneous | 371 |
| 409 - Local operating assistance - city levy | 584,719 |
| 409 - Local operating assistance - inter-government | 94,843 |
| 411 - State operating assistance | 489,246 |
| State paratransit grant | 19,951 |
| 413 - Federal operating assistance | 630,049 |
| Capital contributions | <u>-</u> |
| Total Revenue | <u>2,008,717</u> |
| EXPENSES - BY OBJECT CLASS TOTAL | |
| 501 - Labor | 827,016 |
| 502 - Fringe benefits | 735,847 |
| 503 - Services | 88,904 |
| 504 - Materials and supplies | 176,459 |
| 505 - Utilities | 50,772 |
| 506 - Casualty and liability costs | 40,665 |
| 508 - Purchased transportation services | 35,296 |
| 509 - Miscellaneous | 11,123 |
| 509 - Interest expense | 8,166 |
| 513 - Depreciation | <u>322,228</u> |
| Total Expenses | <u>2,296,476</u> |
| EXCESS EXPENSES OVER REVENUES FOR THE YEAR | <u>\$ (287,759)</u> |

* Contra expense for state subsidy purposes.

CITY OF БЕЛОIT

ENTERPRISE FUND - БЕЛОIT MASS TRANSIT RECONCILIATION OF REVENUES AND EXPENSES TO WISDOT AND FEDERAL RECOGNIZED REVENUES AND EXPENSES For the Year Ended December 31, 2016

| | Per WisDOT Guidelines | Per Federal Guidelines |
|--|-----------------------------|------------------------------|
| Beloit Revenues | \$ 2,008,717 | \$ 2,008,717 |
| Less Unrecognized Revenues | | |
| Advertising Revenue | - | 28,637 |
| Charter Revenue | 371 | 371 |
| Investment income | (8) | (8) |
| Rental income | 7,049 | 7,049 |
| Local Operating Assistance | 679,562 | 679,562 |
| State Operating Assistance | 509,197 | 509,197 |
| Federal Operating Assistance | 630,049 | 630,049 |
| Capital Contributions | 1 - | - |
| ADJUSTED REVENUES | \$ 182,497 | \$ 153,860 |
| Total Expenses | \$ 2,296,476 | \$ 2,296,476 |
| Less Non-Recognized Expenses | | |
| Interest | 8,166 | 8,166 |
| Depreciation | 322,228 | 322,228 |
| Less Contra Expenses | | |
| Charter Revenue | 371 | 371 |
| State Paratransit Assistance | 19,951 | 19,951 |
| Capital Contributions for Operating Expenses | 2 - | - |
| RECOGNIZED EXPENSES | \$ 1,945,761 | \$ 1,945,761 |
| RECOGNIZED EARNINGS (DEFICITS) | \$ (1,763,263) | \$ (1,791,901) |
| 1 - Capital contributions - assets capitalized | - | |
| Capital contributions - expensed | - | |
| Total capital contributions | - | |
| 2 - Capital contributions - expensed | - | |
| Federal share | 80% | |
| Federal and local share of expenses | - | |

CITY OF БЕЛОIT

ENTERPRISE FUND - БЕЛОIT MASS TRANSIT
COMPUTATION OF THE DEFICIT DISTRIBUTION AMONG THE SUBSIDY GRANTORS
For the Year Ended December 31, 2016

STATE FUNDS

| | | | |
|--|---------------------|---------------------|-------------------|
| WisDOT Contract Amount | | <u>\$ 489,246</u> | |
| Local Operating Subsidy | <u>\$ 679,562</u> | | |
| 5 Times Operating Subsidy | | <u>\$ 3,397,810</u> | |
| WisDOT Recognized Deficit | <u>\$ 1,763,263</u> | | |
| Federal Share of Operating Assistance | <u>\$ 630,049</u> | | |
| Remaining State Share of Deficit | | <u>\$ 1,133,214</u> | |
| WisDOT Recognized Expenses | <u>\$ 1,945,761</u> | | |
| Maximum State and Federal Operating Assistance | 60.00% | | |
| | <u>\$ 1,167,456</u> | | |
| Federal Share of Operating Assistance | <u>\$ 630,049</u> | | |
| Remaining State Share of Operating Assistance | | <u>\$ 537,407</u> | |
| State Share – Least of the Five | | | <u>\$ 489,246</u> |

FEDERAL SECTION 9 FUNDS

| | | | |
|--|---------------------|---------------------|-------------------|
| Federally Recognized Deficit | <u>\$ 1,791,901</u> | | |
| 50% of Federal Deficit | | <u>\$ 895,950</u> | |
| Federal Recognized Deficit | \$ 1,791,901 | | |
| Less: State share | <u>489,246</u> | | |
| Local Share | | <u>\$ 1,302,655</u> | |
| Maximum Federal Share Per Grant Award | | <u>\$ 630,049</u> | |
| Federal Section 9 Share – Least of the Three | | | <u>\$ 630,049</u> |

CITY OF BELOIT

COMBINING STATEMENT OF NET POSITION (DEFICIT) - INTERNAL SERVICE FUNDS As of December 31, 2016

| | Equipment Operations | General Liability Insurance | Health Insurance | Retiree Health Insurance | Totals |
|---------------------------------------|-------------------------|-----------------------------------|---------------------|--------------------------------|--------------|
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and investments | \$ 113,025 | \$ 394,115 | \$ 739,703 | \$ - | \$ 1,246,843 |
| Accounts receivable | 26,738 | 991 | 102,373 | 30,006 | 160,108 |
| Total Current Assets | 139,763 | 395,106 | 842,076 | 30,006 | 1,406,951 |
| 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 | (63,340) | - | - | - | (63,340) |
| Net Capital Assets | 3,825 | - | - | - | 3,825 |
| Total Noncurrent Assets | 3,825 | 1,575,475 | - | - | 1,579,300 |
| Total Assets | 143,588 | 1,970,581 | 842,076 | 30,006 | 2,986,251 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Pension related amounts | 189,592 | 24,225 | 21,210 | - | 235,027 |
| LIABILITIES | | | | | |
| Current Liabilities | | | | | |
| Accounts payable | 34,287 | 22,907 | 393 | 629 | 58,216 |
| Claims payable | - | 86,067 | 2,192,683 | - | 2,278,750 |
| Total Current Liabilities | 34,287 | 108,974 | 2,193,076 | 629 | 2,336,966 |
| Noncurrent Liabilities | | | | | |
| Advances from other funds | - | - | - | 537,568 | 537,568 |
| Net pension liability | 34,452 | 3,319 | 4,519 | - | 42,290 |
| Total Noncurrent Liabilities | 34,452 | 3,319 | 4,519 | 537,568 | 579,858 |
| Total Liabilities | 68,739 | 112,293 | 2,197,595 | 538,197 | 2,916,824 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Pension related amounts | 72,934 | 7,025 | 9,568 | - | 89,527 |
| NET POSITION (DEFICIT) | | | | | |
| Net investment in capital assets | 3,825 | - | - | - | 3,825 |
| Unrestricted (deficit) | 187,682 | 1,875,488 | (1,343,877) | (508,191) | 211,102 |
| TOTAL NET POSITION (DEFICIT) | \$ 191,507 | \$ 1,875,488 | \$ (1,343,877) | \$ (508,191) | \$ 214,927 |

CITY OF BELOIT

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION (DEFICIT) -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2016

| | Equipment Operations | General Liability Insurance | Health Insurance | Retiree Health Insurance | Totals |
|--|-------------------------|-----------------------------------|-----------------------|--------------------------------|-------------------|
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 1,235,784 | \$ 1,836,734 | \$ 7,281,922 | \$ 2,008,866 | \$ 12,363,306 |
| Other | 955 | - | - | - | 955 |
| Total Operating Revenue | <u>1,236,739</u> | <u>1,836,734</u> | <u>7,281,922</u> | <u>2,008,866</u> | <u>12,364,261</u> |
| OPERATING EXPENSES | | | | | |
| Operation and maintenance | 1,191,196 | 1,204,041 | 7,871,959 | 2,295,600 | 12,562,796 |
| Contractual services | 16,838 | 496,101 | - | - | 512,939 |
| Depreciation | 2,295 | - | - | - | 2,295 |
| Total Operating Expenses | <u>1,210,329</u> | <u>1,700,142</u> | <u>7,871,959</u> | <u>2,295,600</u> | <u>13,078,030</u> |
| Operating Income (Loss) | 26,410 | 136,592 | (590,037) | (286,734) | (713,769) |
| TOTAL NET POSITION (DEFICIT) - | | | | | |
| Beginning | <u>165,097</u> | <u>1,738,896</u> | <u>(753,840)</u> | <u>(221,457)</u> | <u>928,696</u> |
| TOTAL NET POSITION (DEFICIT) - ENDING | <u>\$ 191,507</u> | <u>\$ 1,875,488</u> | <u>\$ (1,343,877)</u> | <u>\$ (508,191)</u> | <u>\$ 214,927</u> |

CITY OF BELOIT

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2016

| | Equipment Operations | General Liability Insurance | Health Insurance | Retiree Health Insurance | Totals |
|--|-------------------------|-----------------------------------|---------------------|--------------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Received from customers | \$ 1,239,337 | \$ 1,837,276 | \$ 7,310,731 | \$ 1,985,353 | \$ 12,372,697 |
| Paid to suppliers for goods and services | (679,413) | (1,607,933) | (7,597,282) | (2,294,971) | (12,179,599) |
| Payments to employees for services | (509,764) | (80,582) | - | - | (590,346) |
| Net Cash Provided (Used) by Operating Activities | <u>50,160</u> | <u>148,761</u> | <u>(286,551)</u> | <u>(309,618)</u> | <u>(397,248)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Noncapital advance (and repayment) | - | - | - | 309,618 | 309,618 |
| Net Cash Used by Noncapital Financing Activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>309,618</u> | <u>309,618</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 50,160 | 148,761 | (286,551) | - | (87,630) |
| CASH AND CASH EQUIVALENTS - Beginning | <u>62,865</u> | <u>245,354</u> | <u>1,026,254</u> | <u>-</u> | <u>1,334,473</u> |
| CASH AND CASH EQUIVALENTS - ENDING | <u>\$ 113,025</u> | <u>\$ 394,115</u> | <u>\$ 739,703</u> | <u>\$ -</u> | <u>\$ 1,246,843</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | | |
| Operating income (loss) | \$ 26,410 | \$ 136,592 | \$ (590,037) | \$ (286,734) | \$ (713,769) |
| Adjustments to Reconcile Operating Income (loss) to Net Cash Flows From Operating Activities | | | | | |
| Depreciation expense | 2,295 | - | - | - | 2,295 |
| Change in noncash components of working capital | | | | | |
| Accounts receivable | 2,598 | 542 | 19,241 | (23,513) | (1,132) |
| Accounts payable | (1,656) | 19,497 | - | 629 | 18,470 |
| Pension related deferrals and assets/liabilities | 20,513 | 8,062 | (4,512) | - | 24,063 |
| Claims payable | - | (15,932) | 288,757 | - | 272,825 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | <u>\$ 50,160</u> | <u>\$ 148,761</u> | <u>\$ (286,551)</u> | <u>\$ (309,618)</u> | <u>\$ (397,248)</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS | | | | | |
| Cash and investments - statement of net position | <u>\$ 113,025</u> | <u>\$ 394,115</u> | <u>\$ 739,703</u> | <u>\$ -</u> | <u>\$ 1,246,843</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 113,025</u> | <u>\$ 394,115</u> | <u>\$ 739,703</u> | <u>\$ -</u> | <u>\$ 1,246,843</u> |

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF BELOIT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - TAX COLLECTIONS For the Year Ended December 31, 2016

| | Balance January 1, 2016 | Additions | Deductions | Balance December 31, 2016 |
|---------------------------|----------------------------|----------------------|----------------------|------------------------------|
| TAX COLLECTIONS | | | | |
| Assets | | | | |
| Cash and investments | \$ 8,765,298 | \$ 6,000,392 | \$ 8,765,298 | \$ 6,000,392 |
| Property taxes receivable | <u>16,851,875</u> | <u>17,463,521</u> | <u>16,851,875</u> | <u>17,463,521</u> |
| TOTAL ASSETS | <u>\$ 25,617,173</u> | <u>\$ 23,463,913</u> | <u>\$ 25,617,173</u> | <u>\$ 23,463,913</u> |
| Liabilities | | | | |
| Due to other taxing units | <u>\$ 25,617,173</u> | <u>\$ 23,463,913</u> | <u>\$ 25,617,173</u> | <u>\$ 23,463,913</u> |
| TOTAL LIABILITIES | <u>\$ 25,617,173</u> | <u>\$ 23,463,913</u> | <u>\$ 25,617,173</u> | <u>\$ 23,463,913</u> |

CITY OF БЕЛОIT

COMBINING STATEMENT OF NET POSITION - COMMUNITY DEVELOPMENT AUTHORITY
As of December 31, 2016

| | Primary Government | | | | | Total Primary Government | Component Units | | Totals Before Eliminations | Eliminations | Totals |
|---|--|-------------------------------|------------------------------|----------------|----------------------|--------------------------------|--|--|-------------------------------|--------------|--------------|
| | Major | Major | Major | Major | Major | | Beloit | Beloit | | | |
| | Section 8 Rental Voucher Program | Low Rent Public Housing | Project Based Vouchers | Administration | Leases Receivable | | Apartment Redevelopment Phase 1, LLC | Apartment Redevelopment Phase 2, LLC | | | |
| ASSETS | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | |
| Cash and investments | \$ 562,667 | \$ 133,469 | \$ 65,270 | \$ 156,871 | \$ - | \$ 918,277 | \$ 160,907 | \$ 151,296 | \$ 1,230,480 | \$ - | \$ 1,230,480 |
| Receivables | | | | | | | | | | | |
| Accounts | 36,474 | 5,676 | 8,076 | - | - | 50,226 | 34,875 | 55,924 | 141,025 | (69,816) | 71,209 |
| Lease receivable from Beloit Apartments Redevelopment - Phase 1 - LLC | - | 2,800,000 | - | - | - | 2,800,000 | - | - | 2,800,000 | (2,800,000) | - |
| Lease receivable from Beloit Apartments Redevelopment - Phase 2 - LLC | - | 2,580,074 | - | - | - | 2,580,074 | - | - | 2,580,074 | (2,580,074) | - |
| Lease receivable from primary government | - | - | - | - | 2,625,000 | 2,625,000 | - | - | 2,625,000 | - | 2,625,000 |
| Due from Beloit Apartments Redevelopment - Phase 1 - LLC | - | 62,524 | - | - | - | 62,524 | - | - | 62,524 | (62,524) | - |
| Due from Beloit Apartments Redevelopment - Phase 2 - LLC | - | 60,623 | - | - | - | 60,623 | - | - | 60,623 | (60,623) | - |
| Due from other governmental units | - | 21,930 | - | - | - | 21,930 | - | - | 21,930 | - | 21,930 |
| Tax credit fees | - | - | - | - | - | - | 68,421 | 85,508 | 153,929 | - | 153,929 |
| Prepaid items | 539 | 539 | - | - | - | 1,078 | - | 648 | 1,726 | - | 1,726 |
| Total Current Assets | 599,680 | 5,664,835 | 73,346 | 156,871 | 2,625,000 | 9,119,732 | 264,203 | 293,376 | 9,677,311 | (5,573,037) | 4,104,274 |
| Noncurrent Assets | | | | | | | | | | | |
| Restricted Assets | | | | | | | | | | | |
| Cash and investments | - | - | - | - | 2,096,812 | 2,096,812 | 236,314 | 586,372 | 2,919,498 | - | 2,919,498 |
| 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 | 397,055 | 561,467 | - | 561,467 |
| Buildings | - | 141,187 | 700,777 | - | - | 841,964 | 1,540,500 | 640,000 | 3,022,464 | (975,520) | 2,046,944 |
| Building improvements | - | - | - | - | - | - | 8,397,386 | 9,216,173 | 17,613,559 | - | 17,613,559 |
| Machinery, equipment, furnishings and vehicles | 16,092 | 175,318 | 34,906 | - | - | 226,316 | 260,764 | 309,631 | 796,711 | - | 796,711 |
| Less: Accumulated depreciation | (15,275) | (269,302) | (419,195) | - | - | (703,772) | (1,653,340) | (1,867,467) | (4,224,579) | - | (4,224,579) |
| Total Capital Assets, Net | 817 | 391,270 | 386,960 | - | - | 779,047 | 9,130,571 | 9,640,789 | 19,550,407 | (2,155,020) | 17,395,387 |
| Other Assets | | | | | | | | | | | |
| Lease receivable from primary government | - | - | - | - | 8,848,188 | 8,848,188 | - | - | 8,848,188 | - | 8,848,188 |
| Total Noncurrent Assets | 817 | 391,270 | 386,960 | - | 10,945,000 | 11,724,047 | 9,366,885 | 10,227,161 | 31,318,093 | (2,155,020) | 29,163,073 |
| Total Assets | 600,497 | 6,056,105 | 460,306 | 156,871 | 13,570,000 | 20,843,779 | 9,631,088 | 10,520,537 | 40,995,404 | (7,728,057) | 33,267,347 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | | | | | |
| Pension related amounts | 188,310 | 128,594 | 20,426 | - | - | 337,330 | - | - | 337,330 | - | 337,330 |
| Total Assets and Deferred Outflows of Resources | 788,807 | 6,184,699 | 480,732 | 156,871 | 13,570,000 | 21,181,109 | 9,631,088 | 10,520,537 | 41,332,734 | (7,728,057) | 33,604,677 |

| | Primary Government | | | | | Total Primary Government | Component Units | | Totals Before Eliminations | Eliminations | Totals |
|--|--|-------------------------------|------------------------------|----------------|----------------------|--------------------------------|---|---|-------------------------------|----------------|---------------|
| | Major | Major | Major | Major | Major | | Beloit | Beloit | | | |
| | Section 8 Rental Voucher Program | Low Rent Public Housing | Project Based Vouchers | Administration | Leases Receivable | | Apartments Redevelopment Phase 1, LLC | Apartments Redevelopment Phase 2, LLC | | | |
| LIABILITIES | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | |
| Accounts payable | \$ 12,032 | \$ 22,015 | \$ 2,515 | \$ - | \$ - | \$ 36,562 | \$ 65,534 | \$ 64,449 | \$ 166,545 | \$ (123,147) | \$ 43,398 |
| Accrued liabilities | 19,265 | 32,600 | 1,250 | - | - | 53,115 | 711,734 | 397,188 | 1,162,037 | - | 1,162,037 |
| Due to Beloit Apartments Redevelopment - Phase 1 - LLC | - | 19,404 | - | - | - | 19,404 | - | - | 19,404 | (19,404) | - |
| Due to Beloit Apartments Redevelopment - Phase 2 - LLC | - | 50,412 | - | - | - | 50,412 | - | - | 50,412 | (50,412) | - |
| Due to primary government | - | 94,045 | - | - | - | 94,045 | - | - | 94,045 | - | 94,045 |
| Deposits | 48,317 | 44,114 | 7,425 | - | - | 99,856 | 33,400 | 27,725 | 160,981 | - | 160,981 |
| Lease revenue bonds payable | - | - | - | - | 2,625,000 | 2,625,000 | - | - | 2,625,000 | - | 2,625,000 |
| Total Current Liabilities | 79,614 | 262,590 | 11,190 | - | 2,625,000 | 2,978,394 | 810,668 | 489,362 | 4,278,424 | (192,963) | 4,085,461 |
| Noncurrent Liabilities | | | | | | | | | | | |
| Compensated absences | 10,751 | 34,848 | - | - | - | 45,599 | - | - | 45,599 | - | 45,599 |
| Loans payable | - | 99,134 | - | - | - | 99,134 | - | - | 99,134 | - | 99,134 |
| Mortgage notes payable | - | - | - | - | - | - | 2,800,000 | 2,580,074 | 5,380,074 | (5,380,074) | - |
| Other notes payable | - | - | - | - | - | - | 417,822 | 320,269 | 738,091 | - | 738,091 |
| Net pension liability | 34,650 | 23,662 | 3,758 | - | - | 62,070 | - | - | 62,070 | - | 62,070 |
| Lease revenue bonds payable | - | - | - | - | 10,945,000 | 10,945,000 | - | - | 10,945,000 | - | 10,945,000 |
| Total Noncurrent Liabilities | 45,401 | 157,644 | 3,758 | - | 10,945,000 | 11,151,803 | 3,217,822 | 2,900,343 | 17,269,968 | (5,380,074) | 11,889,894 |
| Total Liabilities | 125,015 | 420,234 | 14,948 | - | 13,570,000 | 14,130,197 | 4,028,490 | 3,389,705 | 21,548,392 | (5,573,037) | 15,975,355 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | | | | |
| Unearned revenue | 273,303 | - | - | - | - | 273,303 | 1,133,548 | - | 1,406,851 | - | 1,406,851 |
| Pension related amounts | 73,354 | 50,092 | 7,957 | - | - | 131,403 | - | - | 131,403 | - | 131,403 |
| Total Deferred Inflows of Resources | 346,657 | 50,092 | 7,957 | - | - | 404,706 | 1,133,548 | - | 1,538,254 | - | 1,538,254 |
| NET POSITION | | | | | | | | | | | |
| Net investment in capital assets | 817 | 391,270 | 386,960 | - | - | 779,047 | 9,130,571 | 9,640,789 | 19,550,407 | (2,155,020) | 17,395,387 |
| Restricted for grant programs | - | 5,323,103 | - | - | - | 5,323,103 | - | - | 5,323,103 | - | 5,323,103 |
| Unrestricted (deficit) | 316,318 | - | 70,867 | 156,871 | - | 544,056 | (4,661,521) | (2,509,957) | (6,627,422) | - | (6,627,422) |
| TOTAL NET POSITION | \$ 317,135 | \$ 5,714,373 | \$ 457,827 | \$ 156,871 | \$ - | \$ 6,646,206 | \$ 4,469,050 | \$ 7,130,832 | \$ 18,246,088 | \$ (2,155,020) | \$ 16,091,068 |

CITY OF БЕЛОIT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - COMMUNITY DEVELOPMENT AUTHORITY
For the Year Ended December 31, 2016

| | Primary Government | | | | | Total Primary Government | Component Units | | Totals Before Eliminations | Eliminations | Totals |
|--|--|-------------------------------|------------------------------|-------------------|---------------------|--------------------------------|---|---|-------------------------------|-----------------------|----------------------|
| | Major | Major | Major | Major | Major | | Beloit | Beloit | | | |
| | Section 8 Rental Voucher Program | Low Rent Public Housing | Project Based Vouchers | Administration | Lease Receivable | | Apartments Redevelopment Phase 1, LLC | Apartments Redevelopment Phase 2, LLC | | | |
| EXPENSES | | | | | | | | | | | |
| Community development | \$ 3,245,634 | \$ 678,688 | \$ 62,623 | \$ - | \$ - | \$ 3,986,945 | \$ 447,129 | \$ 700,704 | \$ 5,134,778 | \$ (247,889) | \$ 4,886,889 |
| PROGRAM REVENUES | | | | | | | | | | | |
| Charges for services | - | 38,735 | 65,596 | - | - | 104,331 | 93,882 | 126,107 | 324,320 | - | 324,320 |
| Operating grants and contributions | 3,172,115 | 779,739 | - | - | - | 3,951,854 | 147,038 | 166,392 | 4,265,284 | (313,431) | 3,951,853 |
| Other revenue | - | - | 3,038 | - | - | 3,038 | 56,661 | 20,922 | 80,621 | - | 80,621 |
| Total Program Revenues | <u>3,172,115</u> | <u>818,474</u> | <u>68,634</u> | <u>-</u> | <u>-</u> | <u>4,059,223</u> | <u>297,581</u> | <u>313,421</u> | <u>4,670,225</u> | <u>(313,431)</u> | <u>4,356,794</u> |
| Net Revenues (Expenses) | (73,519) | 139,786 | 6,011 | - | - | 72,278 | (149,548) | (387,283) | (464,553) | (65,542) | (530,095) |
| GENERAL REVENUES (EXPENSES) | | | | | | | | | | | |
| Investment income | 160 | 1,448 | - | - | 631,975 | 633,583 | 197 | 568 | 634,348 | - | 634,348 |
| Interest and amortization expense | - | (5,752) | - | - | (631,975) | (637,727) | (134,123) | (83,900) | (855,750) | - | (855,750) |
| Payment to Beloit Apartments Redevelopment - Phase 1 - LLC | - | (65,542) | - | - | - | (65,542) | - | - | (65,542) | 65,542 | - |
| Miscellaneous | <u>23,917</u> | <u>13,356</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>37,273</u> | <u>(3,689)</u> | <u>(7,428)</u> | <u>26,156</u> | <u>-</u> | <u>26,156</u> |
| Total General Revenue (Expenses) | <u>24,077</u> | <u>(56,490)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(32,413)</u> | <u>(137,615)</u> | <u>(90,760)</u> | <u>(260,788)</u> | <u>65,542</u> | <u>(195,246)</u> |
| Revenues (Expenses) Before Contributions and Transfers | (49,442) | 83,296 | 6,011 | - | - | 39,865 | (287,163) | (478,043) | (725,341) | - | (725,341) |
| Capital contributions | - | - | - | - | - | - | 15,143 | - | 15,143 | - | 15,143 |
| Transfers in (out) | - | 60,000 | (60,000) | - | - | - | - | - | - | - | - |
| CHANGE IN NET POSITION | (49,442) | 143,296 | (53,989) | - | - | 39,865 | (272,020) | (478,043) | (710,198) | - | (710,198) |
| NET POSITION – Beginning of Year | <u>366,577</u> | <u>5,571,077</u> | <u>511,816</u> | <u>156,871</u> | <u>-</u> | <u>6,606,341</u> | <u>4,741,070</u> | <u>7,608,875</u> | <u>18,956,286</u> | <u>(2,155,020)</u> | <u>16,801,266</u> |
| NET POSITION – END OF YEAR | <u>\$ 317,135</u> | <u>\$ 5,714,373</u> | <u>\$ 457,827</u> | <u>\$ 156,871</u> | <u>\$ -</u> | <u>\$ 6,646,206</u> | <u>\$ 4,469,050</u> | <u>\$ 7,130,832</u> | <u>\$ 18,246,088</u> | <u>\$ (2,155,020)</u> | <u>\$ 16,091,068</u> |

CITY OF BELOIT

COMBINING STATEMENT OF CASH FLOWS - COMMUNITY DEVELOPMENT AUTHORITY
For the Year Ended December 31, 2016

| | Primary Government | | | | | Totals |
|---|---|--|---------------------------------------|-------------------------|-------------------------------|----------------|
| | Major Section 8 Rental Voucher Program | Major Low Rent Public Housing | Major Project Based Vouchers | Major Administration | Major Leases Receivable | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Received from customers | \$ 17,900 | \$ 63,013 | \$ 66,108 | \$ - | \$ - | \$ 147,021 |
| Paid to suppliers for goods and services | (3,028,890) | (622,962) | (23,299) | - | - | (3,675,151) |
| Payments to employees for services | (206,861) | (134,585) | (16,562) | - | - | (358,008) |
| Net Cash Flows From Operating Activities | (3,217,851) | (694,534) | 26,247 | - | - | (3,886,138) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Governmental grants received | 3,445,418 | 810,464 | - | - | - | 4,255,882 |
| Paid to LLC's | - | (132,613) | - | - | - | (132,613) |
| Transfers in (out) | - | 60,000 | (60,000) | - | - | - |
| Collections on leases receivable | - | - | - | - | 2,518,302 | 2,518,302 |
| Net Cash Flows From Noncapital Financing Activities | 3,445,418 | 737,851 | (60,000) | - | 2,518,302 | 6,641,571 |
| CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES | | | | | | |
| Acquisition and construction of capital assets | - | (19,489) | - | - | - | (19,489) |
| Debt retired | - | - | - | - | (2,550,000) | (2,550,000) |
| Interest paid | - | (5,752) | - | - | (631,975) | (637,727) |
| Net Cash Flows From Capital and Related Financing Activities | - | (25,241) | - | - | (3,181,975) | (3,207,216) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Investment income | 160 | 1,448 | - | - | 631,975 | 633,583 |
| Net Cash Flows From Investing Activities | 160 | 1,448 | - | - | 631,975 | 633,583 |
| Net Change in Cash and Cash Equivalents | 227,727 | 19,524 | (33,753) | - | (31,698) | 181,800 |
| CASH AND CASH EQUIVALENTS - Beginning of Year | 334,940 | 113,945 | 99,023 | 156,871 | 2,128,510 | 2,833,289 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 562,667 | \$ 133,469 | \$ 65,270 | \$ 156,871 | \$ 2,096,812 | \$ 3,015,089 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | | | |
| Operating income (loss) | \$ (3,245,634) | \$ (639,953) | \$ 6,011 | \$ - | \$ - | \$ (3,879,576) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities | | | | | | |
| Nonoperating income | 23,917 | 13,356 | - | - | - | 37,273 |
| Depreciation | 1,003 | 7,147 | 19,460 | - | - | 27,610 |
| Change in Assets and Liabilities | | | | | | |
| Accounts receivable | (23,022) | (992) | (4,026) | - | - | (28,040) |
| Prepaid items | (539) | (539) | - | - | - | (1,078) |
| Pension related deferrals and liabilities | 8,957 | 18,145 | 2,323 | - | - | 29,425 |
| Accounts payable and accrued liabilities | 462 | 57,214 | 979 | - | - | 58,655 |
| Due to primary government | - | (160,826) | - | - | - | (160,826) |
| Deposits | 17,005 | 11,914 | 1,500 | - | - | 30,419 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ (3,217,851) | \$ (694,534) | \$ 26,247 | \$ - | \$ - | \$ (3,886,138) |
| NONCASH CAPITAL AND FINANCING ACTIVITIES | | | | | | |
| None | | | | | | |

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

147 - 152

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

153 - 157

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

158 - 161

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

162 - 163

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

164 - 166

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.*

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

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 41,730,847 | \$ 34,379,310 | \$ 35,513,141 | \$ 32,392,062 | \$ 32,741,870 | \$ 54,274,785 | \$ 53,354,535 | \$ 55,479,784 | \$ 59,758,251 | \$ 65,844,049 |
| Restricted | 11,760,200 | 10,428,457 | 8,816,905 | 8,659,283 | 15,589,925 | 11,580,550 | 12,309,637 | 12,769,533 | 17,998,995 | 13,240,969 |
| Unrestricted (deficit) | 4,566,212 | 10,045,542 | 2,934,357 | 2,410,345 | (5,964,986) | (11,324,043) | (15,825,906) | (20,090,783) | (21,550,970) | (23,910,707) |
| Total governmental activities net position | <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> | <u>\$ 49,838,266</u> | <u>\$ 48,158,534</u> | <u>\$ 56,206,276</u> | <u>\$ 55,174,311</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 51,141,052 | \$ 56,401,815 | \$ 62,058,630 | \$ 62,944,168 | \$ 63,001,736 | \$ 60,323,671 | \$ 58,348,338 | \$ 57,555,475 | \$ 55,645,129 | \$ 53,967,808 |
| Restricted | 8,110,918 | 6,694,042 | 2,899,983 | 3,138,458 | 3,157,163 | 3,169,002 | 3,194,991 | 3,212,483 | 3,979,871 | 2,109,432 |
| Unrestricted | 9,583,948 | 7,893,186 | 9,454,212 | 8,713,964 | 9,051,974 | 10,967,316 | 10,188,754 | 10,091,793 | 10,056,464 | 12,115,399 |
| Total business-type activities net position | <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> | <u>\$ 71,732,083</u> | <u>\$ 70,859,751</u> | <u>\$ 69,681,464</u> | <u>\$ 68,192,639</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 92,871,899 | \$ 86,261,662 | \$ 93,328,072 | \$ 89,611,229 | \$ 89,992,940 | \$ 108,794,859 | \$ 106,308,162 | \$ 107,836,387 | \$ 110,826,442 | \$ 115,643,805 |
| Restricted | 19,871,118 | 17,122,499 | 11,716,888 | 11,797,741 | 18,747,088 | 14,749,552 | 15,504,628 | 15,982,016 | 21,978,866 | 15,350,401 |
| Unrestricted | 14,150,160 | 22,458,191 | 16,632,268 | 16,849,310 | 8,837,654 | 5,446,870 | (242,441) | (4,800,118) | (6,917,568) | (7,627,256) |
| Total primary government net position | <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> | <u>\$ 121,570,349</u> | <u>\$ 119,018,285</u> | <u>\$ 125,887,740</u> | <u>\$ 123,366,950</u> |

Note: 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. 10

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

Schedule 2

| | Fiscal Year | | | | | | | | | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 776,459 | \$ 804,713 | \$ 780,235 | \$ 680,410 | \$ 820,889 | \$ 747,997 | \$ 788,296 | \$ 772,449 | \$ 778,843 | \$ 782,031 |
| Finance and administrative services | 6,767,790 | 7,277,848 | 6,927,516 | 7,947,872 | 9,029,097 | 4,249,269 | 4,589,561 | 4,358,216 | 5,446,685 | 6,391,553 |
| Community development | 2,743,751 | 2,221,424 | 3,173,955 | 3,569,817 | 3,978,299 | 3,593,036 | 3,271,431 | 2,143,055 | 3,029,594 | 6,574,221 |
| Economic development | 264,699 | 266,796 | 278,919 | 315,893 | 336,540 | 283,643 | 340,202 | 355,466 | 268,874 | 368,492 |
| Public safety: | | | | | | | | | | |
| Police services | 10,969,806 | 14,125,683 | 13,176,014 | 14,431,648 | 14,780,278 | 15,044,071 | 15,892,086 | 15,311,616 | 15,005,398 | 15,906,565 |
| Fire services | 7,335,343 | 7,544,082 | 8,709,729 | 9,460,266 | 9,797,889 | 10,210,826 | 10,883,679 | 10,153,177 | 10,680,264 | 9,395,681 |
| Health | | | | | | | | | | |
| Public works | 13,366,204 | 12,973,727 | 20,115,663 | 13,882,641 | 12,828,126 | 16,676,877 | 15,538,957 | 16,731,753 | 13,037,701 | 16,224,141 |
| Library | 2,050,640 | 2,117,408 | 2,701,175 | 2,222,913 | 2,272,383 | 2,211,860 | 2,242,126 | 2,290,591 | 2,344,409 | 2,571,609 |
| Interest and fiscal charges | 3,501,709 | 2,084,379 | 3,063,257 | 3,164,857 | 3,042,878 | 2,956,048 | 3,796,706 | 2,437,125 | 2,169,801 | 2,011,442 |
| Total governmental activities | <u>47,776,401</u> | <u>49,416,060</u> | <u>58,926,463</u> | <u>55,676,317</u> | <u>56,886,379</u> | <u>55,973,627</u> | <u>57,343,044</u> | <u>54,553,448</u> | <u>52,761,569</u> | <u>60,225,735</u> |
| Business-type activities: | | | | | | | | | | |
| Water | 3,939,599 | 4,293,844 | 4,799,644 | 4,505,850 | 4,467,294 | 4,436,025 | 5,075,698 | 4,567,804 | 4,894,535 | 4,761,331 |
| Sewer | 7,189,675 | 7,500,706 | 7,683,971 | 7,920,544 | 8,019,535 | 8,445,553 | 8,739,011 | 8,820,728 | 9,206,619 | 8,873,499 |
| Other non-major enterprise funds | 4,345,532 | 4,630,975 | 4,699,156 | 4,962,055 | 5,030,578 | 5,029,201 | 5,183,296 | 5,352,057 | 5,349,522 | 5,284,620 |
| Total business-type activities | <u>15,474,806</u> | <u>16,425,525</u> | <u>17,182,771</u> | <u>17,388,449</u> | <u>17,517,407</u> | <u>17,910,779</u> | <u>18,998,005</u> | <u>18,740,589</u> | <u>19,450,676</u> | <u>18,919,450</u> |
| Total expenses | <u>\$ 63,251,207</u> | <u>\$ 65,841,585</u> | <u>\$ 76,109,234</u> | <u>\$ 73,064,766</u> | <u>\$ 74,403,786</u> | <u>\$ 73,884,406</u> | <u>\$ 76,341,049</u> | <u>\$ 73,294,037</u> | <u>\$ 72,212,245</u> | <u>\$ 79,145,185</u> |
| Program Revenues (see Schedule 3) | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 21,402 | \$ 17,856 | \$ 15,507 | \$ 26,550 | \$ 31,670 | \$ 35,761 | \$ 45,430 | \$ 24,937 | \$ 49,500 | \$ 43,065 |
| Finance and administrative services | 1,454,134 | 2,804,954 | 2,870,541 | 3,670,559 | 4,529,164 | 1,181,472 | 1,599,407 | 1,267,188 | 1,058,211 | 3,433,164 |
| Community development | 367,089 | 19,496 | 143,657 | 113,941 | 180,125 | 115,177 | 262,901 | 270,531 | 121,212 | 147,455 |
| Economic development | - | - | - | - | - | - | - | - | - | - |
| Public safety: | | | | | | | | | | |
| Police services | 1,429,750 | 969,005 | 1,322,122 | 1,383,631 | 1,429,097 | 1,254,166 | 1,368,350 | 1,307,662 | 1,208,635 | 970,757 |
| Fire services | 19,589 | 164,324 | 40,676 | 52,421 | 1,310 | 38,329 | 2,676 | 49,148 | 28,248 | 11,972 |
| Health | - | - | - | - | - | - | - | - | - | - |
| Public works | 2,259,768 | 2,359,255 | 2,214,592 | 2,519,039 | 2,477,014 | 2,631,861 | 2,674,811 | 2,742,229 | 2,731,862 | 2,780,201 |
| Library | 140,446 | 160,832 | 195,909 | 194,405 | 199,207 | 188,106 | 179,073 | 193,649 | 226,895 | 279,608 |
| Operating grants and contributions | 1,157,167 | 1,861,658 | 2,693,755 | 1,992,886 | 2,640,623 | 2,212,186 | 2,083,822 | 1,352,609 | 1,054,099 | 4,147,241 |
| Capital grants and contributions | 233,136 | 262,640 | 1,157,709 | 234,354 | 507,677 | 14,404,161 | 75,722 | 160,386 | 172,012 | 626,960 |
| Total governmental activities | <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> | <u>8,292,192</u> | <u>7,368,339</u> | <u>6,650,674</u> | <u>12,440,423</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water | 4,605,675 | 4,693,431 | 4,690,251 | 5,029,628 | 5,428,312 | 5,812,294 | 5,542,677 | 5,465,477 | 5,496,668 | 5,507,429 |
| Sewer | 7,479,230 | 7,189,691 | 6,809,634 | 6,946,357 | 6,742,228 | 6,792,043 | 6,615,442 | 6,725,986 | 6,751,680 | 7,167,202 |
| Storm | - | - | - | - | - | - | - | - | - | 1,124,771 |
| Other non-major enterprise funds | 2,302,068 | 2,531,473 | 2,580,501 | 2,873,575 | 2,737,877 | 2,886,428 | 2,781,660 | 2,818,869 | 2,863,402 | 1,806,460 |
| Operating grants and contributions | 1,107,569 | 1,119,323 | 1,132,853 | - | - | - | 22,439 | 1,195,763 | 1,234,243 | 1,234,089 |
| Capital grants and contributions | 1,173,071 | 934,212 | 4,871,996 | - | 27,386 | 32,203 | 147,573 | 734,718 | 68,837 | 6,490 |
| Total business-type activities | <u>16,667,613</u> | <u>16,468,130</u> | <u>20,085,235</u> | <u>14,849,560</u> | <u>14,935,803</u> | <u>15,522,968</u> | <u>15,109,791</u> | <u>16,940,813</u> | <u>16,414,830</u> | <u>16,846,441</u> |
| Total revenues | <u>\$ 23,750,094</u> | <u>\$ 25,088,150</u> | <u>\$ 30,739,703</u> | <u>\$ 25,037,346</u> | <u>\$ 26,931,690</u> | <u>\$ 37,584,187</u> | <u>\$ 23,401,983</u> | <u>\$ 24,309,152</u> | <u>\$ 23,065,504</u> | <u>\$ 29,286,864</u> |
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | \$ (40,693,920) | \$ (40,796,040) | \$ (48,271,995) | \$ (45,488,531) | \$ (44,890,492) | \$ (33,912,408) | \$ (49,050,852) | \$ (47,185,109) | \$ (46,110,895) | \$ (47,785,312) |
| Business-type activities | 1,192,807 | 42,605 | 2,902,464 | (2,538,889) | (2,581,604) | (2,387,811) | (3,888,214) | (1,799,776) | (3,035,846) | (2,073,009) |
| Total net expense | <u>\$ (39,501,113)</u> | <u>\$ (40,753,435)</u> | <u>\$ (45,369,531)</u> | <u>\$ (48,027,420)</u> | <u>\$ (47,472,096)</u> | <u>\$ (36,300,219)</u> | <u>\$ (52,939,066)</u> | <u>\$ (48,984,885)</u> | <u>\$ (49,146,741)</u> | <u>\$ (49,858,321)</u> |

(continued)

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

(concluded)

| | Fiscal Year | | | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| General revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes, levied for general purposes | \$ 5,375,871 | \$ 5,570,069 | \$ 5,654,118 | \$ 5,990,830 | \$ 6,170,168 | \$ 6,167,786 | \$ 6,794,942 | \$ 6,867,316 | \$ 6,886,366 | \$ 7,080,809 |
| Property taxes, levied for debt service | 2,882,495 | 3,603,871 | 3,816,130 | 4,298,477 | 4,573,523 | 4,873,523 | 4,445,195 | 4,787,927 | 4,800,000 | 4,769,154 |
| Property taxes, levied for other | 4,360,329 | 6,816,113 | 7,492,551 | 8,560,888 | 8,555,227 | 9,117,555 | 9,600,907 | 8,885,545 | 9,077,710 | 9,625,284 |
| Other taxes | 508,753 | 551,547 | 510,674 | 612,327 | 561,291 | 567,650 | 658,072 | 591,020 | 668,830 | 724,441 |
| Intergovernmental revenues not restricted to specific programs | 20,671,176 | 20,071,655 | 20,679,687 | 21,209,003 | 21,957,459 | 21,707,260 | 20,511,649 | 21,961,045 | 22,177,385 | 21,936,614 |
| Public gifts and/or grants | - | - | - | - | - | - | - | - | - | - |
| Investment income | 2,397,498 | 691,086 | 630,129 | 39,470 | 986,271 | 1,163,493 | (384,380) | 972,002 | 262,851 | 292,699 |
| Gain (loss) on sale of property | 623,359 | 318,690 | 86,179 | 172,518 | 20,672 | 52,738 | 65,842 | 214,055 | 35,026 | 961,838 |
| Miscellaneous | 1,646,145 | 992,256 | 1,327,240 | 1,628,340 | 1,661,285 | 1,651,813 | 1,835,433 | 1,237,121 | 882,350 | 974,468 |
| Transfers | (1,567,885) | (1,023,197) | 486,381 | 584,499 | (690,285) | 775,073 | 830,166 | (10,654) | 633,315 | 388,040 |
| Total general revenues and transfers | 36,897,741 | 37,592,090 | 40,683,089 | 43,096,352 | 43,795,611 | 46,076,891 | 44,357,826 | 45,505,377 | 45,423,833 | 46,753,347 |
| Business-type activities: | | | | | | | | | | |
| Taxes | 700,697 | 594,530 | 530,980 | 519,980 | 567,256 | 537,256 | 554,367 | 612,481 | 662,833 | 662,833 |
| Intergovernmental revenues not restricted to specific programs | - | - | - | 1,172,108 | 1,194,315 | 1,154,514 | 1,163,443 | - | - | - |
| Investment income | 669,637 | 492,793 | 457,938 | 377,693 | 529,770 | 592,441 | 343,408 | 299,078 | 281,989 | 265,580 |
| Miscellaneous | - | - | 15,781 | 26,838 | 14,261 | - | - | - | - | - |
| Gain (loss) on sale of property | - | - | 3,000 | - | - | 127,789 | (70,744) | 5,231 | 8,968 | 43,811 |
| Transfers | 1,567,885 | 1,023,197 | (486,381) | (584,499) | 690,285 | (775,073) | (830,166) | 10,654 | (633,315) | (388,040) |
| Total business-type activities | 2,938,219 | 2,110,520 | 521,318 | 1,512,120 | 2,995,887 | 1,636,927 | 1,160,308 | 927,444 | 320,475 | 584,184 |
| Total primary government | \$ 39,835,960 | \$ 39,702,610 | \$ 41,204,407 | \$ 44,608,472 | \$ 46,791,498 | \$ 47,713,818 | \$ 45,518,134 | \$ 46,432,821 | \$ 45,744,308 | \$ 47,337,531 |
| Change in net position | | | | | | | | | | |
| Governmental activities | \$ (3,796,179) | \$ (3,203,950) | \$ (7,588,906) | \$ (2,392,179) | \$ (1,094,881) | \$ 12,164,483 | \$ (4,693,026) | \$ (1,679,732) | \$ (687,062) | \$ (1,031,965) |
| Business-type activities | 4,131,026 | 2,153,125 | 3,423,782 | (1,026,769) | 414,283 | (750,884) | (2,727,906) | (872,332) | (2,715,371) | (1,488,825) |
| Total change in net position | \$ 334,847 | \$ (1,050,825) | \$ (4,165,124) | \$ (3,418,948) | \$ (680,598) | \$ 11,413,599 | \$ (7,420,932) | \$ (2,552,064) | \$ (3,402,433) | \$ (2,520,790) |

City of Beloit, Wisconsin
Program Revenues by Function/Program
Last Ten Fiscal Years
(Accrual basis of accounting)

| Function/Program | Fiscal Year | | | | | | | | | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 21,402 | \$ 17,856 | \$ 15,507 | \$ 26,550 | \$ 31,670 | \$ 35,761 | \$ 45,430 | \$ 24,937 | \$ 49,500 | \$ 43,065 |
| Finance and administrative services | 1,455,401 | 2,817,806 | 3,086,078 | 3,873,509 | 4,847,967 | 1,556,285 | 1,979,567 | 1,564,123 | 1,385,039 | 3,604,755 |
| Community development | 588,969 | 199,078 | 1,665,932 | 1,059,927 | 1,681,051 | 1,181,594 | 1,221,147 | 478,325 | 149,384 | 3,152,232 |
| Economic development | 166,421 | 11,076 | 41,529 | - | - | - | - | - | - | - |
| Public safety: | | | | | | | | | | |
| Police services | 1,476,936 | 1,217,410 | 1,588,909 | 1,433,267 | 1,458,056 | 1,254,481 | 1,368,595 | 1,307,867 | 1,208,635 | 971,617 |
| Fire services | 68,752 | 248,684 | 105,548 | 118,626 | 64,433 | 97,985 | 60,008 | 109,580 | 88,520 | 79,249 |
| Health | - | - | - | - | - | - | - | - | - | - |
| Public works | 2,901,070 | 3,697,776 | 3,711,718 | 3,206,532 | 3,430,619 | 17,439,999 | 3,150,302 | 3,404,713 | 3,266,069 | 4,031,218 |
| Library | 403,530 | 410,334 | 439,247 | 469,375 | 482,091 | 495,114 | 467,143 | 478,794 | 503,527 | 558,287 |
| Total governmental activities | <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> | <u>8,292,192</u> | <u>7,368,339</u> | <u>6,650,674</u> | <u>12,440,423</u> |
| Business-type activities: | | | | | | | | | | |
| Water | 4,886,450 | 4,980,009 | 5,680,334 | 6,123,465 | 5,428,312 | 5,812,294 | 5,647,690 | 5,540,195 | 5,525,879 | 5,513,919 |
| Sewer | 7,573,835 | 7,291,004 | 8,262,681 | 6,946,357 | 6,742,228 | 6,792,043 | 6,615,442 | 6,725,986 | 6,751,680 | 7,167,202 |
| Storm | - | - | - | - | - | - | - | - | - | 1,124,771 |
| Other non-major enterprise funds | 4,207,328 | 4,197,117 | 6,142,220 | 3,190,272 | 2,765,263 | 2,918,631 | 2,846,659 | 4,674,632 | 4,137,271 | 3,040,549 |
| Total business-type activities | <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> | <u>15,109,791</u> | <u>16,940,813</u> | <u>16,414,830</u> | <u>16,846,441</u> |
| Total primary government | <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> | <u>\$ 23,401,983</u> | <u>\$ 24,309,152</u> | <u>\$ 23,065,504</u> | <u>\$ 29,286,864</u> |

City of Beloit, Wisconsin
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| General fund | | | | | | | | | | |
| Reserved | \$ 2,031,796 | \$ 2,149,150 | \$ 1,924,704 | \$ 2,076,049 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 8,547,741 | 8,184,365 | 8,519,970 | 8,724,137 | - | - | - | - | - | - |
| Nonspendable | - | - | - | - | 1,761,379 | 1,634,901 | 1,449,818 | 2,071,820 | 1,791,582 | 1,578,930 |
| Assigned | - | - | - | - | 605,321 | 589,028 | 626,840 | 300,000 | - | - |
| Unassigned | - | - | - | - | 8,408,569 | 9,144,726 | 8,339,711 | 7,762,537 | 8,007,592 | 8,303,332 |
| Total general fund | <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> | <u>\$ 10,416,369</u> | <u>\$ 10,134,357</u> | <u>\$ 9,799,174</u> | <u>\$ 9,882,262</u> |
| All other governmental funds | | | | | | | | | | |
| Reserved | \$ 10,935,007 | \$ 11,565,636 | \$ 8,022,576 | \$ 7,271,469 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 3,423,288 | 533,830 | (485,129) | 243,976 | - | - | - | - | - | - |
| Capital projects funds | 22,179,563 | 9,335,975 | 8,910,576 | 9,354,103 | - | - | - | - | - | - |
| Debt service funds | (5,136,143) | - | - | - | - | - | - | - | - | - |
| Nonspendable | - | - | - | - | 75,000 | - | - | 11,709 | 402,577 | - |
| Restricted | - | - | - | - | 15,502,709 | 9,892,961 | 10,314,163 | 10,480,740 | 10,974,549 | 12,697,326 |
| Assigned | - | - | - | - | 11,069,132 | 10,666,183 | 12,231,672 | 11,784,859 | 11,235,991 | 9,844,541 |
| Unassigned | - | - | - | - | (4,553,852) | (4,572,305) | (4,374,225) | (3,841,960) | (3,904,273) | (3,672,678) |
| Total all other governmental funds | <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> | <u>\$ 18,171,610</u> | <u>\$ 18,435,348</u> | <u>\$ 18,708,844</u> | <u>\$ 18,869,189</u> |
| Total governmental funds | <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> | <u>\$ 28,587,979</u> | <u>\$ 28,569,705</u> | <u>\$ 28,508,018</u> | <u>\$ 28,751,451</u> |

Note: It is the city's policy to maintain an unrestricted 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 2016 was \$7,625,619 which represents three months of budgeted operating expenditures. The city exceeded this limit by \$677,713. 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 | | | | | | | | | |
|---|----------------------|------------------------|-----------------------|-------------------|---------------------|-----------------------|---------------------|--------------------|--------------------|-------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Revenues | | | | | | | | | | |
| Taxes (see Schedule 6) | \$ 12,615,533 | \$ 16,047,362 | \$ 17,006,060 | \$ 18,928,612 | \$ 19,372,644 | \$ 20,225,496 | \$ 20,959,622 | \$ 20,588,063 | \$ 20,887,634 | \$ 21,617,852 |
| Intergovernmental | 21,902,213 | 21,831,391 | 22,996,684 | 23,009,047 | 23,963,992 | 23,612,491 | 22,449,953 | 22,704,505 | 22,913,912 | 22,964,293 |
| Licenses and permits | 758,459 | 733,953 | 567,135 | 579,017 | 590,135 | 652,541 | 863,215 | 938,474 | 970,400 | 908,737 |
| Fines, forfeitures and penalties | 1,212,231 | 1,187,381 | 1,166,653 | 1,270,139 | 1,217,884 | 1,151,148 | 1,134,664 | 1,077,893 | 937,079 | 795,998 |
| Fees and service charges | 630,560 | 677,097 | 648,181 | 720,898 | 655,964 | 664,322 | 732,733 | 792,397 | 816,604 | 818,488 |
| Rent | 43,182 | 30,715 | 30,026 | 15,469 | 56 | 3,615 | 13,031 | 19,178 | 47,003 | 57,804 |
| Special assessments | 314,066 | 246,045 | 250,769 | 158,485 | 225,047 | 204,105 | 188,098 | 190,402 | 312,480 | 280,934 |
| Investment income | 2,908,368 | 2,247,632 | 671,550 | 28,627 | 1,027,796 | 1,163,493 | 580,052 | 431,892 | 433,241 | 513,378 |
| Unrealized Gain (loss) on investment | - | - | - | - | - | - | (964,552) | 479,956 | (187,938) | (226,204) |
| Public charges for services | 2,256,901 | 2,261,251 | 2,254,880 | 2,576,526 | 2,520,878 | 2,642,302 | 2,703,076 | 2,709,994 | 2,686,514 | 2,512,226 |
| Donations | - | - | - | - | - | - | - | - | - | - |
| Other | 2,775,930 | 2,350,749 | 3,373,864 | 2,963,236 | 2,657,310 | 2,842,474 | 2,925,678 | 2,230,696 | 2,199,253 | 2,174,997 |
| Total revenues | 45,417,443 | 47,613,576 | 48,965,802 | 50,250,056 | 52,231,706 | 53,161,987 | 51,585,570 | 52,163,450 | 52,016,182 | 52,418,503 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| General government | 3,895,310 | 3,965,843 | 4,274,654 | 3,849,649 | 3,935,480 | 3,769,962 | 3,828,921 | 3,705,212 | 3,739,168 | 3,594,944 |
| Community development | 2,775,921 | 2,600,297 | 3,101,277 | 3,963,150 | 3,916,607 | 4,224,110 | 3,452,579 | 2,864,857 | 3,408,202 | 2,959,096 |
| Public safety | 17,960,197 | 18,022,207 | 18,225,392 | 18,447,116 | 19,113,358 | 19,118,570 | 20,372,113 | 20,423,475 | 20,470,156 | 20,137,594 |
| Public health | - | - | - | - | - | - | - | - | - | - |
| Public works | 8,797,432 | 8,780,712 | 8,622,853 | 8,325,488 | 8,194,319 | 7,958,183 | 8,883,972 | 8,943,426 | 8,600,822 | 8,346,050 |
| Parks, recreation, and education | 1,938,463 | 1,970,069 | 1,928,426 | 1,992,966 | 2,045,247 | 2,036,683 | 2,038,937 | 2,090,762 | 2,140,358 | 2,236,552 |
| Capital outlay | 10,443,691 | 18,213,473 | 20,304,947 | 9,474,436 | 11,075,644 | 14,064,117 | 7,254,823 | 9,513,875 | 8,663,135 | 11,549,110 |
| Debt service: | | | | | | | | | | |
| Principal retirement | 11,760,034 | 10,294,458 | 4,946,407 | 5,609,568 | 5,923,641 | 11,952,889 | 11,334,674 | 6,993,294 | 7,237,072 | 7,561,023 |
| Interest and fiscal charges | 3,876,435 | 1,956,651 | 3,181,079 | 3,119,978 | 3,181,470 | 3,085,618 | 2,842,047 | 2,303,641 | 2,165,894 | 2,011,867 |
| Total expenditures | 61,447,483 | 65,803,710 | 64,585,035 | 54,782,351 | 57,385,766 | 66,210,132 | 60,008,066 | 56,838,542 | 56,424,807 | 58,396,236 |
| Excess of revenues over (under) expenditures | (16,030,040) | (18,190,134) | (15,619,233) | (4,532,295) | (5,154,060) | (13,048,145) | (8,422,496) | (4,675,092) | (4,408,625) | (5,977,733) |
| Other financing sources (uses) | | | | | | | | | | |
| Debt issued | 15,196,994 | 3,438,190 | 15,785,965 | 4,462,587 | 1,500,000 | 3,753,800 | 3,686,989 | 3,149,816 | 3,370,000 | 4,960,000 |
| Debt issued - refunding | - | - | - | - | 14,006,168 | 3,706,200 | 12,079,111 | 5,477,459 | - | - |
| Capital lease issued | 11,213,109 | 5,085,000 | - | - | 3,915,445 | 1,498,489 | - | - | - | - |
| Premium on bonds | - | - | - | - | - | 139,913 | 423,115 | 256,111 | - | 130,133 |
| Payments to escrow agent | - | - | (1,194,912) | - | (9,759,095) | (2,458,608) | (7,664,827) | (5,643,847) | - | - |
| Sale of city property | 780,745 | 477,845 | 88,022 | 262,246 | 302,433 | 106,598 | 150,427 | 568,504 | 116,084 | 340,759 |
| Debt service - principal | - | - | (4,880,389) | - | - | - | - | - | - | - |
| Transfers in | 1,017,571 | 1,350,505 | 3,247,606 | 2,141,710 | 2,509,837 | 2,613,170 | 3,387,428 | 2,439,001 | 2,266,370 | 2,752,842 |
| Transfers out | (385,288) | (2,373,702) | (2,303,318) | (1,557,211) | (2,122,204) | (1,824,177) | (2,407,262) | (1,590,226) | (1,405,516) | (1,962,568) |
| Total other financing sources (uses) | 27,823,131 | 7,977,838 | 10,742,974 | 5,309,332 | 10,352,584 | 7,535,385 | 9,654,981 | 4,656,818 | 4,346,938 | 6,221,166 |
| Net change in fund balances | \$ 11,793,091 | \$ (10,212,296) | \$ (4,876,259) | \$ 777,037 | \$ 5,198,524 | \$ (5,512,760) | \$ 1,232,485 | \$ (18,274) | \$ (61,687) | \$ 243,433 |
| Debt service as a percentage of non-capital expenditures | 28.41% | 23.93% | 14.68% | 16.78% | 17.92% | 24.74% | 24.14% | 16.81% | 18.12% | 18.54% |

City of Beloit, Wisconsin
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

| <u>Fiscal Year</u> | <u>Property</u> | <u>Mobile Home</u> | <u>Payments In Lieu of</u> | <u>Prior Year Collections/ (Rescinded)</u> | <u>Motel</u> | <u>Total</u> |
|--------------------|-----------------|--------------------|----------------------------|--|--------------|---------------|
| 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 |
| 2013 | 20,867,890 | 13,462 | 9,089 | 1,773 | 67,408 | 20,959,622 |
| 2014 | 20,505,168 | 12,869 | 8,808 | (4) | 61,222 | 20,588,063 |
| 2015 | 20,785,707 | 12,541 | 9,104 | 760 | 79,522 | 20,887,634 |
| 2016 | 21,491,882 | 13,891 | 26,342 | - | 85,737 | 21,617,852 |

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 |
|--------------------|---------------------------------|--------------------------------|-----------------------------------|----------------------------------|------------------------------|---|-------------------------------------|----------------------------------|--|
| 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% |
| 2013 | 888,191,900 | 424,675,300 | 180,902,200 | 593,200 | 84,031,750 | 1,578,394,350 | 10.62 | 1,377,134,000 | 114.61% |
| 2014 | 884,755,300 | 430,356,700 | 168,818,300 | 576,400 | 81,975,602 | 1,566,482,302 | 10.83 | 1,471,696,200 | 106.44% |
| 2015 | 883,032,900 | 439,131,000 | 163,631,548 | 549,800 | 84,559,452 | 1,570,904,700 | 10.96 | 1,557,937,900 | 100.83% |
| 2016 | 883,276,700 | 471,910,400 | 165,852,600 | 546,900 | 87,247,190 | 1,608,833,790 | 11.11 | 1,593,559,300 | 100.96% |

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 | | | |
| 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 |
| 2013 | 2014 | 7.59 | 3.03 | 10.62 | 6.00 | 0.15 | 1.68 | 10.08 | 28.53 | (1.31) | 27.21 |
| 2014 | 2015 | 7.77 | 3.06 | 10.83 | 6.27 | 0.16 | 1.04 | 10.88 | 29.18 | (1.34) | 27.84 |
| 2015 | 2016 | 7.92 | 3.04 | 10.96 | 6.60 | 0.17 | 1.19 | 11.47 | 30.39 | (1.59) | 28.80 |
| 2016 | 2017 | 8.09 | 3.02 | 11.11 | 6.52 | 0.17 | 1.20 | 9.63 | 28.62 | (1.59) | 27.04 |

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 | | | |
| 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 |
| 2013 | 2014 | 7.59 | 3.03 | 10.62 | 6.00 | 0.15 | 1.68 | 10.35 | 28.80 | (1.31) | 27.48 |
| 2014 | 2015 | 7.77 | 3.06 | 10.83 | 6.27 | 0.16 | 1.04 | 10.72 | 29.02 | (1.34) | 27.68 |
| 2015 | 2016 | 7.92 | 3.04 | 10.96 | 6.60 | 0.17 | 1.19 | 10.88 | 29.79 | (1.59) | 28.21 |
| 2016 | 2017 | 8.09 | 3.02 | 11.11 | 6.52 | 0.17 | 1.20 | 10.52 | 29.51 | (1.59) | 27.92 |

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 | | | |
| 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 |
| 2013 | 2014 | 7.59 | 3.03 | 10.62 | 6.00 | 0.15 | 1.68 | 10.68 | 29.13 | (1.31) | 27.82 |
| 2014 | 2015 | 7.77 | 3.06 | 10.83 | 6.27 | 0.16 | 1.04 | 11.53 | 29.82 | (1.34) | 28.48 |
| 2015 | 2016 | 7.92 | 3.04 | 10.96 | 6.60 | 0.17 | 1.19 | 12.05 | 30.97 | (1.59) | 29.38 |
| 2016 | 2017 | 8.09 | 3.02 | 11.11 | 6.52 | 0.17 | 1.20 | 12.13 | 31.12 | (1.59) | 29.53 |

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 | 2016 | | | 2007 | | |
|-----------------------------------|---|----------------------------|--|------|----------------------------|--|------|
| | | 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 | \$ 76,579,250 | 4.76% | 1 | \$ 55,278,560 | 3.39% | 1 |
| Kerry Ingredients | Mfg. of Food Additives | 41,343,000 | 2.57% | 2 | | | |
| Staples Contract & Commercial LLC | Fulfillment Center | 34,001,070 | 2.11% | 3 | 36,317,110 | 2.23% | 2 |
| Frito Lay Inc. | Food Processor | 23,522,600 | 1.46% | 4 | 25,045,500 | 1.54% | 3 |
| Pratt Industries | | 18,911,300 | 1.18% | 5 | | | |
| Kettle Foods | Food Processor | 16,929,800 | 1.05% | 6 | | | |
| Beloit Health Systems | Health Services | 15,616,140 | 0.97% | 7 | 14,286,530 | 0.88% | 7 |
| Woodman's | Retail Grocer | 15,295,930 | 0.95% | 8 | 15,282,270 | 0.94% | 5 |
| Walmart | Retailer | 15,255,690 | 0.95% | 9 | 14,763,120 | 0.91% | 6 |
| McGuire/Morgan Square | Developer Commercial | 13,439,400 | 0.84% | 10 | 10,199,800 | 0.63% | 9 |
| Menards | Retail Home Improvements | | | | 18,149,200 | 1.11% | 4 |
| Reynolds Aluminum | Manufacturer | | | | 11,939,800 | 0.73% | 8 |
| Genecor | Manufacturer | | | | 9,781,600 | 0.60% | 10 |
| Totals | | <u>\$ 270,894,180</u> | <u>16.84%</u> | | <u>\$ 211,043,490</u> | <u>12.94%</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 |
| 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% | 13,062,062 | 16,393,340 | 99.99% |
| 2013 | 2014 | 16,769,023 | 1,992,160 | 11.88% | 14,775,750 | 16,767,910 | 99.99% |
| 2014 | 2015 | 16,963,108 | 3,843,552 | 22.66% | 13,105,602 | 16,949,154 | 99.92% |
| 2015 | 2016 | 17,211,767 | 3,062,611 | 17.79% | 14,104,637 | 17,167,248 | 99.74% |
| 2016 | 2017 | 17,868,428 | 3,167,994 | 17.73% | N/A | N/A | |

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**

| Fiscal Year | General Obligation Bonds | Issuance Premiums (Discounts) | Other Debt | Capital Leases | Other Capital Leases | Sewer Revenue Bonds | Water Revenue Bonds | Storm Water Revenue Bonds | Total Outstanding Debt | Estimated Full Property Value | Percentage of Full Property Value | Population | Debt per Capita |
|---------------------------------|---------------------------------|--------------------------------------|-------------------|-----------------------|-----------------------------|----------------------------|----------------------------|----------------------------------|-------------------------------|--------------------------------------|--|-------------------|------------------------|
| Governmental Activities | | | | | | | | | | | | | |
| 2007 | \$ 53,255,304 | \$ (420,309) | \$ 306,532 | \$ 16,260,689 | \$ 876,179 | \$ - | \$ - | \$ - | \$ 70,278,395 | \$ 1,630,887,400 | 4.31% | 37,110 | \$ 1,894 |
| 2008 | 52,967,110 | (372,992) | 235,479 | 14,882,996 | 787,048 | - | - | - | 68,499,641 | 1,718,751,200 | 3.99% | 37,110 | 1,846 |
| 2009 | 53,844,175 | (325,674) | 110,000 | 18,984,934 | 696,897 | - | - | - | 73,310,332 | 1,744,186,100 | 4.20% | 37,000 | 1,981 |
| 2010 | 54,003,141 | (278,357) | 100,000 | 17,723,067 | 602,607 | - | - | - | 72,150,458 | 1,610,889,800 | 4.48% | 36,966 | 1,952 |
| 2011 | 55,450,472 | (721,460) | 90,000 | 20,442,853 | 503,988 | - | - | - | 75,765,853 | 1,558,718,400 | 4.86% | 36,945 | 2,051 |
| 2012 | 50,222,921 | (809,965) | 80,000 | 20,446,434 | 466,990 | - | - | - | 70,406,380 | 1,507,977,900 | 4.67% | 36,850 | 1,911 |
| 2013 | 49,839,619 | 389,297 | 70,000 | 18,269,381 | 428,441 | - | - | - | 68,996,738 | 1,377,134,000 | 5.01% | 36,820 | 1,874 |
| 2014 | 48,305,828 | 607,154 | 60,000 | 16,370,388 | 346,426 | - | - | - | 65,689,796 | 1,471,696,200 | 4.46% | 36,805 | 1,785 |
| 2015 | 46,827,654 | 568,900 | 50,000 | 13,991,490 | 346,426 | - | - | - | 61,784,470 | 1,557,937,900 | 3.97% | 36,792 | 1,679 |
| 2016 | 46,798,538 | 530,646 | 40,000 | 11,473,188 | 302,821 | - | - | - | 59,145,193 | 1,593,559,300 | 3.71% | 36,657 | 1,613 |
| Business-Type Activities | | | | | | | | | | | | | |
| 2007 | \$ 4,169,402 | \$ (1,086,278) | \$ - | \$ - | \$ - | \$ 6,890,000 | \$ 23,700,000 | \$ - | \$ 33,673,124 | \$ 1,630,887,400 | 2.06% | 37,110 | \$ 907 |
| 2008 | 5,928,389 | (866,375) | - | - | - | 4,090,000 | 23,025,000 | - | 32,177,014 | 1,718,751,200 | 1.87% | 37,110 | 867 |
| 2009 | 5,986,851 | (734,700) | - | - | - | - | 26,240,000 | - | 31,492,151 | 1,744,186,100 | 1.81% | 37,000 | 851 |
| 2010 | 5,925,112 | (626,876) | - | - | - | - | 29,155,000 | 1,470,000 | 35,923,236 | 1,610,889,800 | 2.23% | 36,966 | 972 |
| 2011 | 5,577,580 | (501,757) | - | - | - | 2,866,012 | 28,075,000 | 1,420,000 | 37,436,835 | 1,558,718,400 | 2.40% | 36,945 | 1,013 |
| 2012 | 5,225,896 | (362,058) | - | - | - | 3,267,644 | 26,960,000 | 1,365,000 | 36,456,482 | 1,507,977,900 | 2.42% | 36,850 | 989 |
| 2013 | 4,859,952 | 26,566 | - | - | - | 3,129,884 | 25,800,000 | 1,310,000 | 35,126,402 | 1,377,134,000 | 2.55% | 36,820 | 954 |
| 2014 | 4,680,857 | 179,630 | - | - | - | 2,988,818 | 24,560,000 | 1,255,000 | 33,664,305 | 1,471,696,200 | 2.29% | 36,805 | 915 |
| 2015 | 4,224,935 | 124,094 | - | - | - | 2,844,366 | 23,290,000 | 1,225,000 | 31,708,395 | 1,557,937,900 | 2.04% | 36,792 | 862 |
| 2016 | 3,715,865 | 1,001,970 | - | - | - | 2,696,447 | 21,155,000 | 1,160,000 | 29,729,282 | 1,593,559,300 | 1.87% | 36,657 | 811 |
| Total Government-wide | | | | | | | | | | | | | |
| 2007 | \$ 57,424,706 | \$ (1,506,587) | \$ 306,532 | \$ 16,260,689 | \$ 876,179 | \$ 6,890,000 | \$ 23,700,000 | \$ - | \$ 103,951,519 | \$ 1,630,887,400 | 6.37% | 37,110 | \$ 2,801 |
| 2008 | 58,895,499 | (1,239,367) | 235,479 | 14,882,996 | 787,048 | 4,090,000 | 23,025,000 | - | 100,676,655 | 1,718,751,200 | 5.86% | 37,110 | 2,713 |
| 2009 | 59,831,026 | (1,060,374) | 110,000 | 18,984,934 | 696,897 | - | 26,240,000 | - | 104,802,483 | 1,744,186,100 | 6.01% | 37,000 | 2,832 |
| 2010 | 59,928,253 | (905,233) | 100,000 | 17,723,067 | 602,607 | - | 29,155,000 | 1,470,000 | 108,073,694 | 1,610,889,800 | 6.71% | 36,966 | 2,924 |
| 2011 | 61,028,052 | (1,223,217) | 90,000 | 20,442,853 | 503,988 | 2,866,012 | 28,075,000 | 1,420,000 | 113,202,688 | 1,558,718,400 | 7.26% | 36,945 | 3,064 |
| 2012 | 55,448,817 | (1,172,023) | 80,000 | 20,446,434 | 466,990 | 3,267,644 | 26,960,000 | 1,365,000 | 106,862,862 | 1,507,977,900 | 7.09% | 36,850 | 2,900 |
| 2013 | 54,699,571 | 415,863 | 70,000 | 18,269,381 | 428,441 | 3,129,884 | 25,800,000 | 1,310,000 | 104,123,140 | 1,377,134,000 | 7.56% | 36,820 | 2,828 |
| 2014 | 52,986,685 | 786,784 | 60,000 | 16,370,388 | 346,426 | 2,988,818 | 24,560,000 | 1,255,000 | 99,354,101 | 1,471,696,200 | 6.75% | 36,805 | 2,699 |
| 2015 | 51,052,589 | 692,994 | 50,000 | 13,991,490 | 346,426 | 2,844,366 | 23,290,000 | 1,225,000 | 93,492,865 | 1,557,937,900 | 6.00% | 36,792 | 2,541 |
| 2016 | 50,514,403 | 1,532,616 | 40,000 | 11,473,188 | 302,821 | 2,696,447 | 21,155,000 | 1,160,000 | 88,874,475 | 1,593,559,300 | 5.58% | 36,657 | 2,424 |

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 |
|--------------------|---------------------------------|---|---------------|-----------------------|--|--|-----------------------------|------------------------------|--|
| 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% |
| 2013 | 54,699,571 | 2,212,595 | 52,486,976 | 1,426 | 3.81% | 54,699,571 | 68,856,700 | 14,157,129 | 20.56% |
| 2014 | 52,986,685 | 2,048,472 | 50,938,213 | 1,384 | 3.46% | 52,986,685 | 73,584,810 | 20,598,125 | 27.99% |
| 2015 | 51,052,589 | 2,012,373 | 49,040,216 | 1,333 | 3.15% | 51,052,589 | 77,896,895 | 26,844,306 | 34.46% |
| 2016 | 50,514,403 | 1,745,892 | 48,768,511 | 1,330 | 3.06% | 50,514,403 | 79,677,965 | 29,163,562 | 36.60% |

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(a) Restricted net position 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, 2016**

| <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 | \$ 42,370,000 | 15.50% | \$ 6,568,325 |
| Blackhawk Technical College | 48,875,000 | 12.92% | 6,316,947 |
| Beloit School District | 62,582,219 | 94.49% | 59,131,185 |
| Beloit Turner School District | 4,765,000 | 10.73% | 511,313 |
| Clinton Community School District | 4,500,000 | 13.43% | 604,525 |
| Subtotal, overlapping debt | | | <u>73,132,295</u> |
| City direct debt | | | <u>59,145,193</u> |
| Total direct and overlapping debt | | | <u><u>\$ 132,277,488</u></u> |
| Population | | | 36,657 |
| Overlapping debt per capita | | | \$ 1,995 |
| Direct and overlapping debt per capita | | | \$ 3,609 |

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

| Fiscal Year | Utility Charges and Other | Less: Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
|-------------|---------------------------|--------------------------|-----------------------|--------------|------------|----------|
| | | | | Principal | Interest | |
| 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 |
| 2013 | 6,779,720 | 6,051,452 | 728,268 | 137,760 | 76,771 | 3.39 |
| 2014 | 6,878,377 | 6,135,784 | 742,593 | 141,066 | 73,424 | 3.46 |
| 2015 | 6,899,605 | 6,475,410 | 424,195 | 144,452 | 69,998 | 1.98 |
| 2016 | 7,297,866 | 6,102,227 | 1,195,639 | 147,919 | 66,490 | 5.58 |

Water Utility Revenue Bonds

| | Utility Charges and Other | Less: Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
|------|---------------------------|--------------------------|-----------------------|--------------|------------|----------|
| | | | | Principal | Interest | |
| 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 |
| 2013 | 5,600,028 | 2,266,499 | 3,333,529 | 1,235,000 | 1,064,519 | 1.45 |
| 2014 | 5,515,294 | 2,068,833 | 3,446,461 | 1,240,000 | 992,212 | 1.54 |
| 2015 | 5,535,133 | 2,633,314 | 2,901,819 | 1,270,000 | 962,339 | 1.30 |
| 2016 | 5,550,013 | 2,306,354 | 3,243,659 | 1,300,000 | 963,725 | 1.43 |

Stormwater Utility Revenue Bonds

| | Utility Charges and Other | Less: Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
|------|---------------------------|--------------------------|-----------------------|--------------|----------|----------|
| | | | | Principal | Interest | |
| 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 |
| 2013 | 958,980 | 699,169 | 259,811 | 55,000 | 69,813 | 2.08 |
| 2014 | 959,068 | 720,259 | 238,809 | 55,000 | 68,694 | 1.93 |
| 2015 | 972,517 | 846,762 | 125,755 | - | 23,371 | 5.38 |
| 2016 | 1,131,853 | 778,841 | 353,012 | 65,000 | 34,850 | 3.54 |

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Sewer, water, and stormwater charges include non-operating revenues. Operating expenses do not include interest, amortization, or depreciation. The City's required coverage ratios are 1.10 for the sewer bonds and 1.25 for the water and stormwater bonds.

**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> |
|--------------------|-----------------------|--------------------------------------|---------------------------------------|------------------------------|------------------------|-----------------------|-------------------------|-----------------------------------|
| 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 | 1,321,256,750 | 35,855 | 6,985 | 16,474 | 14,770 | 1,704 | 10.3% |
| 2013 | 36,820 | 1,401,148,280 | 38,054 | 7,116 | 16,880 | 15,013 | 1,867 | 11.1% |
| 2014 | 36,805 | 1,424,831,965 | 38,713 | 7,133 | 17,148 | 15,850 | 1,298 | 7.6% |
| 2015 | 36,792 | 1,472,636,592 | 40,026 | 7,186 | 17,179 | 16,053 | 1,126 | 6.6% |
| 2016 | 36,657 | N/A | N/A | 7,030 | 17,264 | 16,298 | 966 | 5.6% |

- 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: 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**

| <u>Employer</u> | <u>2016</u> | | | <u>2007</u> | | |
|---------------------------------|------------------|-------------|--|------------------|-------------|--|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
| Beloit Health Systems | 1,576 | 1 | 10.50% | 1,239 | 1 | 7.23% |
| School District of Beloit | 938 | 2 | 6.25% | 871 | 2 | 5.08% |
| Kerry Ingredients | 740 | 3 | 4.93% | 330 | 10 | 1.93% |
| Frito-Lay | 663 | 4 | 4.42% | 717 | 3 | 4.19% |
| Taylor Company | 635 | 5 | 4.23% | 520 | 4 | 3.04% |
| Birds Eye | 559 | 6 | 3.72% | | | |
| City of Beloit | 447 | 7 | 2.98% | 382 | 8 | 2.23% |
| Beloit College | 408 | 8 | 2.72% | 448 | 5 | 2.62% |
| Hendricks Holdings (ABC Supply) | 391 | 9 | 2.60% | 439 | 7 | 2.56% |
| Fairbanks-Morse | 374 | 10 | 2.49% | | | |
| Alcoa Wheel Products | - | - | - | 440 | 6 | 2.57% |
| Wal-Mart | - | - | - | 336 | 9 | 1.96% |
| Total | 6,731 | | 44.83% | 5,722 | | 33.41% |

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 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General Government | 7.00 | 7.00 | 7.00 | 7.00 | 7.30 | 7.14 | 7.00 | 7.00 | 7.00 | 6.00 |
| Finance and Administrative Services | 36.55 | 35.60 | 34.30 | 33.35 | 33.25 | 31.00 | 30.70 | 29.75 | 29.85 | 29.00 |
| Community Development | 19.00 | 19.00 | 18.00 | 18.00 | 19.00 | 18.50 | 16.50 | 16.50 | 16.50 | 17.00 |
| Economic Development | 3.40 | 3.40 | 3.40 | 3.40 | 3.40 | 3.40 | 3.40 | 3.40 | 3.40 | 3.00 |
| Public Safety: | | | | | | | | | | |
| Police Services | 95.75 | 95.95 | 95.96 | 95.91 | 95.91 | 88.76 | 90.26 | 90.66 | 91.16 | 91.16 |
| Fire Services | 65.62 | 65.65 | 65.65 | 65.65 | 65.65 | 59.25 | 59.74 | 64.74 | 63.24 | 64.86 |
| Engineering and public works | 60.83 | 60.83 | 61.83 | 60.54 | 60.44 | 57.71 | 56.08 | 56.08 | 59.67 | 57.67 |
| Parks and Recreation | 40.64 | 40.26 | 40.26 | 39.26 | 39.76 | 37.37 | 38.01 | 38.01 | 38.07 | 38.04 |
| Library | 27.00 | 26.48 | 25.82 | 25.59 | 25.76 | 26.01 | 27.15 | 27.34 | 27.60 | 26.98 |
| Water and Sewer Utility | 35.54 | 36.80 | 36.82 | 37.11 | 37.11 | 35.57 | 34.90 | 35.40 | 35.40 | 35.40 |
| Transit | 20.50 | 20.10 | 20.50 | 20.50 | 20.50 | 20.50 | 20.50 | 20.50 | 20.50 | 20.50 |
| Total | <u>411.83</u> | <u>411.07</u> | <u>409.54</u> | <u>406.31</u> | <u>408.08</u> | <u>385.21</u> | <u>384.24</u> | <u>389.38</u> | <u>392.39</u> | <u>389.61</u> |

Source: City of Beloit annual budget

A full time employee is scheduled to work 2,080 hours per year (including vacation and sick leave used). Full time equivalent employment is determined by dividing the total hours worked by 2,080.

**City of Beloit, Wisconsin
Operating Indicators by Function/Program
Last Ten Years**

| Function/Program | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General government | | | | | | | | | | |
| New Building permits | 27 | 17 | 9 | 2 | 3 | 2 | 7 | 6 | 7 | 10 |
| Building permits issued | 967 | 936 | 625 | 925 | 1,030 | 1,156 | 990 | 1,074 | 1,002 | 1,009 |
| Building inspections conducted | 5,585 | 4,215 | 3,811 | 3,972 | 3,932 | 4,540 | 3,874 | 1,657 | 2,269 | 3,449 |
| Site plans reviewed | 27 | 26 | 22 | 14 | 18 | 21 | 25 | 14 | 13 | 12 |
| Rental certificates issued | 5,748 | 5,456 | 5,673 | 5,624 | 5,449 | 6,010 | 5,990 | 5,927 | 6,134 | 6393 |
| Police | | | | | | | | | | |
| Physical Arrests | 10,467 | 9,777 | 8,384 | 7,952 | 7,736 | 8,756 | 10,026 | 4,850 | 4,683 | 3802 |
| Traffic Violations | 6,639 | 5,578 | 5,328 | 6,434 | 6,261 | 6,494 | 5,529 | 4,746 | 3,564 | 2611 |
| Parking Violations | 12,663 | 11,209 | 8,197 | 9,536 | 8,461 | 6,782 | 6,230 | 7,072 | 3,837 | 2275 |
| Fire | | | | | | | | | | |
| Emergency responses | 7,565 | 7,979 | 7,262 | 7,834 | 7,896 | 7,693 | 8,194 | 8,452 | 8,513 | 8929 |
| Fires extinguished | 115 | 122 | 96 | 125 | 134 | 150 | 107 | 122 | 134 | 114 |
| Inspections conducted | 2,430 | 2,449 | 2,349 | 2,336 | 2,293 | 2,029 | 2,000 | 2,050 | 2,096 | 1964 |
| Ambulance runs | 3,392 | 3,625 | 3,394 | 3,498 | 3,534 | 3,517 | 3,726 | 3,835 | 3,969 | 4428 |
| Engineering and public works | | | | | | | | | | |
| Development plans reviewed | 27 | 26 | 22 | 14 | 18 | 21 | 25 | 14 | 13 | 12 |
| Infrastructure projects designed | 27 | 28 | 30 | 30 | 20 | 23 | 16 | 15 | 24 | 16 |
| Infrastructure projects completed | 14 | 18 | 20 | 20 | 18 | 19 | 16 | 14 | 20 | 15 |
| Highways and Streets | | | | | | | | | | |
| Street resurfacing (miles) | 1.00 | 1.50 | 4.40 | 4.8 | 1.9 | 3.1 | 5.5 | 1.92 | 6.3 | 6.1 |
| Potholes repaired | 42,972 | 38,897 | 47,309 | 47,218 | 50,590 | 40,319 | 38,725 | 38,176 | 38,720 | 43,737 |
| Sanitation | | | | | | | | | | |
| Refuse collected (tons/day) | 38 | 38 | 37 | 34 | 33 | 32.39 | 33.79 | 39.07 | 37 | 42.51 |
| Recyclables collected (tons/day) | 21 | 20 | 20 | 23 | 16 | 15.92 | 15.15 | 18.47 | 16.5 | 19.96 |
| Culture and Recreation | | | | | | | | | | |
| Facility use permits issued | 453 | 465 | 459 | 448 | 460 | 469 | 431 | 491 | 530 | 577 |
| Number of programs offered | 66 | 67 | 79 | 77 | 75 | 78 | 81 | 84 | 86 | 84 |
| Rounds of golf played | 22,345 | 28,202 | 25,448 | 28,117 | 17,524 | 25,174 | 21,822 | 20,056 | 19,502 | 19,266 |
| Senior center participants | 20,411 | 22,564 | 24,199 | 24,318 | 24,011 | 23,919 | 25,822 | 25,934 | 26,194 | 26,546 |
| Number of cemetery internments | 169 | 178 | 148 | 161 | 185 | 170 | 175 | 147 | 164 | 141 |
| Water | | | | | | | | | | |
| Work orders processed | 1,782 | 1,855 | 1,876 | 3,656 | 2,952 | 2,711 | 2,724 | 2,321 | 2,336 | 2,910 |
| DHL locate tickets processed | | 4,706 | 4,620 | 4,248 | 4,187 | 4,289 | 5,196 | 4,170 | 5,183 | 5,033 |
| Main breaks | 49 | 39 | 34 | 35 | 30 | 32 | 56 | 52 | 34 | 36 |
| Average daily production (MGD) | 6.60 | 6.71 | 6.15 | 5.89 | 5.47 | 5.75 | 5.55 | 5.468 | 6.109 | 5.804 |
| Peak daily production (MGD) | 9.74 | 9.81 | 8.62 | 8.36 | 8.59 | 10.14 | 8.726 | 7.500 | 8.427 | 8.593 |
| Wastewater | | | | | | | | | | |
| Average daily treatment (MGD) | 5.34 | 7.35 | 5.96 | 4.26 | 3.664 | 3.529 | 4.32 | 3.776 | 3.95 | 4.205 |
| Peak daily treatment (MGD) | 12.79 | 18.81 | 13.83 | 6.22 | 4.999 | 4.671 | 15.459 | 9.640 | 6.071 | 5.414 |
| Transit | | | | | | | | | | |
| Total route miles | 392,041 | 392,041 | 392,041 | 343,029 | 343,029 | 343,029 | 343,029 | 311,017 | 287,839 | 287,963 |
| Passengers | 311,353 | 313,845 | 307,568 | 272,089 | 265,590 | 246,323 | 243,859 | 223,291 | 198,719 | 184,013 |

Source: Various city departments.

City of Beloit, Wisconsin
Capital Asset Statistics by Function/Program
Last Ten Years

| Function/Program | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol Units | 40 | 39 | 39 | 39 | 40 | 40 | 40 | 40 | 40 | 51 |
| Fire | | | | | | | | | | |
| Stations | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Trucks | 10 | 10 | 10 | 10 | 10 | 10 | 14 | 14 | 14 | 14 |
| Ambulances | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 |
| Refuse Collection | | | | | | | | | | |
| Garbage trucks | 14 | 14 | 14 | 14 | 14 | 14 | 13 | 13 | 13 | 12 |
| 94 Gallon trash cart | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12,647 |
| 94 Gallon recycling cart | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12,647 |
| 64 Gallon trash cart | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 278 |
| 64 Gallon recycling cart | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 278 |
| Other public works | | | | | | | | | | |
| Streets/highways (miles) | 181.92 | 182.2 | 182.2 | 183.5 | 183.5 | 183.5 | 183.5 | 183.5 | 184.8 | 184.8 |
| Streetlights | 889 | 902 | 1,053 | 1,229 | 1,320 | 1,308 | 1,308 | 1,308 | 1,456 | 1,498 |
| Traffic signals | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 41 | 42 |
| Parks and recreation | | | | | | | | | | |
| Acreage | 851 | 851 | 861 | 861 | 861 | 861 | 924 | 924 | 924 | 924 |
| Parks | 34 | 34 | 35 | 35 | 35 | 35 | 39 | 39 | 39 | 39 |
| 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 | 2 | 2 |
| Water | | | | | | | | | | |
| Wells | 7 | 7 | 7 | 7 | 7 | 8 | 8 | 9 | 8 | 8 |
| Water mains (miles) | 178 | 194 | 196.7 | 197.7 | 197.7 | 198.9 | 198.9 | 198.9 | 199 | 199 |
| Hydrants | 1,714 | 1,436 | 1,434 | 1,464 | 1,464 | 1,555 | 1,555 | 1,555 | 1,558 | 1,488 |
| Storage capacity (MGD) | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 4.15 | 4.15 | 4.150 | 4.15 | 4.15 |
| Wastewater | | | | | | | | | | |
| Treatment plants | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Sanitary sewer (miles) | 168 | 170.5 | 170.8 | 175 | 172.8 | 172.8 | 172.8 | 172.8 | 172.8 | 172.8 |
| Storm sewer (miles) | 172 | 110.5 | 108 | 110.2 | 110.2 | 110.2 | 110.2 | 110.2 | 110.2 | 110.2 |
| Treatment capacity (MGD) | 11 | 11 | 11 | 11 | 11.3 | 11.3 | 11.3 | 11.3 | 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 the 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, 2016, 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 June 23, 2017. 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 of the financial statements, we considered the City'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002, that we consider to be material weaknesses.

To the City Council
City of Beloit

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

The City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City'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.



Madison, Wisconsin
June 23, 2017

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE 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 City of Beloit's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the City's major federal and major state programs for the year ended December 31, 2016. The City's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City'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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines*. Those standards, the Uniform Guidance, 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 a major state program occurred. An audit includes examining, on a test basis, evidence about the City'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's compliance.

To the City Council
City of Beloit

Opinion on Each Major Federal and Major State Program

In our opinion, the City 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance or the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2016-003 and 2016-004. Our opinion on each major federal and major state program is not modified with respect to these matters.

City's Response to Findings

The City's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City'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 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's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 or major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance 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's internal control over compliance.

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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-003 and 2016-004, that we consider to be significant deficiencies.

To the City Council
City of Beloit

City's Response to Findings

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City'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 the Uniform Guidance and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
June 23, 2017

CITY OF BELOIT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

| Federal Agency/Pass-Through Agency/Program Title | Federal CFDA Number | Passed Through Agency | Number/ Pass-through Grantor's Number | Total Expenditures | Passed Through to Other Agencies |
|--|---------------------------|-----------------------------|--|-----------------------|---|
| U.S. Department of Housing and Urban Development | | | | | |
| CDBG - Entitlement Grants Cluster | | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | Direct | 359** | \$ 473,042 | \$ 137,813 |
| Community Development Block Grants/Entitlement Grants - Revolving Loan/Program Income | 14.218 | Direct | 359** | <u>268,862</u> | <u>-</u> |
| Total CFDA #14.218 | | | | 741,904 | 137,813 |
| Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii - Program Income | 14.228 | WI DOA | 73675200-4330-10479/71 | 193,336 | - |
| Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | WI DOA | 3595D (RIPRAP) | <u>47,530</u> | <u>-</u> |
| Total CFDA #14.228 | | | | 240,866 | - |
| Home Investment Partnerships Program | 14.239 | C/ Janesville | 35125-36125 | 134,773 | - |
| Home Investment Partnerships Program - Program Income | 14.239 | C/ Janesville | 35125-36125 | <u>162,582</u> | <u>-</u> |
| Total CFDA #14.239 | | | | 297,355 | - |
| Public and Indian Housing | 14.850 | Direct | | 409,700 | - |
| Resident Opportunity and Supportive Services | 14.870 | Direct | | 10,420 | - |
| Housing Voucher Cluster | | | | | |
| Section 8 Housing Choice Vouchers | 14.871 | Direct | | 3,172,115 | - |
| Public Housing Capital Fund | | | | | |
| WI39-PO64-501-12 | 14.872 | Direct | | 14,616 | - |
| WI39-PO64-501-13 | 14.872 | Direct | | 50,930 | - |
| WI39-PO64-501-14 | 14.872 | Direct | | 91,180 | - |
| WI39-PO64-501-15 | 14.872 | Direct | | 2,714 | - |
| WI39-PO64-501-16 | 14.872 | Direct | | <u>120,000</u> | <u>-</u> |
| Total CFDA #14.872 | | | | 279,440 | - |
| Family Self-Sufficiency Program | 14.896 | Direct | | 62,336 | - |
| Lead Hazard Reduction Demonstration Grant Program | 14.905 | WI DHS | 73675200-436001-10510 | <u>363,510</u> | <u>-</u> |
| Total U.S. Department of Housing and Urban Development | | | | <u>5,577,646</u> | <u>137,813</u> |
| U.S. Department of the Interior | | | | | |
| Intensive Survey of Historic Properties | 15.904 | WI HS | | <u>22,000</u> | <u>-</u> |
| U.S. Department of Justice | | | | | |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | Direct | 35235 prepaid | <u>11,600</u> | <u>-</u> |
| U.S. Department of Transportation | | | | | |
| Federal Transit Cluster | | | | | |
| Federal Transit Formula Grants | 20.507 | Direct | WI-90-X794-00 | <u>630,049</u> | <u>-</u> |
| Total Federal Transit Cluster | | | | 630,049 | - |
| Metropolitan Transportation Planning | 20.505 | IL DOT | 35276 | 203,302 | - |
| Highway Safety Cluster | | | | | |
| State and Community Highway Safety | 20.600 | | | | |
| Speed Enforcement | | WI DOT | 10656 | 8,185 | - |
| Alcohol Enforcement | | WI DOT | 10575-10576 | <u>5,362</u> | <u>-</u> |
| Total Highway Safety Cluster | | | | <u>13,547</u> | <u>-</u> |
| Total U.S. Department of Transportation | | | | <u>846,898</u> | <u>-</u> |
| U.S. Department of Homeland Security | | | | | |
| Staffing for Adequate Fire and Emergency Response (SAFER) | 97.083 | Direct | 35282 | 108,174 | - |
| Staffing for Adequate Fire and Emergency Response (SAFER) | 97.083 | Direct | 35284 | <u>157,856</u> | <u>-</u> |
| Total U.S. Department of Homeland Security | | | | <u>266,030</u> | <u>-</u> |
| U.S. National Endowment for the Arts | | | | | |
| Arts Midwest/The Big Read | 45.024 | Direct | 35077 | <u>13,000</u> | <u>-</u> |
| TOTAL FEDERAL AWARDS | | | | <u>\$ 6,737,174</u> | <u>\$ 137,813</u> |

See notes to schedules of expenditures of federal and state awards.

CITY OF BELOIT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended December 31, 2016

| State Agency/Pass-Through Agency/Program Title | State Number | Grant Number | Total Expenditures | Passed Through to Other Agencies |
|---|--------------------|-----------------------|--------------------------|---|
| Wisconsin Department of Transportation | | | | |
| Transit Operating Aids | | | | |
| 2016 Operating Aids | 395.104 | 25707410-436001 | \$ 489,246 | \$ - |
| 2014 Operating Aids | 395.104 | 25707410-436001 | 600 | - |
| 2016 Paratransit Aids | 395.104 | 85.205 | <u>19,951</u> | - |
| Total Transit Operating Aids | | | 509,197 | - |
| Transportation Economic Assistance (TEA) Grant Planning Commission Program | 395.510 395.202 | P5001652 35276 | 700,000 <u>36,815</u> | - - |
| Total Wisconsin Department of Transportation | | | <u>1,246,012</u> | - |
| Wisconsin Department of Health Services | | | | |
| Ambulance Funding Assistance Grant | 435.162 | 74666400-436001-81021 | <u>8,608</u> | - |
| Wisconsin Department of Natural Resources | | | | |
| Beloit Storm Water Management Plan Update | 370.658 | 27707508-10715 | 72,719 | - |
| Big Hill Park Trail Development Grant | 370.663 | S-ADLP3-14-1195 | 98,159 | - |
| Recycling Grants to Responsible Units | 370.670 | | 121,497 | - |
| Recycling Consolidation Grant | 370.673 | | <u>9,636</u> | - |
| Total Wisconsin Department of Natural Resources | | | <u>302,011</u> | - |
| Wisconsin Department of Administration | | | | |
| Office of Justice Assistance | | | | |
| Uniform Beat Patrol Officers | 505.620 | 61622239-406001-10024 | <u>121,434</u> | - |
| TOTAL STATE AWARDS | | | <u>\$ 1,678,065</u> | <u>\$ -</u> |

CITY OF BELOIT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2016

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, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, 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.

NOTE 3 – PASS-THROUGH AGENCIES

The following identifies the pass-through agency acronyms used on the schedule of expenditures of federal awards:

| | |
|---------------|---|
| WI DOA | Wisconsin Department of Administration |
| C/ Janesville | City of Janesville, Wisconsin |
| WI DHS | Wisconsin Department of Health Services |
| WI HS | Wisconsin Historical Society |
| WI DOT | Wisconsin Department of Transportation |
| IL DOT | Illinois Department of Transportation |

NOTE 4 – INDIRECT COST RATE

The City of Beloit has not elected to use the 10% de minimis indirect cost rate.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- > Material weakness (es) identified? X yes no
- > Significant deficiency (ies) identified? yes X none reported

Noncompliance material to financial statements noted?

 yes X no

FEDERAL AND STATE AWARDS

Internal control over major programs:

- | | Federal Programs | State Programs |
|--|--|--|
| > Material weakness(es) identified? | <u> </u> yes <u> X </u> no | <u> </u> yes <u> X </u> no |
| > Significant deficiencies identified that are not considered to be material weakness(es)? | <u> X </u> yes <u> </u> none reported | <u> </u> yes <u> X </u> none reported |

Type of auditor’s report issued on compliance for major programs:

| | Unmodified | Unmodified |
|--|------------|------------|
|--|------------|------------|

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance or the *State Single Audit Guidelines*?

| | | |
|--|-----------------------------------|-----------------------------------|
| | <u> X </u> yes <u> </u> no | <u> </u> yes <u> X </u> no |
|--|-----------------------------------|-----------------------------------|

Auditee qualified as low-risk auditee?

| | | |
|--|-----------------------------------|-----------------------------------|
| | <u> </u> yes <u> X </u> no | <u> </u> yes <u> X </u> no |
|--|-----------------------------------|-----------------------------------|

Dollar threshold used to distinguish between type A and type B programs:

| | | |
|--|------------|------------|
| | \$ 750,000 | \$ 250,000 |
|--|------------|------------|

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS (cont.)

FEDERAL AND STATE AWARDS (cont.)

Identification of major federal programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|--|
| 14.871 | Section 8 Housing Choice Vouchers |
| 20.507 | <u>Federal Transit Cluster</u> Federal Transit – Formula Grants |

Identification of major state programs:

| <u>State Number</u> | <u>Name of State Program</u> |
|---------------------|--|
| 395.104 | Transit Operating Aids |
| 395.510 | Transportation Economic Assistance (TEA) Grant |

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

FINDING 2016-001: INTERNAL CONTROL OVER FINANCIAL REPORTING

Repeat of prior year finding 2015-001

Criteria: According to Statement on Auditing Standards AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*, sufficient internal controls should be in place that provide for the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles. According to Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), sufficient internal controls should be in place that provide for the preparation of the schedule of expenditures of federal and state awards.

Condition: The City of Beloit’s financial records contained material misstatements and the City did not prepare its annual financial statements in accordance with generally accepted accounting principles. The City prepared the schedule of expenditures of federal and state awards in accordance with the Uniform Guidance; however, material changes were proposed to the city during the audit process.

Cause: Due to staffing and financial limitations, the City chooses to contract with the auditors to assist with some year-end audit entries, prepare the annual financial statements, and assist with the schedule of expenditures of federal and state awards.

Effect: Complete and accurate financial statements and the schedule of expenditures of federal and state awards are not available until the conclusion of the audit.

Recommendation: We recommend the city evaluate if additional procedures are practical at this time to eliminate material adjustments proposed by the auditor and to increase the city’s involvement in the financial reporting process.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

FINDING 2016-001: INTERNAL CONTROL OVER FINANCIAL REPORTING (cont.)

Management's Response: Most entries are prepared by City staff, which continues to decrease the amount of audit entries needed. The Finance and Administrative Services Director and Director of Accounting and Purchasing review and approve the financial statements, disclosures and schedules prepared by our auditing firm utilizing a financial statement disclosure checklist. The Director of Accounting and Purchasing and Senior Accountant have also made changes by conducting monthly reconciliations for payables and major receivables, and monthly reconciliations for cash.

FINDING 2016-002: INTERNAL CONTROL ENVIRONMENT

Repeat of prior year finding 2015-002 – certain aspects of finding 2015-002 were addressed and no longer appear

Criteria: According to Statement on Auditing Standards AU-C Section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, sufficient internal accounting controls should be in place that mitigate the risk of material misstatement in the financial records due to fraud or error.

Condition: We identified key controls that ideally should be present or strengthened in order to mitigate the risk of material misstatement in relation to the City's significant transaction cycles as follows:

CONTROLS OVER BILLING/RECEIVABLES/REVENUE

1. For both utility and general billing, there should be segregation between the bill receipting and accounts receivable billing/adjustments functions.

Management's Response: Point still applies for 2016 however as of January 2017, the utility billing clerk has now been assigned to the Accounting Department and the utility billing clerk will no longer process payments. The other change that occurred is that the City Clerk and City Treasurer's offices are now combined. This has added two additional staff so that the billing clerk would not be needed to process payments. There would be no occasion where a cashier would generate billings.

2. All billing adjustments should be supported by appropriate documentation and reviewed and approved by someone independent of the billing and collecting process. Currently, there is no process in place to review a complete list of billing adjustments. Only adjustments provided to the treasurer are reviewed. Additionally, the approval should be documented.

Management's Response: Point still applies for 2016 however as of December 2016, a workflow process has been created in the Munis financial software the City uses. The workflow notifies the City Clerk/Treasurer every time an adjustment is made. The billing clerk then gives the adjustment, including back up documentation to the Clerk/Treasurer to sign her approval of the adjustment. The double check is now the Clerk/Treasurer is receiving the adjustment to approve after getting notification from the software of the adjustment.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

FINDING 2016-002: INTERNAL CONTROL ENVIRONMENT (cont.)

CONTROLS OVER BILLING/RECEIVABLES/REVENUE (cont.)

3. There should be segregation between the municipal court billing, receipting and accounts receivable functions. Also, the amounts recorded in the subsidiary municipal court system should be reconciled to the general ledger on a regular basis. Additionally, adjustments made to municipal court receivables in the subsidiary system should be reviewed by an individual that is independent of the billing and collecting process.

Management's Response: With the staffing changes to the Municipal Court, the City will work to segregate billing, receipting, and receivable duties in the department. The Director of Accounting and Purchasing will reconcile the municipal court system to the general ledger on a quarterly basis. All adjustments made to the municipal court receivable will be reviewed and signed off on by the Municipal Court judge, Director of Accounting and Purchasing or the Finance and Administrative Services Director. The Accounting Department also conducted an audit of the Municipal Court mid-year in 2016.

CONTROLS OVER INFORMATION TECHNOLOGY

1. Access rights for the network and significant applications should be reviewed at least annually by an appropriate person.

Management's Response: The Director of Accounting will assist the IT Director in reviewing significant financial applications and network access annually. Individuals identified as having access to all financial application systems will have complete network access reviewed and folder rights examined and tested annually.

2. The operating system, database, and applications should be monitored to identify any security violations. The City should proactively monitor both internal access on the network and financial applications as well as external access. In addition, there should be a procedure to resolve or escalate any security violations.

Management's Response: The Information Technology Department has completely overhauled the network firewall and hardened virtual private network tunnels for external system access. All internal and external access requires a current user name and password compliant with departmental policy. The IT Supervisor utilizes software which monitors and reviews all network access and all security violations are promptly reported to the IT Director for immediate action.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

FINDING 2016-002: INTERNAL CONTROL ENVIRONMENT (cont.)

CONTROLS OVER INFORMATION TECHNOLOGY (cont.)

3. Unnecessary generic accounts within the active directory and Munis should be identified and eliminated.

Management's Response: The Information Technology Department has reviewed all generic level restricted accounts and is in the process of eliminating or revising each account on a case by case basis. Multiple generic system accounts which were created for system level processes will be eliminated or consolidated as needed. Systems requiring generic accounts to maintain reasonable functionality will be thoroughly documented and passwords will be changed per departmental policy.

CONTROLS OVER MONTHLY AND YEAR-END ACCOUNTING

1. There should be evidence that the adjusting journal entries and supporting documentation of the CDA have been reviewed and approved by an appropriate person who is not the original preparer.

Management's Response: Beloit Housing Authority Accountant will initial any adjusting journal entries completed by the Fee Accountant. Whenever the Accountant makes any adjusting journal entries, he will have them reviewed and initialed by the Fee Accountant.

Cause: The City does not have the resources required to adequately segregate all accounting functions at all times. The City's internal control system does not require the above controls to be in place.

Effect: Due to the lack of certain controls, there is a risk that material misstatements (intentional and unintentional) may go undetected in the City's financial records.

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 BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

FINDING 2016-003

PROGRAM CFDA NUMBER: 14.871 Section 8 Housing Choice Vouchers
FEDERAL GRANTOR: U.S. Department of Housing and Urban Development

Repeat of prior year finding 2015-003

Criteria: According to 2 CFR part 200, subpart E, charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. Budgeted allocations when timesheets are not completed may be used for interim accounting. However, the City's system of internal control should include a process to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustments must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

Condition/Context: During our testing of the Section 8 Housing Choice Vouchers Program, it was noted that time charged to the program was allocated based on an estimate and never reviewed to verify that no adjustment was needed. The sample was not a statistical sample.

Cause: The City did not have a process to review actual wages in comparison to estimated wages charged to the program.

Effect: The amounts charged to the Federal grant may not reflect actual distribution of costs.

Questioned Costs: Questioned costs cannot be determined.

Recommendation: We recommend the City implement a procedure to document allocated time in accordance with the Uniform Guidance.

Management's Response: Beloit Housing Authority staff that work under multiple grants have been completing timesheets in accordance with the time actually spent in each grant area. Beginning July 2017, the payroll clerk will key in actual hours worked to each grant in the payroll system every pay period. This will eliminate the need to true up the actual hours worked vs. the allocation at year end.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

FINDING 2016-004

PROGRAM CFDA NUMBER: 20.507 Federal Transit Formula Grants
FEDERAL AWARD IDENTIFICATION NUMBER: WI-90-X794-00
FEDERAL GRANTOR: U.S. Department of Transportation

A portion of this finding is a repeat of prior year finding 2015-007

Criteria: Section 200.430 of the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards outlines the requirements for compensation charged to Federal awards. According to section 200.430 (a) (1), costs of compensation are allowable to the extent they conform to the established written policy of the non-Federal entity. According to Section 200.430 (i)(1)(vii) & (viii), charges to Federal awards must be based on records that support the distribution of the employee's salary among specific activities if the employee works on a Federal award and a non-Federal award. Budget estimates alone do not qualify as support for Federal awards.

Condition/Context: During testing of the Federal Transit Formula Grants program, there were two issues that were noted. The first issue involved an employee being paid at a lower rate than what was stated in the sample. The expected wage rate was recalculated by taking the salary increase percent multiplied by the previous authorized wage rate. The second issue was in regards to an employee who was being paid workers compensation, but there was neither a time sheet nor supporting documentation as to how it was concluded that the employee was only receiving amounts for workers compensation. The sample was not a statistical sample.

Cause: There was a recalculation done for the first finding, noting a wage rate of \$44.66. When compared to the listing, the stated wage rate for the employee was \$44.44. For the second finding, there was a lack of supporting documentation as to the verification of only workers compensation payment.

Effect: There may be more employees who are not getting paid properly, causing incorrect cost allocations.

Questioned Costs: The first issue showed the employee was underpaid by \$17.84 for the pay period. There were no questioned costs for the second finding as the finding relates only to the lack of supporting documentation.

Recommendation: We recommend that the City require timesheets for all employees working on federal awards (including salaried individuals) and that the City review timecards in detail before entering payroll to ensure accuracy.

Management's Response: Timesheets will be completed by all employees working on federal awards. The timesheets will be reviewed and signed by the Transit supervisor or Finance Director before payroll processing.

CITY OF BELOIT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016**

SECTION IV – OTHER ISSUES

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

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 | _____ | yes | <u> X </u> | no |
| Department of Health Services | _____ | yes | <u> X </u> | no |
| Department of Natural Resources | _____ | yes | <u> X </u> | no |
| Department of Administration | _____ | yes | <u> X </u> | no |

Was a Management Letter or other document conveying audit comments issued as a result of this audit? X yes _____ no

Name and signature of partner



Carla A. Gogin, CPA, Partner

Date of report June 23, 2017