

CITY OF FITCHBURG

Fitchburg, Wisconsin

FINANCIAL STATEMENTS

December 31, 2008

CITY OF FITCHBURG

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Fitchburg
Fitchburg, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fitchburg, Wisconsin as of and for the year ended December 31, 2008, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fitchburg's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fitchburg, Wisconsin as of December 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and other required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Madison, Wisconsin
May 18, 2009

A handwritten signature in black ink that reads "Virchow Krause & Company" followed by a stylized signature.

Page i

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

CITY OF FITCHBURG

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ending December 31, 2008

As management of the City of Fitchburg, we offer readers of the financial statements of the City this narrative overview and analysis of the financial activities of the City of Fitchburg for the fiscal year ended December 31, 2008. We encourage the reader to consider the information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

When revenues exceed expenses, the result is an increase in net assets. When expenses exceed revenues, the result is a decrease in net assets. This relationship between revenues and expenses is considered the City's results of operations. Changes in net assets are one indicator of financial health or financial position. Over time, increases or decreases in net assets as measured in the Statement of Activities are one indicator of improving or deteriorating financial health.

- The assets of the City of Fitchburg exceeded its liabilities as of December 31, 2008 by \$96,877,862 (net assets). Of this amount, \$6,312,083 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors, \$3,099,860 is restricted for specific purposes (restricted net assets) and \$87,465,919 is invested in capital assets, including all infrastructure, net of related debt.
 - The City of Fitchburg's total net assets increased by \$4,672,712 over the previous year. Net assets relating to Governmental Activities increased by \$3,530,899, while net assets relating to Business-type Activities increased by \$1,141,813.
 - As of December 31, 2008, the City's governmental funds reported combined fund balances of \$10,214,286, a decrease of \$1,574,395 from 2007.
 - Unreserved fund balance for the general fund was \$2,334,616 or 16.5 percent of 2008 general fund expenditures, however, \$90,000 of this unreserved fund balance is designated for employee retirement payouts. This reduces the available unreserved fund balance for the general fund to \$2,244,616 or approximately 15.8 percent of actual 2008 general fund expenditures.
 - The 3 percent debt limit set by local ordinance as of December 31, 2008 was \$77,478,054. Total general obligation debt outstanding at the end of the year was \$10,917,307 (14.1 percent of the allowable limit).
-

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These financial statements consist of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

CITY OF FITCHBURG

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ending December 31, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

- The remaining statements are fund financial statements that focus on individual parts of City government, reporting the City's operations in more detail than the government-wide statements.

These financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net Assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

The government-wide financial statements include the City of Fitchburg (primary government) and the Fitchburg Community and Economic Development Authority (component unit). The Fitchburg Community and Economic Development Authority is a separate legal entity for which the City is financially accountable. Financial information for the component unit is presented as a discreet column in the financial statements. The Fitchburg Community and Economic Development Authority does not issue separate financial statements.

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.

CITY OF FITCHBURG

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ending December 31, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

FUND FINANCIAL STATEMENTS (cont.)

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund and the capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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.

Proprietary Funds – The City maintains two different proprietary funds, both of which are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary fund financial statements present the same type of information as the government-wide financial statements, only in more detail.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

CITY OF FITCHBURG

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ending December 31, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

Other Information – In addition to the basic financial statements and accompanying notes, required supplementary information presents a detailed budgetary comparison schedule for the general fund to demonstrate compliance with the budget. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

An analysis of the City's financial position begins with a review of the Statement of Net Assets and the Statement of Changes in Net Assets. These two statements report the City's net assets and changes therein. It should be noted that the financial position could also be affected by non-financial factors, including economic conditions, population growth and changes in the regulatory environment.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Fitchburg, assets exceeded liabilities by \$96,877,862 at the close of 2008, an increase of \$4,672,712 or 5.0 percent.

Infrastructure assets of the governmental activities are included within this report. General capital assets (e.g., land, construction in progress, land improvements, buildings, machinery, infrastructure, and equipment) for the governmental activities of the City (less any outstanding debt used to acquire those assets) equals \$41,693,164 or 43.0 percent of total net assets. When net assets relating to business-type activities are included, 90.3 percent of total City net assets are represented by capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's total net assets (\$3,099,860 or 3.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6,312,083 or 6.5 percent) may be used to meet the government's ongoing obligations to citizens or creditors.

At the end of the current fiscal year, the City reported positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

CITY OF FITCHBURG

UNAUDITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending December 31, 2008

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

A summary of the City's Statement of Net Assets is presented below in Table 1.

Table 1
Condensed Statements of Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2008 Totals</u>	<u>2007 Totals</u>
Current and other assets	\$ 29,820,102	\$ 1,113,827	\$ 30,933,929	\$ 32,433,240
Capital assets	<u>50,770,377</u>	<u>46,716,738</u>	<u>97,487,115</u>	<u>92,531,119</u>
Total Assets	<u>80,590,479</u>	<u>47,830,565</u>	<u>128,421,044</u>	<u>124,964,359</u>
Long-term liabilities outstanding	11,174,821	1,085,459	12,260,280	14,142,297
Other liabilities	<u>18,516,461</u>	<u>766,441</u>	<u>19,282,902</u>	<u>18,237,176</u>
Total Liabilities	<u>29,691,282</u>	<u>1,851,900</u>	<u>31,543,182</u>	<u>32,379,473</u>
Net Assets:				
Invested in capital assets, net of debt	41,693,164	45,772,755	87,465,919	80,913,456
Restricted	3,099,860	-	3,099,860	2,969,138
Unrestricted	<u>6,106,173</u>	<u>205,910</u>	<u>6,312,083</u>	<u>8,702,292</u>
Total Net Assets	<u>\$ 50,899,197</u>	<u>\$ 45,978,665</u>	<u>\$ 96,877,862</u>	<u>\$ 92,584,886</u>

As previously noted, the Statement of Net Assets shows the change in financial position of net assets. The specific nature or source of these changes becomes more evident in the Condensed Statement of Changes in Net Assets shown below.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net assets by \$3,530,899. This increase is primarily a result of the following items:

- General fund activities resulted in a \$62,292 excess of revenues and other financing sources over expenditures and other financing uses. This was due to favorable budgetary performance.
- City infrastructure increased due to net assets contributed by new development of \$430,387 in 2008.
- Land increased due to purchases and developer contributions of \$2.6 million.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net assets by \$1,141,813, the majority of which is attributable to capital contributions from developers.

CITY OF FITCHBURG

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ending December 31, 2008

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

Table 2
Condensed Statement of Revenues,
Expenses and Changes in Net Assets

	Governmental Activities	Business- type Activities	2008 Totals	2007 Totals
Revenues:				
Program Revenues				
Charges for services	\$ 1,990,468	\$ 4,167,558	\$ 6,158,026	\$ 6,114,203
Operating grants and contributions	1,234,786	-	1,234,786	1,074,515
General Revenues				
Property taxes	14,794,784	-	14,794,784	13,022,455
Other taxes	97,397	-	97,397	40,780
Intergovernmental	894,338	-	894,338	1,175,773
Other revenues	1,585,816	8,898	1,594,714	1,771,681
Total Revenues	<u>20,597,589</u>	<u>4,176,456</u>	<u>24,774,045</u>	<u>23,199,407</u>
Expenses:				
General government	2,861,851	-	2,861,851	2,883,921
Public safety	8,047,421	-	8,047,421	8,108,309
Health and social services	355,895	-	355,895	340,423
Public works	6,362,380	-	6,362,380	4,002,772
Leisure activities	1,384,345	-	1,384,345	1,291,522
Conservation and development	881,546	-	881,546	413,627
Interest and fiscal charges	436,703	-	436,703	593,764
Water and sewer utilities	-	3,080,656	3,080,656	2,931,967
Storm water utility	-	733,286	733,286	784,684
Total Expenses	<u>20,330,141</u>	<u>3,813,942</u>	<u>24,144,083</u>	<u>21,350,989</u>
Increase in net assets before capital grants and transfers	267,448	362,514	629,962	1,848,418
Capital grants and contributions	2,830,504	1,212,246	4,042,750	4,524,824
Transfers	432,947	(432,947)	-	-
Change in Net Assets	<u>3,530,899</u>	<u>1,141,813</u>	<u>4,672,712</u>	<u>6,373,242</u>
Net Assets – Beginning of Year (Restated)	<u>47,368,298</u>	<u>44,836,852</u>	<u>92,205,150</u>	<u>86,211,644</u>
Net Assets – End of Year	<u>\$ 50,899,197</u>	<u>\$ 45,978,665</u>	<u>\$96,877,862</u>	<u>\$ 92,584,886</u>

As previously noted, the Statement of Net Assets shows the change in financial position of net assets. The specific nature or source of these changes then becomes more evident in the Statement of Revenues, Expenses and Changes in Net Assets as shown above in Table 2.

CITY OF FITCHBURG

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ending December 31, 2008

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

GOVERNMENTAL FUNDS

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

At December 31, 2008, the City's governmental funds reported combined fund balances of \$10,214,286. Approximately 53.2 percent of this amount, \$5,439,092 constitutes unreserved and undesignated fund balance, which is available to meet the City's current and future needs. An additional \$90,000 is unreserved, but has been designated for specific projects or expenditures. The remaining \$4,685,194 is reserved for noncurrent asset balances and debt service.

General Fund

The City's general fund is the chief operating fund of the City. The total general fund balance is \$4,842,320, an increase of \$62,292 or 1.3%.

The city evaluates general fund balance by measuring the undesignated and unreserved general fund balance as a percentage of the current year's general fund expenditures. For 2008, undesignated and unreserved fund balance is \$2,244,616 and the 2008 general fund expenditures were \$14,177,853, resulting in an undesignated and unreserved fund balance of 15.8 percent.

Debt Service Fund

The City's debt service fund accounts for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs. The entire fund balance of \$815,712, which is an increase of 1.6 percent over the prior year, is reserved for future debt service. The increase is due to payoff of debt previously paid from fund balance reserved for that purpose.

Other Governmental Funds

Fund balance of all other governmental funds is \$4,556,254, which is designated for future projects and expenditures. This balance includes a negative fund balance of \$107,731 for TID #4. The negative fund balance is due to the district being relatively new and having more expense than increment. The negative balance has been reduced from the prior year and is expected to be funded by future increments which will continue to increase as more projects are completed.

Proprietary Funds

The City of Fitchburg's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CITY OF FITCHBURG

UNAUDITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending December 31, 2008

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2008 adopted General Fund budget was amended in total during the year. The total original appropriations were \$14,128,376 and final appropriations were \$14,404,373. Actual expenditures were \$14,177,853 resulting in a favorable variance of \$226,520. The largest contributing factor was personnel vacancies which occurred during the year.

Total revenues and other sources were \$13,986,983, \$63,305 greater than the final budget. The area that had the most favorable results was interest on temporary investments. This was offset by unfavorable results in building permits and zoning fees due to slowed City growth, unpaid omitted taxes and reduced state aid in payment for municipal services.

CAPITAL ASSETS

At the end of 2008, the City had invested a total of \$97,487,115 in capital assets. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

Table 3
Capital Assets

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>2008 Totals</u>	<u>2007 Totals</u>
Land and other assets not being Depreciated	\$ 11,519,619	\$ 3,769,109	\$ 15,288,728	\$ 12,411,586
Land Improvements	463,452	-	463,452	463,452
Building and improvements	11,966,049	2,340,873	14,306,922	13,555,129
Machinery and equipment	9,852,359	3,507,943	13,360,302	12,832,372
Roads, Paths & Sidewalks	36,357,591	-	36,357,591	35,157,589
Utility plant	-	49,245,804	49,245,804	47,797,711
Total Capital Assets	70,159,070	58,863,729	129,022,799	122,217,839
Less: Accumulated Depreciation	<u>(19,388,693)</u>	<u>(12,146,991)</u>	<u>(31,535,684)</u>	<u>(29,686,720)</u>
Net Capital Assets	<u>\$ 50,770,377</u>	<u>\$ 46,716,738</u>	<u>\$97,487,115</u>	<u>\$ 92,531,119</u>

More information on net capital assets can be found in the notes to the financial statements, Note IV, section C.

CITY OF FITCHBURG

UNAUDITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending December 31, 2008

CAPITAL ASSETS (cont.)

Major capital asset events during the current fiscal year included the following:
{Note, additions are net of accumulated depreciation and deletions}

GOVERNMENTAL ACTIVITIES

Net capital asset additions from governmental activities were \$3,282,212.

- Machinery, equipment, and furniture additions included computer replacements, completion of the building security system upgrade, and GIS improvements. Vehicles included two water tankers for fire, a highway vehicle and a pickup truck. Buildings and improvements included completion of converting a highway storage building for use as police storage, and community center improvements.
- Land purchases include property for several large bike trails and the Sodfather property which will be used primarily for storm water purposes and will be repaid to the city by the Storm Water Utility.

BUSINESS -TYPE ACTIVITIES

- The net water utility capital asset additions were \$1,988,364
- The net sewer system capital asset additions were \$213,882
- The net storm water capital asset additions were \$885,421
- Water and sewer work in process at year-end include Rolfsmeyer Road Sanitary , Wildwood Booster Station removal, and Well Number 9 VFD
- The storm water utility work in process includes the preliminary assessment of Area H
- There were 44 water services, and 1 sanitary sewer service added during 2008.
- There were 636 feet of water main added in 2008 bringing the total footage to 489,977 feet which is 93.0 miles of water main.

CITY OF FITCHBURG

UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ending December 31, 2008

LONG-TERM DEBT

At December 31, 2008, the City had \$10,917,307, including utility debt, of long-term bonds and loans outstanding. All of this debt relates to general obligation issues.

Total long-term bonds and loans outstanding at December 31, 2008 decreased by \$1,871,341 due to the fact that the City has an aggressive debt repayment program and did not issue debt in 2008.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed five percent of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2008, was \$129,130,090. Total general obligation debt outstanding at year-end was \$10,917,307. Therefore, the City was at 8.5 percent of the legal debt limit. The City has chosen to further restrict its borrowing, not to exceed 3 percent of the equalized value of taxable property. According to the 3 percent limit, at the end of 2008, the City was at 14.1 percent of the debt limit.

Also see notes to the financial statements, Note IV, section E.

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

All currently known facts and economic conditions were considered in preparing the 2009 City budget. During 2007, the city issued two municipal revenue obligations as part of development agreements related to specific portions of the development in TID Number 4. The obligations do not constitute a charge upon any funds of the city. In the event that future tax increments are not sufficient to pay off the obligations, the obligations terminate with no further liability to the city. Since the amount of future payments is contingent on the collection of future TID increments, these obligations are not reported as liabilities in our financial statements. During 2008 all scheduled payments were able to be made on the development agreements. A similar development agreement related to TID Number 6 is expected to be approved during 2009.

During 2008 the City passed a binding referendum to borrow funds to build a public library in the City. A non-binding referendum setting the amount to operate the library failed. Efforts to reduce the operating costs and begin planning for the library are underway in 2009.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact Nancy L. Solberg, Finance Director at 608/270-4252, Monday through Friday, 8:00 a.m. – 4:00 p.m.

CITY OF FITCHBURG

STATEMENT OF NET ASSETS December 31, 2008

	Governmental Activities	Business-type Activities	Totals	Component Unit
ASSETS				
Cash and investments	\$ 9,559,055	\$ 583,111	\$ 10,142,166	\$ 559,175
Receivables (net)				
Taxes receivable	16,832,819	-	16,832,819	-
Delinquent personal property taxes	74,636	-	74,636	-
Accounts	921,104	1,124,821	2,045,925	42,835
Loans	-	-	-	106,434
Accrued interest	52,460	5,307	57,767	-
Special assessments	816,526	255,256	1,071,782	-
Delinquent special assessments	30,049	-	30,049	-
Land contract	18,277	-	18,277	-
Internal balances	892,652	(892,652)	-	-
Inventories	-	37,659	37,659	-
Prepaid items	270,160	325	270,485	3,198
Investment in joint venture	352,364	-	352,364	-
Capital assets				
Land	11,361,689	3,487,216	14,848,905	-
Construction in progress	157,930	281,893	439,823	-
Land improvements	463,452	-	463,452	-
Buildings	11,966,049	-	11,966,049	-
Machinery and equipment	9,852,359	-	9,852,359	-
Utility plant	-	55,094,620	55,094,620	-
Infrastructure	36,357,591	-	36,357,591	-
Less Accumulated depreciation	<u>(19,388,693)</u>	<u>(12,146,991)</u>	<u>(31,535,684)</u>	-
Total Assets	<u>80,590,479</u>	<u>47,830,565</u>	<u>128,421,044</u>	<u>711,642</u>
LIABILITIES				
Accounts payable	770,311	328,187	1,098,498	16,828
Accrued liabilities	862,010	438,254	1,300,264	-
Due to other governmental units	9,543	-	9,543	-
Deposits	126,130	-	126,130	-
Unearned revenue	16,748,467	-	16,748,467	-
Noncurrent liabilities				
Due within one year	1,525,172	124,693	1,649,865	-
Due in more than one year	<u>9,649,649</u>	<u>960,766</u>	<u>10,610,415</u>	-
Total Liabilities	<u>29,691,282</u>	<u>1,851,900</u>	<u>31,543,182</u>	<u>16,828</u>
NET ASSETS				
Invested in capital assets, net of related debt	41,693,164	45,772,755	87,465,919	-
Restricted for				
Debt service	1,449,162	-	1,449,162	-
Park dedication	1,221,075	-	1,221,075	-
Cable TV	429,623	-	429,623	-
Unrestricted	<u>6,106,173</u>	<u>205,910</u>	<u>6,312,083</u>	<u>694,814</u>
TOTAL NET ASSETS	<u>\$ 50,899,197</u>	<u>\$ 45,978,665</u>	<u>\$ 96,877,862</u>	<u>\$ 694,814</u>

See accompanying notes to financial statements.

CITY OF FITCHBURG

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities				
General government	\$ 2,861,851	\$ 98,751	\$ 117,605	\$ 744,500
Public safety	8,047,421	951,405	119,453	36,694
Public works	6,362,380	754,936	918,445	2,049,310
Health and human services	355,895	-	-	-
Culture, education and recreation	1,384,345	147,413	-	-
Conservation and development	881,546	37,963	79,283	-
Interest and fiscal charges	<u>436,703</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>20,330,141</u>	<u>1,990,468</u>	<u>1,234,786</u>	<u>2,830,504</u>
Business-type Activities				
Utility District No. 1	3,080,656	3,411,001	-	689,017
Stormwater Utility	<u>799,762</u>	<u>756,557</u>	<u>-</u>	<u>523,229</u>
Total Business-type Activities	<u>3,880,418</u>	<u>4,167,558</u>	<u>-</u>	<u>1,212,246</u>
Total Primary Government	<u>\$ 24,210,559</u>	<u>\$ 6,158,026</u>	<u>\$ 1,234,786</u>	<u>\$ 4,042,750</u>
Component Unit				
Community development authority	<u>\$ 194,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for capital assets

Property taxes, levied for TIF districts

Other taxes

Intergovernmental revenues not restricted to specific programs

Public gifts and grants

Investment income

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in net assets

NET ASSETS - Beginning of Year (as restated)

NET ASSETS - END OF YEAR

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Unit
\$ (1,900,995)	\$ -	\$ (1,900,995)	\$ -
(6,860,586)	-	(6,860,586)	-
(2,639,689)	-	(2,639,689)	-
(355,895)	-	(355,895)	-
(1,236,932)	-	(1,236,932)	-
(843,583)	-	(843,583)	-
(436,703)	-	(436,703)	-
<u>(14,274,383)</u>	<u>-</u>	<u>(14,274,383)</u>	<u>-</u>
-	1,019,362	1,019,362	-
-	480,024	480,024	-
-	<u>1,499,386</u>	<u>1,499,386</u>	<u>-</u>
<u>(14,274,383)</u>	<u>1,499,386</u>	<u>(12,774,997)</u>	<u>-</u>
-	-	-	(194,395)
10,472,248	-	10,472,248	-
1,971,655	-	1,971,655	-
826,000	-	826,000	-
1,524,881	-	1,524,881	-
97,397	-	97,397	211,042
894,338	-	894,338	-
26,952	-	26,952	-
590,397	74,946	665,343	83,969
968,467	428	968,895	16,050
432,947	(432,947)	-	-
<u>17,805,282</u>	<u>(357,573)</u>	<u>17,447,709</u>	<u>311,061</u>
3,530,899	1,141,813	4,672,712	116,666
<u>47,368,298</u>	<u>44,836,852</u>	<u>92,205,150</u>	<u>578,148</u>
<u>\$ 50,899,197</u>	<u>\$ 45,978,665</u>	<u>\$ 96,877,862</u>	<u>\$ 694,814</u>

See accompanying notes to financial statements.

CITY OF FITCHBURG

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008

	General	General Debt Service	General Capital Projects
ASSETS			
Cash and investments	\$ 3,219,506	\$ 815,712	\$ 1,926,710
Receivables			
Taxes	11,506,715	1,501,118	1,052,844
Delinquent personal property taxes	74,636	-	-
Accounts	864,905	-	-
Interest	52,460	-	-
Special assessments	2,879	813,647	-
Delinquent special assessments	30,049	-	-
Land contract	18,277	-	-
Due from other funds	1,963,693	-	1,150,000
Advances to other funds	-	-	-
Prepaid items	139,044	-	130,542
	<u>17,872,164</u>	<u>3,130,477</u>	<u>4,260,096</u>
TOTAL ASSETS	\$ 17,872,164	\$ 3,130,477	\$ 4,260,096
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 383,962	\$ -	\$ 229,620
Accrued liabilities	672,209	-	-
Due to other funds	377,551	-	-
Due to other governments	9,543	-	-
Deposits	60,675	-	28,955
Deferred revenue	11,523,025	1,501,118	1,052,844
Deferred special assessment	2,879	813,647	-
Advances from other funds	-	-	-
Total Liabilities	<u>13,029,844</u>	<u>2,314,765</u>	<u>1,311,419</u>
Fund Balances			
Reserved			
Advances to other funds and non-current receivables	1,935,713	-	1,150,000
Payment in lieu of taxes	432,947	-	-
Prepaid items	139,044	-	130,542
Debt service	-	815,712	-
Reserved for encumbrances	-	-	42,894
Unreserved, reported in:			
General fund, designated	90,000	-	-
General fund, undesignated	2,244,616	-	-
Special revenue funds, undesignated (deficit)	-	-	-
Capital projects funds, undesignated (deficit)	-	-	1,625,241
Total Fund Balances (deficit)	<u>4,842,320</u>	<u>815,712</u>	<u>2,948,677</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,872,164	\$ 3,130,477	\$ 4,260,096

See accompanying notes to financial statements.

TID No. 4	Nonmajor Governmental Funds	Totals
\$ 1,417,977	\$ 2,179,150	\$ 9,559,055
1,247,325	1,524,817	16,832,819
-	-	74,636
-	56,199	921,104
-	-	52,460
-	-	816,526
-	-	30,049
-	-	18,277
-	-	3,113,693
-	38,342	38,342
-	574	270,160
<u>\$ 2,665,302</u>	<u>\$ 3,799,082</u>	<u>\$ 31,727,121</u>

\$ 501	\$ 156,228	\$ 770,311
-	9,604	681,813
1,525,207	318,283	2,221,041
-	-	9,543
-	36,500	126,130
1,247,325	1,524,817	16,849,129
-	-	816,526
-	38,342	38,342
<u>2,773,033</u>	<u>2,083,774</u>	<u>21,512,835</u>

-	38,342	3,124,055
-	-	432,947
-	-	269,576
-	-	815,712
-	-	42,894
-	-	90,000
-	-	2,244,626
-	1,850,146	1,850,146
<u>(107,731)</u>	<u>(173,180)</u>	<u>1,344,330</u>
<u>(107,731)</u>	<u>1,715,308</u>	<u>10,214,286</u>

\$ 2,665,302 \$ 3,799,082 \$ 31,727,121

See accompanying notes to financial statements.

CITY OF FITCHBURG

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS December 31, 2008

Total Fund Balances - Governmental Funds \$ 10,214,286

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

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note II. A. 50,770,377

Some receivables that are not currently available are reported as deferred revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. 917,188

The city's equity interest in joint ventures is reported on the statement of net assets. 352,364

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. (11,355,018)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 50,899,197

CITY OF FITCHBURG

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2008

	<u>General</u>	<u>General Debt Service</u>	<u>General Capital Projects</u>
REVENUES			
Taxes	\$ 10,542,632	\$ 1,971,655	\$ 826,000
Intergovernmental	1,676,776	-	36,694
Licenses and permits	361,926	-	-
Fines, forfeitures and penalties	269,985	-	-
Public charges for services	191,327	-	-
Special assessments	3,621	45,924	-
Investment income	393,061	8,632	159,514
Intergovernmental charges for services	128,675	-	-
Miscellaneous	<u>418,980</u>	<u>54,180</u>	<u>409,683</u>
Total Revenues	<u>13,986,983</u>	<u>2,080,391</u>	<u>1,431,891</u>
EXPENDITURES			
Current			
General government	2,744,613	-	-
Public safety	7,874,883	-	-
Health and human services	342,713	-	-
Public works	1,913,357	-	-
Culture, education and recreation	882,418	-	-
Conservation and development	419,869	-	-
Capital Outlay	-	-	3,813,915
Debt Service			
Principal	-	1,753,406	-
Interest and fiscal charges	-	<u>420,130</u>	-
Total Expenditures	<u>14,177,853</u>	<u>2,173,536</u>	<u>3,813,915</u>
Excess (deficiency) of revenues over expenditures	<u>(190,870)</u>	<u>(93,145)</u>	<u>(2,382,024)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	450,947	106,003	202,235
Transfers out	<u>(197,785)</u>	-	<u>(45,000)</u>
Total Other Financing Sources (Uses)	<u>253,162</u>	<u>106,003</u>	<u>157,235</u>
Net Change in Fund Balances	62,292	12,858	(2,224,789)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>4,780,028</u>	<u>802,854</u>	<u>5,173,466</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 4,842,320</u>	<u>\$ 815,712</u>	<u>\$ 2,948,677</u>

See accompanying notes to financial statements.

TID No. 4	Nonmajor Governmental Funds	Totals
\$ 1,115,932	\$ 408,949	\$ 14,865,168
95,921	170,833	1,980,224
-	223,055	584,981
-	13,087	283,072
-	754,186	945,513
-	-	49,545
-	25,996	587,203
-	-	128,675
-	<u>7,126</u>	<u>889,969</u>
<u>1,211,853</u>	<u>1,603,232</u>	<u>20,314,350</u>
-	-	2,744,613
-	18,212	7,893,095
-	-	342,713
-	961,801	2,875,158
-	172,722	1,055,140
-	-	419,869
529,637	460,989	4,804,541
-	-	1,753,406
<u>13,027</u>	<u>-</u>	<u>433,157</u>
<u>542,664</u>	<u>1,613,724</u>	<u>22,321,692</u>
<u>669,189</u>	<u>(10,492)</u>	<u>(2,007,342)</u>
-	8,000	767,185
<u>(61,003)</u>	<u>(30,450)</u>	<u>(334,238)</u>
<u>(61,003)</u>	<u>(22,450)</u>	<u>432,947</u>
608,186	(32,942)	(1,574,395)
<u>(715,917)</u>	<u>1,748,250</u>	<u>11,788,681</u>
<u>\$ (107,731)</u>	<u>\$ 1,715,308</u>	<u>\$ 10,214,286</u>

See accompanying notes to financial statements.

CITY OF FITCHBURG

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2008

Net change in fund balances - total governmental funds \$ (1,574,395)

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

Governmental funds report capital outlays as expenditures. However, in the statement of net assets the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	4,804,541
Some items reported as capital outlay were not capitalized	(2,487,374)
Depreciation is reported in the government-wide financial statements	(1,784,582)
Net book value of assets retired	(91,679)

Contributed capital assets are reported as revenues in the government-wide financial statements.	2,701,636
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Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	72,836
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Principal repaid	1,753,406

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	43,573
Accrued interest on debt	(3,546)

The proportionate share of the change in net assets related to joint ventures reported in the statement of activities neither provides nor uses current financial resources and is not reported in the fund financial statements.	96,483
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,530,899</u>
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CITY OF FITCHBURG

STATEMENT OF NET ASSETS PROPRIETARY FUNDS December 31, 2008

	Business-type Activities - Enterprise Funds		
	Utility District	Stormwater	Totals
	No. 1	Utility	
ASSETS			
Current Assets			
Cash and investments	\$ 282,872	\$ 300,239	\$ 583,111
Receivables			
Accounts	893,196	230,997	1,124,193
Interest	5,307	-	5,307
Other	628	-	628
Due from other funds	366,775	10,776	377,551
Inventories	37,659	-	37,659
Current portion of advances receivable	55,000	-	55,000
Prepaid items	325	-	325
Total Current Assets	1,641,762	542,012	2,183,774
Noncurrent Assets			
Capital Assets			
Land and land rights	653,896	2,833,320	3,487,216
Construction in progress	259,337	22,556	281,893
Property and equipment	41,652,929	13,441,691	55,094,620
Less: Accumulated depreciation	(8,357,025)	(3,789,966)	(12,146,991)
Other Assets			
Special assessments receivable	188,673	66,583	255,256
Advances to other funds	398,750	-	398,750
Total Noncurrent Assets	34,796,560	12,574,184	47,370,744
Total Assets	36,438,322	13,116,196	49,554,518

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Utility District	Stormwater	Totals
	No. 1	Utility	
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 306,598	\$ 21,589	\$ 328,187
Accrued taxes	432,947	-	432,947
Accrued interest	-	5,307	5,307
Due to other funds	-	1,270,203	1,270,203
Compensated absences (current portion)	10,946	2,787	13,733
Current portion of advances	-	55,000	55,000
General obligation bonds and notes payable	-	110,960	110,960
Total Current Liabilities	<u>750,491</u>	<u>1,465,846</u>	<u>2,216,337</u>
Noncurrent Liabilities			
Long-Term Debt			
General obligation bonds payable	-	832,965	832,965
Advances from other funds	-	398,750	398,750
Compensated absences	110,667	17,134	127,801
Total Noncurrent Liabilities	<u>110,667</u>	<u>1,248,849</u>	<u>1,359,516</u>
Total Liabilities	<u>861,158</u>	<u>2,714,695</u>	<u>3,575,853</u>
NET ASSETS			
Invested in capital assets, net of related debt	34,209,079	11,563,676	45,772,755
Unrestricted (deficit)	<u>1,368,085</u>	<u>(1,162,175)</u>	<u>205,910</u>
TOTAL NET ASSETS	<u>\$ 35,577,164</u>	<u>\$ 10,401,501</u>	<u>\$ 45,978,665</u>

See accompanying notes to financial statements.

CITY OF FITCHBURG

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS For the Year Ended December 31, 2008

	Business-type Activities - Enterprise Funds		
	Utility District No. 1	Stormwater Utility	Totals
OPERATING REVENUES	<u>\$ 3,411,001</u>	<u>\$ 756,557</u>	<u>\$ 4,167,558</u>
OPERATING EXPENSES			
Operation and maintenance	2,339,676	352,353	2,692,029
Depreciation	<u>740,980</u>	<u>380,933</u>	<u>1,121,913</u>
Total Operating Expenses	<u>3,080,656</u>	<u>733,286</u>	<u>3,813,942</u>
Operating Income	<u>330,345</u>	<u>23,271</u>	<u>353,616</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	59,101	15,845	74,946
Interest expense	-	(66,476)	(66,476)
Miscellaneous	-	428	428
Total Nonoperating Revenues (Expenses)	<u>59,101</u>	<u>(50,203)</u>	<u>8,898</u>
Income (Loss) Before Contributions and Transfers	<u>389,446</u>	<u>(26,932)</u>	<u>362,514</u>
CONTRIBUTIONS AND TRANSFERS			
Capital contributions	689,017	523,229	1,212,246
Transfers out - tax equivalent	<u>(432,947)</u>	<u>-</u>	<u>(432,947)</u>
Total Contributions and Transfers	<u>256,070</u>	<u>523,229</u>	<u>779,299</u>
Change in Net Assets	645,516	496,297	1,141,813
NET ASSETS - Beginning of Year (as restated)	<u>34,931,648</u>	<u>9,905,204</u>	<u>44,836,852</u>
NET ASSETS - END OF YEAR	<u><u>\$ 35,577,164</u></u>	<u><u>\$ 10,401,501</u></u>	<u><u>\$ 45,978,665</u></u>

See accompanying notes to financial statements.

CITY OF FITCHBURG

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

	Business-type Activities - Enterprise Funds		
	Utility District No. 1	Stormwater Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 3,278,876	\$ 785,758	\$ 4,064,634
Paid to suppliers for goods and services	(2,030,708)	(291,485)	(2,322,193)
Paid to employees for services	(559,033)	(120,203)	(679,236)
Net Cash Flows From Operating Activities	689,135	374,070	1,063,205
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	59,429	15,845	75,274
Net Cash Flows From Investing Activities	59,429	15,845	75,274
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Paid to municipality for tax equivalent	(404,257)	-	(404,257)
Repayment of advances to other funds	55,000	(55,000)	-
Net Cash Flows From Noncapital Financing Activities	(349,257)	(55,000)	(404,257)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	-	(117,935)	(117,935)
Interest paid	-	(66,804)	(66,804)
Special assessments received	199,134	7,993	207,127
Acquisition and construction of capital assets	(546,706)	(288,776)	(835,482)
Net Cash Flows From Capital and Related Financing Activities	(347,572)	(465,522)	(813,094)
Net Change in Cash and Cash Equivalents	51,735	(130,607)	(78,872)
CASH AND CASH EQUIVALENTS - Beginning of Year	231,137	430,846	661,983
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 282,872	\$ 300,239	\$ 583,111

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Utility District No. 1	Stormwater Utility	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 330,345	\$ 23,271	\$ 353,616
Nonoperating revenue	-	428	428
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities			
Depreciation	740,980	380,933	1,121,913
Depreciation charged to other funds	34,816	-	34,816
Changes in assets and liabilities			
Accounts receivable	(26,623)	11,487	(15,136)
Due from other funds	(140,318)	17,286	(123,032)
Prepays	(325)	-	(325)
Inventories	(1,962)	-	(1,962)
Accounts payable	(247,317)	(12,534)	(259,851)
Compensated absences	30,720	2,177	32,897
Due to other funds	(11,174)	(50,494)	(61,668)
Accrued wages	(20,007)	(3,684)	(23,691)
Customer deposits	-	5,200	5,200
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 689,135</u>	<u>\$ 374,070</u>	<u>\$ 1,063,205</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Developer financed additions to plant	<u>\$ 511,324</u>	<u>\$ 504,533</u>	
New special assessments	<u>\$ 149,970</u>	<u>\$ 18,696</u>	
Land acquisition financed through interfunds	<u>\$ -</u>	<u>\$ 1,150,000</u>	

See accompanying notes to financial statements.

CITY OF FITCHBURG

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUND December 31, 2008

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 18,889,268
Tax roll receivable	<u>17,530,547</u>
TOTAL ASSETS	<u>\$ 36,419,815</u>
LIABILITIES	
Due to other taxing units	<u>\$ 36,419,815</u>
TOTAL LIABILITIES	<u>\$ 36,419,815</u>

See accompanying notes to financial statements.

CITY OF FITCHBURG

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CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

Discretely Presented Component Unit

Housing and Community Development Authority

The government-wide financial statements include the Housing and Community Development Authority ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the mayor of Fitchburg. Wisconsin Statutes provide for circumstances whereby the city can impose its 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 have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2008. The CDA does not issue separate financial statements.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

Fund Financial Statements (cont.)

- 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.

Separate financial statements are provided for governmental funds and 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.

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.

General Debt Service Fund - accounts for resources accumulated and payments made for principal and interest on long-term debt other than TID or enterprise fund debt.

General Capital Projects Fund - accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects.

Tax Incremental District (TID) No. 4 Capital Projects Fund - accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing.

The city reports the following major enterprise funds:

Utility District No. 1 Fund - accounts for operations of the water and wastewater system.

Stormwater Utility - accounts for operations of the stormwater system.

The city reports the following non-major governmental funds:

Special Revenue Funds - used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Drug Enforcement and Training

Recycling and Refuse Collection

Park Dedication

Library Services

Cable TV

Cemetery

Police Equipment

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

Municipal Building

Tax Incremental District (TID) No. 6

Tax Incremental District (TID) No. 7

Tax Incremental District (TID) No. 8

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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 type:

Agency funds are used to account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Tax Collection Fund

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

Government-Wide Financial Statements

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

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

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

Fund Financial Statements (cont.)

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues. Delinquent special assessments being held by the county are reported as receivables and deferred revenue.

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

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

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

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility District No. 1 and the Stormwater Utility 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 FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

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

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

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

The city has adopted an investment policy. That policy follows the state statute for allowable investments.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

1. Deposits and Investments (cont.)

No policy exists for the following risks:

- Credit risk
- Custodial credit risk
- Interest rate risk
- Concentration of credit risk

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

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

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

See Note IV. A. for further information.

2. Receivables

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

2. Receivables (cont.)

Property tax calendar - 2008 tax roll:

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

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 the Utility District No. 1 and Stormwater utility 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.

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

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

3. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction and/or operation and maintenance expense when used.

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

4. 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 \$1,000 for general capital assets and \$10,000 for infrastructure assets, and an estimated useful life in excess of 3 years. 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. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

Buildings	30 Years
Land Improvements	30 Years
Machinery and Equipment	3-15 Years
Utility System	15-90 Years
Infrastructure	20-50 Years

Fund Financial Statements

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

5. 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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

5. Compensated Absences (cont.)

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, and are payable with expendable resources. Sabbatical leave is considered fully vested when it is accrued.

The city provides postemployment health insurance benefits for all eligible employees. Eligibility is based on retirement. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. Employees may convert 1,120 hours of accumulated sick leave to pay for health care premiums. The cost of those premiums is recognized as an expenditure as the premiums are paid. The entire cost is paid by the city. Funding for those costs is provided out of the current operating budget of the city. The contributions are financed on a pay as you go basis. Total expenditures for such premiums during the year were \$34,346. The number of participants currently eligible to receive benefits is seven. The total amount outstanding at year end to be paid in the future is \$101,291 and is included in the government-wide statement of net assets.

GASB No. 45 implicit rate subsidy does not apply to the city as the city belongs to a community-rated health insurance plan.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2008, are determined on the basis of current salary rates and include salary related payments.

6. Long-Term Obligations/Conduit Debt

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

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

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

6. 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 approximately \$1,250,000, made up of one issue.

7. Claims and Judgments

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

8. Equity Classifications

Government-Wide Statements

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definitions of "restricted" or "invested in capital assets, net of related debt."

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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

8. Equity Classifications (cont.)

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balance is that portion of fund balance that is not available for the subsequent year's budget due to legal restrictions or resources which are not available for current spending. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled "designated". The balance of unreserved fund balance is labeled "undesignated", which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

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

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. The details of this reconciliation include the following items.

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

Land	\$	11,361,689
Construction in progress		157,930
Land improvements		463,452
Buildings		11,966,049
Machinery and equipment		9,852,359
Infrastructure		36,357,591
Less: Accumulated depreciation		<u>(19,388,693)</u>
Combined Adjustment for Capital Assets	\$	<u>50,770,377</u>

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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 ASSETS (cont.)

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term-are reported in the statement of net assets.

Bonds and notes payable	\$	9,973,382
Compensated absences		1,201,439
Accrued interest		<u>180,197</u>
Combined Adjustment for Long-Term Liabilities	\$	<u><u>11,355,018</u></u>

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

A budget has been adopted for the general fund, certain special revenue, debt service and certain capital projects funds. Budgets have not been formally adopted for cemetery, police equipment, municipal building and library services funds. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

The budgeted amounts presented include any amendments made. The department heads may authorize transfers of up to 5% and no more than \$2,000 of their department budget within their respective departments, with mayoral approval. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the function level of expenditure.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Capital projects	\$ 3,046,428	\$ 3,813,915	\$ 767,487
Recycling and refuse	906,059	961,801	55,742

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

C. DEFICIT BALANCES

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

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

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
TID No. 4	\$ 107,731	Expenditures in excess of revenues
Cemetery fund	11,701	Expenditures in excess of revenues
Municipal building	12,462	Expenditures in excess of revenues
TID No. 7	305,821	Expenditures in excess of revenues
TID No. 8	2,889	Expenditures in excess of revenues

TIF 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 thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases. Cemetery and municipal building fund deficits are anticipated to be funded with future contributions, general tax revenues, or long-term borrowing.

D. LIMITATIONS ON THE CITY'S TAX LEVY

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The city's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 25,251,232	\$ 25,002,135	Custodial credit
US agencies	655,579	655,579	Credit, custodial credit, concentration of credit, and interest rate
LGIP	2,831,038	2,831,038	Credit and interest rate
CLASS	292,870	292,870	Credit
Petty cash	715	-	N/A
 Total Deposits and Investments	 \$ 29,031,434	 \$ 28,781,622	
 Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 10,142,166		
Per statement of net assets- fiduciary funds			
Agency	18,889,268		
 Total Deposits and Investments	 \$ 29,031,434		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited amounts for noninterest bearing accounts. Deposits in the credit union are insured by the National Credit Union Administration in the amount of \$250,000 for all share draft accounts and \$250,000 for all share certificate and regular share accounts.

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

Investments in the LGIP are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance. This coverage expired on February 15, 2009.

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

A. DEPOSITS AND INVESTMENTS (cont.)

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, accounts have additional securities coverage of \$99.5 million per customer, subject to a \$500 million aggregate firm limit. \$1,334,985 of the city's investments are covered by SIPC and Lloyds of London insurance.

The city maintains collateral agreements with its banks. At December 31, 2008, the banks had pledged various government securities in the amount of \$4,048,794 to secure the city's deposits.

Custodial Credit Risk

Deposits

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.

As of December 31, 2008, \$18,537,345 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>18,537,345</u>
Total	\$ <u><u>18,537,345</u></u>

Investments

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.

The city does not have any investments exposed to custodial credit risk.

Credit Risk

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

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

<u>Investment Type</u>	<u>Fitch Ratings</u>
US Agencies CLASS	AAA AAA

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk (cont.)

The city also held investments in the following external pool which is not rated:

LGIP

Concentration of Credit Risk

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

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

Issuer	Investment Type	Percentage of Portfolio
FNMA	US Agency	5.00%
FHLMC	US Agency	12.00%

Interest Rate Risk

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

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

Investment	Maturity Date	Call Date	Fair Value
FNMA	2/6/2017	2/6/2009	\$ 205,063
FHLMC	7/16/2013	1/16/2009	270,343
FHLMC	7/15/2014	1/15/2009	<u>180,173</u>
Total			<u>\$ 655,579</u>

Investment Type	Fair Value	Weighted Average Maturity (Days)
Local government investment pool	<u>\$ 2,831,038</u>	80

See Note I.D.1. for further information on deposit and investment policies.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year.

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

	Unavailable	Unearned	Totals
Property taxes receivable for subsequent year	\$ -	\$ 16,748,467	\$ 16,748,467
Special assessments not yet due	816,526	-	816,526
Land contract	18,277	-	18,277
Accrued interest	52,460	-	52,460
Omitted taxes	29,925	-	29,925
	<u>917,188</u>	<u>16,748,467</u>	<u>17,665,655</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 917,188</u>	<u>\$ 16,748,467</u>	<u>\$ 17,665,655</u>

C. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 8,752,262	\$ 2,609,427	\$ -	\$ 11,361,689
Construction in progress	23,867	182,054	47,991	157,930
Total Capital Assets Not Being Depreciated	<u>8,776,129</u>	<u>2,791,481</u>	<u>47,991</u>	<u>11,519,619</u>
Capital assets being depreciated				
Land improvements	463,452	-	-	463,452
Buildings and improvements	11,627,280	338,769	-	11,966,049
Machinery and equipment	10,222,463	736,542	1,106,646	9,852,359
Streets	32,217,473	1,027,021	-	33,244,494
Sidewalks	2,573,550	172,981	-	2,746,531
Bike paths	366,566	-	-	366,566
Total Capital Assets Being Depreciated	<u>57,470,784</u>	<u>2,275,313</u>	<u>1,106,646</u>	<u>58,639,451</u>
Total Capital Assets	<u>66,246,913</u>	<u>5,066,794</u>	<u>1,154,637</u>	<u>70,159,070</u>

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

C. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Less: Accumulated depreciation for				
Land improvements	\$ (363,402)	\$ (147,937)	\$ -	\$ (511,339)
Buildings and improvements	(6,069,749)	(354,021)	-	(6,423,770)
Machinery and equipment	(6,154,245)	(702,226)	1,014,967	(5,841,504)
Streets	(5,635,359)	(523,696)	-	(6,159,055)
Sidewalks	(285,264)	(42,039)	-	(327,303)
Bike paths	(111,059)	(14,663)	-	(125,722)
Total Accumulated Depreciation	(18,619,078)	(1,784,582)	1,014,967	(19,388,693)
Net Capital Assets Being Depreciated	38,851,706	490,731	91,679	39,250,758
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 47,627,835	\$ 3,282,212	\$ 139,670	\$ 50,770,377

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 612,450
Public safety	387,880
Public works, which includes the depreciation of infrastructure	614,886
Leisure activities	169,366
Total Governmental Activities Depreciation Expense	\$ 1,784,582

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

C. CAPITAL ASSETS (cont.)

Business-type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 207,441	\$ 335,545	\$ -	\$ 542,986
Construction in progress	<u>1,512,093</u>	<u>263,755</u>	<u>1,516,511</u>	<u>259,337</u>
Total Capital Assets Not Being Depreciated	<u>1,719,534</u>	<u>599,300</u>	<u>1,516,511</u>	<u>802,323</u>
Capital assets being depreciated				
Buildings and improvements	784,989	383,562	-	1,168,551
Machinery and equipment	1,514,352	381,399	20,529	1,875,222
Infrastructure	<u>23,379,306</u>	<u>968,179</u>	<u>59,789</u>	<u>24,287,696</u>
Total Capital Assets Being Depreciated	<u>25,678,647</u>	<u>1,733,140</u>	<u>80,318</u>	<u>27,331,469</u>
Total Capital Assets	<u>27,398,181</u>	<u>2,332,440</u>	<u>1,596,829</u>	<u>28,133,792</u>
Less: Accumulated depreciation for				
Buildings and improvements	(282,400)	(31,257)	-	(313,657)
Machinery and equipment	(1,147,776)	(95,636)	20,529	(1,222,883)
Infrastructure	<u>(3,936,699)</u>	<u>(458,288)</u>	<u>59,789</u>	<u>(4,335,198)</u>
Total Accumulated Depreciation	<u>(5,366,875)</u>	<u>(585,181)</u>	<u>80,318</u>	<u>(5,871,738)</u>
Net Capital Assets Being Depreciated	<u>20,311,772</u>	<u>1,147,959</u>	<u>-</u>	<u>21,459,731</u>
Net Water Plant	<u>\$ 22,031,306</u>	<u>\$ 1,747,259</u>	<u>\$ 1,516,511</u>	<u>\$ 22,262,054</u>

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

C. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer</u>				
Capital assets not being depreciated				
Land and land rights	\$ 110,910	\$ -	\$ -	\$ 110,910
Total Capital Assets Not Being Depreciated	110,910	-	-	110,910
Capital assets being depreciated				
Machinery and equipment	437,842	22,720	61	460,501
Infrastructure	13,472,679	191,223	-	13,663,902
Intangible	197,057	-	-	197,057
Total Capital Assets Being Depreciated	14,107,578	213,943	61	14,321,460
Total Capital Assets	14,218,488	213,943	61	14,432,370
Less: Accumulated depreciation for				
Machinery and equipment	(434,259)	(15,000)	61	(449,198)
Infrastructure	(1,740,433)	(175,658)	-	(1,916,091)
Intangible	(117,042)	(2,956)	-	(119,998)
Total Accumulated Depreciation	(2,291,734)	(193,614)	61	(2,485,287)
Net Capital Assets Being Depreciated	11,815,844	20,329	-	11,836,173
Net Sewer Plant	\$ 11,926,754	\$ 20,329	\$ -	\$ 11,947,083

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

C. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Stormwater</u>				
Capital assets not being depreciated				
Land and land rights	\$ 1,517,299	\$ 1,316,021	\$ -	\$ 2,833,320
Construction in progress	<u>287,714</u>	<u>219</u>	<u>265,377</u>	<u>22,556</u>
Total Capital Assets Not Being Depreciated	<u>1,805,013</u>	<u>1,316,240</u>	<u>265,377</u>	<u>2,855,876</u>
Capital assets being depreciated				
Buildings and improvements	1,142,860	29,462	-	1,172,322
Machinery and equipment	657,715	514,505	-	1,172,220
Infrastructure	<u>10,748,669</u>	<u>348,480</u>	<u>-</u>	<u>11,097,149</u>
Total Capital Assets Being Depreciated	<u>12,549,244</u>	<u>892,447</u>	<u>-</u>	<u>13,441,691</u>
Total Capital Assets	<u>14,354,257</u>	<u>2,208,687</u>	<u>265,377</u>	<u>16,297,567</u>
Less: Accumulated depreciation for				
Buildings and improvements	(194,866)	(23,152)	-	(218,018)
Machinery and equipment	(114,840)	(37,041)	-	(151,881)
Infrastructure	<u>(3,099,327)</u>	<u>(320,740)</u>	<u>-</u>	<u>(3,420,067)</u>
Total Accumulated Depreciation	<u>(3,409,033)</u>	<u>(380,933)</u>	<u>-</u>	<u>(3,789,966)</u>
Net Capital Assets Being Depreciated	<u>9,140,211</u>	<u>511,514</u>	<u>-</u>	<u>9,651,725</u>
Net Stormwater Plant	<u>\$ 10,945,224</u>	<u>\$ 1,827,754</u>	<u>\$ 265,377</u>	<u>\$ 12,507,601</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 44,903,284</u>	<u>\$ 3,595,342</u>	<u>\$ 1,781,888</u>	<u>\$ 46,716,738</u>

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 547,368
Sewer	193,612
Stormwater	<u>380,933</u>
Total Business-type Activities Depreciation Expense	<u>\$ 1,121,913</u>

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

D. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund Receivables/Payables

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

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General fund	TID No. 4	\$ 1,525,207	\$ 1,525,207
General fund	TID No. 7	305,821	305,821
General fund	Municipal building	12,462	-
General fund	Stormwater utility	120,203	-
Capital projects fund	Stormwater utility	1,150,000	-
Stormwater Utility	General fund	10,776	-
Utility District No. 1	General fund	366,775	-
Total - Fund Financial Statements		3,491,244	
Less: Fund eliminations		(1,843,490)	
Less: Government-wide eliminations		(755,102)	
Total Internal Balances - Government-Wide Statement of Net Assets		\$ 892,652	
Receivable Fund	Payable Fund	Amount	
Governmental Activities	Business-type Activities	\$ 1,270,203	
Business-type Activities	Governmental Activities	(377,551)	
Total Government-Wide Financial Statements		\$ 892,652	

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

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

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

Advances

The park dedication fund is advancing funds to the cemetery fund. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources. No repayment schedule has been established.

Utility District No. 1 fund is advancing funds to the Stormwater Utility. The purpose of the advance is for capital project related activities for the Stormwater Utility. Utility District No. 1 is charging interest on the advance based on the outstanding advance balance at a rate of 2.5%. A repayment schedule has been established and requires the Stormwater Utility to make quarterly principal payments of \$25,000 until the advance is paid.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
Utility District No. 1	Stormwater Utility	\$ 453,750	\$ 398,750
Park dedication fund	Cemetery	38,342	38,342
Total - Fund Financial Statements		492,092	
Less: Fund eliminations		(492,092)	
Total - Interfund Advances - Government-Wide Statement of Net Assets		\$ -	

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

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

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General fund	Recycling and refuse	\$ 18,000	Reimbursement for work done by the highway department
General fund	Utility District No. 1	432,947	Tax-equivalent
Debt service fund	Capital projects fund	45,000	Fire impact fees
Debt service fund	TID No. 4	61,003	Debt repayment on developer incentive - trust fund
Capital projects fund	General fund	189,785	Capital projects
Capital projects fund	Police equipment	12,450	Capital projects
Drug enforcement and training	General fund	<u>8,000</u>	Cover expenses
Total - Fund Financial Statements		767,185	
Less: Fund eliminations		<u>(334,238)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 432,947</u>	

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.

For the statement of activities, interfund transfers within the governmental activities or business-type activities are netted and eliminated.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

E. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 11,726,788	\$ -	\$ 1,753,406	\$ 9,973,382	\$ 1,340,235
Sub-totals	<u>11,726,788</u>	<u>-</u>	<u>1,753,406</u>	<u>9,973,382</u>	<u>1,340,235</u>
Other Liabilities					
Vested compensated absences	1,245,012	148,456	192,029	1,201,439	184,937
Total Other Liabilities	<u>1,245,012</u>	<u>148,456</u>	<u>192,029</u>	<u>1,201,439</u>	<u>184,937</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 12,971,800</u>	<u>\$ 148,456</u>	<u>\$ 1,945,435</u>	<u>\$ 11,174,821</u>	<u>\$ 1,525,172</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 1,061,860	\$ -	\$ 117,935	\$ 943,925	\$ 110,960
Sub-totals	<u>1,061,860</u>	<u>-</u>	<u>117,935</u>	<u>943,925</u>	<u>110,960</u>
Other Liabilities					
Vested compensated absences	108,637	49,097	16,200	141,534	13,733
Total Other Liabilities	<u>108,637</u>	<u>49,097</u>	<u>16,200</u>	<u>141,534</u>	<u>13,733</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 1,170,497</u>	<u>\$ 49,097</u>	<u>\$ 134,135</u>	<u>\$ 1,085,459</u>	<u>\$ 124,693</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed five percent of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2008, was \$129,130,090. Total general obligation debt outstanding at year end was \$10,917,307.

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.

Governmental Activities General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/08
1997 general obligation bonds	7/1/97	7/1/17	5.00 - 5.125%	\$ 3,250,000	\$ 355,000
1998 general obligation municipal bonds	8/1/98	7/1/17	4.10 - 4.88%	3,245,000	355,000

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Governmental Activities General Obligation Debt (cont.)	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/08
1999 general obligation promissory note	8/1/99	8/1/09	4.00 - 4.80%	\$ 1,012,800	\$ 119,560
2000 general obligation promissory note	8/1/00	8/1/10	4.50 - 5.05%	1,172,035	270,930
2001 general obligation promissory note	8/1/01	8/1/11	3.50 - 4.60%	3,067,648	280,585
2002 general obligation promissory note	11/1/02	6/1/12	1.80 - 4.05%	2,986,047	1,200,000
2005 State Trust Fund Loan	6/23/05	3/15/15	4.00 %	500,000	366,123
2005 general obligation promissory note	8/1/05	8/1/15	2.80 - 3.70%	1,135,000	830,000
2005 general obligation refunding bonds	8/1/05	8/1/17	3.00 - 3.75%	5,888,920	4,440,000
2005 State Trust Fund Loan	8/26/05	3/15/15	4.00%	395,000	325,637
2005 State Trust Fund Loan	8/26/05	3/15/10	4.00%	268,700	140,547
2007 general obligation promissory note	9/13/07	8/1/17	3.70-4.00%	860,000	790,000
2007 State Trust Fund Loan	11/16/07	3/15/17	5.25%	500,000	<u>500,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 9,973,382</u>

Business-type Activities General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/08
1999 general obligation promissory note	8/1/99	8/1/09	4.00 - 4.80%	\$ 819,525	\$ 20,440
2000 general obligation promissory note	8/7/00	8/1/10	4.50 - 5.05%	197,965	59,070
2001 general obligation promissory note	8/1/01	8/1/11	3.50 - 4.60%	612,352	239,415
2007 general obligation promissory note	9/13/07	8/1/17	3.70-4.00%	625,000	<u>625,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 943,925</u>

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2009	\$ 1,340,235	\$ 383,682	\$ 110,960	\$ 39,361
2010	1,356,849	326,551	151,630	33,347
2011	1,233,942	268,045	106,335	28,692
2012	1,286,624	219,731	25,000	22,563
2013	928,450	178,753	50,000	21,613
2014-2017	<u>3,827,282</u>	<u>358,342</u>	<u>500,000</u>	<u>52,439</u>
Totals	<u>\$ 9,973,382</u>	<u>\$ 1,735,104</u>	<u>\$ 943,925</u>	<u>\$ 198,015</u>

Capital Leases

Refer to Note IV. F.

Other Debt Information

Estimated payments of compensated absences 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.

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

Prior-Year Defeasance of Debt

In prior years, the city defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the city's financial statements. At 12/31/08, \$4,205,000 of bonds outstanding are considered defeased. The bonds are callable on July 1, 2010.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

F. LEASE DISCLOSURES

Lessee - Operating Leases

The city has eleven police squad cars currently under lease. The lease terms are two and three years. The city made payments of \$97,449 for 2008.

The city has no other material leases as lessee or lessor.

G. NET ASSETS/FUND BALANCES

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

Governmental Activities

Invested in Capital Assets, Net of Related Debt	
Land	\$ 11,361,689
Construction in progress	157,930
Other capital assets, net of accumulated depreciation	39,250,758
Less: Long-term debt outstanding	(9,973,382)
Plus: Unspent capital related debt proceeds	30,046
Plus: Non-capital debt proceeds	866,123
Total Invested in Capital Assets, Net of Related Debt	<u>41,693,164</u>
Restricted	
Debt service	1,449,162
Park Dedication	1,221,075
Cable TV	429,623
Total Restricted	<u>3,099,860</u>
Unrestricted	<u>6,106,173</u>
Total Governmental Activities Net Assets	<u>\$ 50,899,197</u>

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

G. NET ASSETS/FUND BALANCES (cont.)

Governmental Funds

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

Reserved	
Major Funds	
General Fund	
Noncurrent receivables, advances and interfunds	\$ 1,935,713
Payment in lieu of taxes	432,947
Prepaid items	<u>139,044</u>
Total	<u>\$ 2,507,704</u>
Debt Service Fund	
Reserved for debt service	<u>\$ 815,712</u>
Total	<u>\$ 815,712</u>
General Capital Projects Fund	
Reserved for encumbrances	\$ 42,894
Prepays	130,542
Noncurrent interfunds	<u>1,150,000</u>
Total	<u>\$ 1,323,436</u>
Non-Major Funds	
Special Revenue Funds	
Park dedication - advances	<u>\$ 38,342</u>
Total Non-Major Funds	<u>\$ 38,342</u>
Unreserved (designated)	
Major Funds	
General Fund	
Designated for employee retirement	<u>\$ 90,000</u>
Total	<u>\$ 90,000</u>

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

G. NET ASSETS/FUND BALANCES (cont.)

Governmental Funds (cont.)

Unreserved (undesignated) (deficit)

Major Funds	
General fund	\$ 2,244,616
Capital projects fund	1,625,241
TID No. 4 capital projects fund	<u>(107,731)</u>
Total	<u>\$ 3,762,126</u>
Non-Major Funds	
Special Revenue Funds	
Drug enforcement and training	\$ 52,848
Recycling and refuse collection	196,643
Park dedication	1,182,733
Cable TV	429,623
Cemetery (deficit)	<u>(11,701)</u>
Total	<u>\$ 1,850,146</u>
Capital Projects Funds	
Municipal building (deficit)	\$ (12,462)
TID No. 6	147,992
TID No. 7 (deficit)	(305,821)
TID No. 8 (deficit)	<u>(2,889)</u>
Total (Deficit)	<u>\$ (173,180)</u>
 Business-type Activities	
Invested in capital assets, net of related debt	
Land	\$ 3,487,216
Construction in progress	281,893
Other capital assets, net of accumulated depreciation	42,947,571
Less: Long-term debt outstanding	<u>(943,925)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>45,772,755</u>
Unrestricted	<u>205,910</u>
Total Business-type Activities Net Assets	<u>\$ 45,978,665</u>

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

H. RESTATEMENT OF NET ASSETS

Net assets has been restated due to public fire protection recorded as revenue before received.

Business-type Net Assets - December 31, 2007 (as reported)	\$ 45,216,588
Less: Public fire protection	<u>(379,736)</u>
Net Assets - January 1, 2008 (as restated)	<u>\$ 44,836,852</u>
Utility District No. 1 Net Assets - December 31, 2007 (as reported)	\$ 35,311,384
Less: Public fire protection	<u>(379,736)</u>
Net Assets - January 1, 2008 (as restated)	<u>\$ 34,931,648</u>

I. COMPONENT UNIT

HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

This report contains the Housing and Community Development Authority (CDA), which is included as a component unit. Financial information is presented as a discrete column in the statement of net assets and statement of activities.

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

a. Basis of Accounting/Measurement Focus

The CDA follows the full accrual basis of accounting and the flow of economic resources measurement focus.

b. Deposits and Investments

At year end, the carrying amount of the CDA's deposits was \$559,175 and is part of the city's commingled cash. See Note IV. A.

c. Loans Receivable

In 1999, the city established a revolving loan fund by providing \$375,000 of development incentive money to the CDA. At December 31, 2008, the CDA's loans receivable balance was \$106,434.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE V - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible city employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.0% of their salary (3.0% for Executives and Elected Officials, 5.1% for Protective Occupations with Social Security, and 3.4% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for city employees covered by the system for the year ended December 31, 2008, was \$7,547,299; the employer's total payroll was \$7,877,129. The total required contribution for the year ended December 31, 2008, was \$955,339 or 12.7 percent of covered payroll. Of this amount, 100 percent was contributed by the employer for the current year. Total contributions for the years ending December 31, 2007 and 2006 were \$904,807 and \$829,251, respectively, equal to the required contributions for each year.

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

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

As of December 31, 2008, there was no pension related debt for the city.

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; workers compensation; and health care of its employees. 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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE V - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES

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 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.

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

In 2008, the city issued a municipal revenue obligation as part of a development agreement. The amount of the obligation was \$1,923,108, and is payable to the developer solely from tax increments collected from a specific portion of the development in TIF No. 4.

Payments are scheduled through the year 2018, and carry an interest rate of 7%. The obligation does not constitute a charge upon any funds of the city. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the city. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end was \$1,617,132.

In 2007, the city issued a municipal revenue obligation as part of a development agreement. The amount of the obligation was \$2,200,000, and is payable to the developer solely from tax increments collected from a specific portion of the development in TIF No. 4.

Payments are scheduled through the year 2017, and carry an interest rate of 6%. The obligation does not constitute a charge upon any funds of the city. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the city. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability on the accompanying financial statements. The balance of the commitment outstanding at year end was \$2,095,000.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE V - OTHER INFORMATION (cont.)

D. JOINT VENTURES

FitchRona EMS District

The City of Fitchburg, City of Verona and Town of Verona jointly operate the local EMS District, which is called the FitchRona EMS District. The district adopts its own budget. Net operating costs including debt service are shared by the three communities based on the ratio of equalized values. The department is governed by the Fitch-Rona EMS Commission. The board consists of the citizens from each community. City of Fitchburg representatives are appointed by the mayor (2 members) and city council (1 member). The city made a payment to the district in 2008 of \$417,269. The city believes that the district will continue to provide services in the future at similar rates.

The city's equity interest in the EMS District is equal to its percentage share of participation. The equity interest is reported in the governmental activities column of the government-wide statement of net assets. Changes in the equity interest are reported on the statement of activities.

Multijurisdictional Public Safety Information System Commission (MPSISC)

The City of Fitchburg, City of Sun Prairie and City of Middleton jointly operate the Multijurisdictional Public Safety Information System Commission. On March 20, 2003, the City of Middleton, City of Fitchburg, and City of Sun Prairie executed an intergovernmental agreement under authority of Section 66.0301 of the Wisconsin Statutes. The commission adopts its own budget. Net operating costs including debt service are shared by the three communities equally. The department is governed by the Intermunicipal Commission. The commission consists of one representative from each community. The city's share of the joint costs was \$198,329 in 2008. The city believes that the commission will continue to provide services in the future at similar costs. The transactions of the commission are not reflected in these financial statements.

The city does not have an equity interest in this joint venture.

Town of Madison Cooperative Plan

On November 8, 2002, the Town of Madison, City of Fitchburg and City of Madison executed an intergovernmental agreement under authority of Section 66.0301 of the Wisconsin Statutes.

The term and implementation phases within the plan recognize and attempt to balance the competing desires of the Cities, the Town and existing Town property owners and residents. The plan provides for the eventual dissolution of the Town after a protected period of up to 20 years, but allows early annexations within several areas to address near-term problems and opportunities.

The plan shall terminate on October 30, 2022, or at such earlier time as the Town may cease to exist as a separate entity in accordance with the terms of this plan. A complete copy of the City of Madison, City of Fitchburg and Town of Madison Cooperative Plan can be obtained at the Town of Madison, 2120 Fish Hatchery Road, Madison, WI 53713.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE V - OTHER INFORMATION (cont.)

D. JOINT VENTURES (cont.)

City of Fitchburg and Village of Oregon Joint Rail Line

The City of Fitchburg and the Village of Oregon jointly own a rail line. On January 27, 1999, the City of Fitchburg and the Village of Oregon executed an intergovernmental agreement under authority of Section 66.0301 of the Wisconsin Statutes. Net operating costs are shared by the two communities equally. The city's share of the joint costs was \$4,462 in 2008. The city believes that the joint rail line will continue to provide services in the future at similar costs. The transactions of the joint rail line are not reflected in these financial statements.

The city does not have an equity interest in this joint venture.

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FITCHBURG

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
TAXES				
General property taxes	\$ 10,472,248	\$ 10,472,248	\$ 10,472,248	\$ -
Trailer tax	3,500	3,500	3,598	98
Room tax	21,500	21,500	26,361	4,861
Omitted taxes	-	65,096	32,548	(32,548)
Interest on delinquent personal property taxes	15,000	15,000	7,877	(7,123)
Total Taxes	<u>10,512,248</u>	<u>10,577,344</u>	<u>10,542,632</u>	<u>(34,712)</u>
INTERGOVERNMENTAL REVENUES				
State aid - shared taxes	504,164	504,164	503,021	(1,143)
State aid - payment for services	106,000	106,000	66,400	(39,600)
State aid - road aid	692,905	692,905	692,432	(473)
State aid - DNR lands	16,000	16,000	17,488	1,488
State aid - fire insurance	66,000	66,000	69,999	3,999
State aid - exempt computer aid	115,000	115,000	107,005	(7,995)
State aid - emergency government	-	7,088	9,537	2,449
Federal aid - land	-	4,000	-	(4,000)
Federal aid - law enforcement	-	-	7,201	7,201
Federal aid - fire	4,000	75,000	72,082	(2,918)
Other federal payments	32,878	60,462	58,797	(1,665)
County aid - senior	-	32,878	33,460	582
Other police grants	-	29,871	39,354	9,483
Total Intergovernmental Revenues	<u>1,536,947</u>	<u>1,709,368</u>	<u>1,676,776</u>	<u>(32,592)</u>
LICENSES AND PERMITS				
Business and occupational licenses	35,555	35,555	36,980	1,425
Non-business licenses	5,544	5,544	7,938	2,394
Building permits	275,000	275,000	244,004	(30,996)
Zoning permits and fees	90,000	90,000	69,434	(20,566)
Other regulation and compliance	2,460	2,460	3,570	1,110
Total Licenses and Permits	<u>408,559</u>	<u>408,559</u>	<u>361,926</u>	<u>(46,633)</u>
FINES AND FORFEITURES				
Fines	<u>314,500</u>	<u>314,500</u>	<u>269,985</u>	<u>(44,515)</u>

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

CITY OF FITCHBURG

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
PUBLIC CHARGES FOR SERVICES				
General government charges	\$ 16,043	\$ 16,043	\$ 17,809	\$ 1,766
Public safety charges	12,500	12,500	24,372	11,872
Engineering	10,000	10,000	4,819	(5,181)
Senior program fees	4,850	4,850	6,487	1,637
Recreation fees	140,000	140,000	116,220	(23,780)
Shelter and rental fees	14,700	14,700	20,637	5,937
Other public charges	<u>2,000</u>	<u>2,000</u>	<u>983</u>	<u>(1,017)</u>
Total Public Charges for Services	<u>200,093</u>	<u>200,093</u>	<u>191,327</u>	<u>(8,766)</u>
SPECIAL ASSESSMENTS				
Interest on delinquent special assessments	<u>2,200</u>	<u>2,200</u>	<u>3,621</u>	<u>1,421</u>
INVESTMENT INCOME				
Investment income	<u>265,000</u>	<u>265,000</u>	<u>393,061</u>	<u>128,061</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES				
Emergency services	58,714	58,714	60,686	1,972
Admin charges to utilities	<u>68,000</u>	<u>68,000</u>	<u>67,989</u>	<u>(11)</u>
Total Intergovernmental Charges for Services	<u>126,714</u>	<u>126,714</u>	<u>128,675</u>	<u>1,961</u>

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

CITY OF FITCHBURG

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
MISCELLANEOUS				
Rental of city buildings	\$ 32,475	\$ 32,475	\$ 38,756	\$ 6,281
Cemetery	1,000	1,000	-	(1,000)
WPRA ticket commission	500	500	403	(97)
Land rental and leases	9,000	9,000	6,000	(3,000)
Donations	5,000	8,250	10,448	2,198
Refund of prior year's expenditures	40,000	54,285	51,316	(2,969)
Reimbursement from stormwater for highway work	125,000	125,000	120,203	(4,797)
Maintenance facility reimbursement from utility	9,000	9,000	522	(8,478)
Worker's compensation reimbursement	-	-	27,887	27,887
Property sales	-	20,945	39,602	18,657
Senior advertising sales	2,850	2,850	2,789	(61)
Reimbursement from TIFs	2,500	2,500	2,513	13
Insurance recoveries	-	-	60,876	60,876
Transfer from CDA	35,000	35,000	35,000	-
EMS rental	2,795	2,795	4,869	2,074
Tower lease	13,800	13,800	13,800	-
Other miscellaneous	<u>2,500</u>	<u>2,500</u>	<u>3,996</u>	<u>1,496</u>
Total Miscellaneous	<u>281,420</u>	<u>319,900</u>	<u>418,980</u>	<u>99,080</u>
 Total Revenues	 <u>13,647,681</u>	 <u>13,923,678</u>	 <u>13,986,983</u>	 <u>63,305</u>

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

CITY OF FITCHBURG

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES				
GENERAL GOVERNMENT				
Mayor and city council	\$ 69,863	\$ 69,863	\$ 68,546	\$ 1,317
Administrator	285,990	285,990	274,452	11,538
Municipal court	140,869	140,869	117,838	23,031
Clerk's office	311,722	311,722	308,098	3,624
Treasurer's office	240,635	240,635	240,695	(60)
Information technology	237,723	237,723	236,514	1,209
Assessment of property	344,434	344,434	313,204	31,230
Accounting and auditing	31,500	31,500	36,907	(5,407)
Legal counsel	160,000	160,000	187,823	(27,823)
New city hall	292,355	292,355	318,272	(25,917)
City hall	13,000	13,000	12,341	659
Other buildings - safety	35,650	35,650	41,552	(5,902)
Other buildings - fire	29,850	29,850	36,503	(6,653)
Other buildings - maintenance	34,000	34,000	38,776	(4,776)
Employee bonds	900	900	892	8
Property and liability insurance	287,695	287,695	298,949	(11,254)
Office supplies	15,000	15,000	18,565	(3,565)
Taxes paid by city	14,000	14,000	14,180	(180)
Illegal taxes	-	-	9,089	(9,089)
Miscellaneous	9,324	9,324	102,502	(93,178)
Employee retirement reserve	25,000	25,000	26,115	(1,115)
Merit pay	600	600	800	(200)
Professional services	42,000	42,000	42,000	-
Contingency	101,000	187,041	-	187,041
Total General Government	<u>2,723,110</u>	<u>2,809,151</u>	<u>2,744,613</u>	<u>64,538</u>
PUBLIC SAFETY				
Law enforcement	5,021,895	5,053,766	4,886,638	167,128
Fire suppression and prevention	1,956,754	2,035,004	2,030,131	4,873
Joint public safety system	183,021	197,306	198,329	(1,023)
Building inspection	343,761	343,761	336,632	7,129
EMS district	417,869	417,869	417,872	(3)
Weights and measures	-	-	3,600	(3,600)
Other public safety	1,905	1,905	1,681	224
Total Public Safety	<u>7,925,205</u>	<u>8,049,611</u>	<u>7,874,883</u>	<u>174,728</u>
HEALTH AND SOCIAL SERVICES				
Senior citizens program	<u>326,732</u>	<u>326,732</u>	<u>342,713</u>	<u>(15,981)</u>

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

CITY OF FITCHBURG

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
PUBLIC WORKS				
Mass transit - bus subsidy	\$ 390,830	\$ 390,830	\$ 418,524	\$ (27,694)
Highway department	<u>1,347,674</u>	<u>1,409,643</u>	<u>1,494,833</u>	<u>(85,190)</u>
Total Public Works	<u>1,738,504</u>	<u>1,800,473</u>	<u>1,913,357</u>	<u>(112,884)</u>
CULTURE, EDUCATION AND RECREATION				
Library	40,000	40,000	33,740	6,260
Parks	532,021	535,602	554,396	(18,794)
Community center	61,100	61,100	65,105	(4,005)
Recreation and leisure	<u>271,996</u>	<u>271,996</u>	<u>229,177</u>	<u>42,819</u>
Total Culture, Education and Recreation	<u>905,117</u>	<u>908,698</u>	<u>882,418</u>	<u>26,280</u>
CONSERVATION AND DEVELOPMENT				
Zoning and planning	334,202	334,202	285,504	48,698
Economic and community development	<u>175,506</u>	<u>175,506</u>	<u>134,365</u>	<u>41,141</u>
Total Conservation and Development	<u>509,708</u>	<u>509,708</u>	<u>419,869</u>	<u>89,839</u>
Total Expenditures	<u>14,128,376</u>	<u>14,404,373</u>	<u>14,177,853</u>	<u>226,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(480,695)</u>	<u>(480,695)</u>	<u>(190,870)</u>	<u>289,825</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	419,195	419,195	450,947	31,752
Transfers out	<u>(197,785)</u>	<u>(197,785)</u>	<u>(197,785)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>221,410</u>	<u>221,410</u>	<u>253,162</u>	<u>31,752</u>
Net Change in Fund Balance	(259,285)	(259,285)	62,292	321,577
FUND BALANCE - Beginning of Year	<u>4,780,028</u>	<u>4,780,028</u>	<u>4,780,028</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,520,743</u>	<u>\$ 4,520,743</u>	<u>\$ 4,842,320</u>	<u>\$ 321,577</u>

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

CITY OF FITCHBURG

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION December 31, 2008

BUDGETARY INFORMATION

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

Excess expenditures over appropriations are as follows:

	Amended Budget	Expenditures	Excess
<u>General Fund</u>			
Treasurer's office	\$ 240,635	\$ 240,695	\$ 60
Accounting and auditing	31,500	36,907	5,407
Legal counsel	160,000	187,823	27,823
New city hall	292,355	318,272	25,917
Other buildings - safety	35,650	41,552	5,902
Other buildings - fire	29,850	36,503	6,653
Other buildings - maintenance	34,000	38,776	4,776
Property and liability insurance	287,695	298,949	11,254
Office supplies	15,000	18,565	3,565
Taxes paid by city	14,000	14,180	180
Illegal taxes	-	9,089	9,089
Miscellaneous	9,324	102,502	93,178
Employee retirement reserve	25,000	26,115	1,115
Merit pay	600	800	200
Joint public safety system	197,306	198,329	1,023
EMS district	417,869	417,872	3
Weights and measures	-	3,600	3,600
Senior citizens program	326,732	342,713	15,981
Mass transit - bus subsidy	390,830	418,524	27,694
Highway department	1,409,643	1,494,833	85,190
Parks	535,602	554,396	18,794
Community center	61,100	65,105	4,005

SUPPLEMENTARY INFORMATION

CITY OF FITCHBURG

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2008

	Special Revenue Funds				
	Drug Enforcement and Training	Recycling and Refuse Collection	Park Dedication	Cable TV	Cemetery
ASSETS					
Cash and investments	\$ 56,730	\$ 342,108	\$ 1,182,733	\$ 384,245	\$ 26,641
Taxes receivable	-	692,392	-	-	-
Accounts receivable	-	-	-	56,199	-
Advances to other funds	-	-	38,342	-	-
Prepaid items	<u>574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 57,304</u></u>	<u><u>\$ 1,034,500</u></u>	<u><u>\$ 1,221,075</u></u>	<u><u>\$ 440,444</u></u>	<u><u>\$ 26,641</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 4,456	\$ 141,354	\$ -	\$ 5,328	\$ -
Accrued liabilities	-	4,111	-	5,493	-
Due to other funds	-	-	-	-	-
Deposits	-	-	-	-	-
Deferred revenues	-	692,392	-	-	-
Advances from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,342</u>
Total Liabilities	<u>4,456</u>	<u>837,857</u>	<u>-</u>	<u>10,821</u>	<u>38,342</u>
Fund Balances					
Reserved for Advances to other funds	-	-	38,342	-	-
Undesignated (deficit)	<u>52,848</u>	<u>196,643</u>	<u>1,182,733</u>	<u>429,623</u>	<u>(11,701)</u>
Total Fund Balances (Deficit)	<u>52,848</u>	<u>196,643</u>	<u>1,221,075</u>	<u>429,623</u>	<u>(11,701)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 57,304</u></u>	<u><u>\$ 1,034,500</u></u>	<u><u>\$ 1,221,075</u></u>	<u><u>\$ 440,444</u></u>	<u><u>\$ 26,641</u></u>

Special Revenue Fund	Capital Projects Funds				Total Nonmajor Governmental Funds
	Library Services	Municipal Building	TID No. 6	TID No. 7	
\$ -	\$ -	\$ 186,693	\$ -	\$ -	\$ 2,179,150
59,736	-	636,761	135,928	-	1,524,817
-	-	-	-	-	56,199
-	-	-	-	-	38,342
-	-	-	-	-	574
<u>\$ 59,736</u>	<u>\$ -</u>	<u>\$ 823,454</u>	<u>\$ 135,928</u>	<u>\$ -</u>	<u>\$ 3,799,082</u>
\$ -	\$ -	\$ 2,201	\$ -	\$ 2,889	\$ 156,228
-	-	-	-	-	9,604
-	12,462	-	305,821	-	318,283
-	-	36,500	-	-	36,500
59,736	-	636,761	135,928	-	1,524,817
-	-	-	-	-	38,342
<u>59,736</u>	<u>12,462</u>	<u>675,462</u>	<u>441,749</u>	<u>2,889</u>	<u>2,083,774</u>
-	-	-	-	-	38,342
-	(12,462)	147,992	(305,821)	(2,889)	1,676,966
-	(12,462)	147,992	(305,821)	(2,889)	1,715,308
<u>\$ 59,736</u>	<u>\$ -</u>	<u>\$ 823,454</u>	<u>\$ 135,928</u>	<u>\$ -</u>	<u>\$ 3,799,082</u>

CITY OF FITCHBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2008

	Special Revenue Funds				
	Drug Enforcement and Training	Recycling and Refuse Collection	Park Dedication	Cable TV	Cemetery
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	10,100	157,679	-	-	-
Licenses and permits	-	-	-	223,055	-
Fines, forfeitures and penalties	13,087	-	-	-	-
Public charges for services	-	750,117	1,540	170	2,359
Investment income	-	-	19,308	6,688	-
Miscellaneous	-	7,126	-	-	-
Total Revenues	<u>23,187</u>	<u>914,922</u>	<u>20,848</u>	<u>229,913</u>	<u>2,359</u>
EXPENDITURES					
Current					
Public safety	18,212	-	-	-	-
Public works	-	961,801	-	-	-
Culture, education and recreation	-	-	-	172,722	-
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>18,212</u>	<u>961,801</u>	<u>-</u>	<u>172,722</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>4,975</u>	<u>(46,879)</u>	<u>20,848</u>	<u>57,191</u>	<u>2,359</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	8,000	-	-	-	-
Transfers out	-	(18,000)	-	-	-
Total Other Financing Sources (Uses)	<u>8,000</u>	<u>(18,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	12,975	(64,879)	20,848	57,191	2,359
FUND BALANCES (DEFICIT)					
- Beginning of Year	<u>39,873</u>	<u>261,522</u>	<u>1,200,227</u>	<u>372,432</u>	<u>(14,060)</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 52,848</u>	<u>\$ 196,643</u>	<u>\$ 1,221,075</u>	<u>\$ 429,623</u>	<u>\$ (11,701)</u>

Special Revenue Fund	Capital Projects Funds				Total Nonmajor Governmental Funds
	Police Equipment	Municipal Building	TID No. 6	TID No. 7	
\$ -	\$ -	\$ 279,206	\$ 129,743	\$ -	\$ 408,949
-	-	1,194	1,860	-	170,833
-	-	-	-	-	223,055
-	-	-	-	-	13,087
-	-	-	-	-	754,186
-	-	-	-	-	25,996
-	-	-	-	-	7,126
-	-	<u>280,400</u>	<u>131,603</u>	-	<u>1,603,232</u>
-	-	-	-	-	18,212
-	-	-	-	-	961,801
-	-	-	-	-	172,722
-	<u>11,582</u>	<u>35,483</u>	<u>411,035</u>	<u>2,889</u>	<u>460,989</u>
-	<u>11,582</u>	<u>35,483</u>	<u>411,035</u>	<u>2,889</u>	<u>1,613,724</u>
-	<u>(11,582)</u>	<u>244,917</u>	<u>(279,432)</u>	<u>(2,889)</u>	<u>(10,492)</u>
-	-	-	-	-	8,000
<u>(12,450)</u>	-	-	-	-	<u>(30,450)</u>
<u>(12,450)</u>	-	-	-	-	<u>(22,450)</u>
(12,450)	(11,582)	244,917	(279,432)	(2,889)	(32,942)
<u>12,450</u>	<u>(880)</u>	<u>(96,925)</u>	<u>(26,389)</u>	-	<u>1,748,250</u>
<u>\$ -</u>	<u>\$ (12,462)</u>	<u>\$ 147,992</u>	<u>\$ (305,821)</u>	<u>\$ (2,889)</u>	<u>\$ 1,715,308</u>

CITY OF FITCHBURG

STATEMENT OF CASH FLOWS COMPONENT UNIT For the Year Ended December 31, 2008

	Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	\$ 254,735
Paid to suppliers for goods and services	<u>(198,839)</u>
Net Cash Flows From Operating Activities	<u>55,896</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>83,969</u>
Net Cash Flows From Investing Activities	<u>83,969</u>
Net Change in Cash and Cash Equivalents	139,865
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>419,310</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 559,175</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 16,647
Nonoperating revenue	16,050
Changes in assets and liabilities	
Accounts receivables	27,643
Prepays	(608)
Accounts payable	<u>(3,836)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ 55,896</u></u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
None	

CITY OF FITCHBURG

CAPITAL PROJECTS FUND - COMBINING SCHEDULE OF SUBFUNDS For the Year Ended December 31, 2008

	Capital Projects					Totals
	Roads/ Road Related	Parks	Capital Equipment	Community Events	Other	
REVENUES						
Taxes	\$ 420,000	\$ 51,500	\$ 324,500	\$ -	\$ 30,000	\$ 826,000
Intergovernmental	-	25,000	11,694	-	-	36,694
Investment income	28,971	17,906	25,469	7,835	79,333	159,514
Miscellaneous	-	1,000	71,063	13,315	324,305	409,683
Total Revenues	<u>448,971</u>	<u>95,406</u>	<u>432,726</u>	<u>21,150</u>	<u>433,638</u>	<u>1,431,891</u>
EXPENDITURES						
Capital Outlay	<u>1,866,951</u>	<u>301,225</u>	<u>1,156,291</u>	<u>16,893</u>	<u>472,555</u>	<u>3,813,915</u>
Total Expenditures	<u>1,866,951</u>	<u>301,225</u>	<u>1,156,291</u>	<u>16,893</u>	<u>472,555</u>	<u>3,813,915</u>
Excess (deficiency) of revenues over expenditures	<u>(1,417,980)</u>	<u>(205,819)</u>	<u>(723,565)</u>	<u>4,257</u>	<u>(38,917)</u>	<u>(2,382,024)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	10,000	-	119,235	-	73,000	202,235
Transfers out	-	-	-	-	(45,000)	(45,000)
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>-</u>	<u>119,235</u>	<u>-</u>	<u>28,000</u>	<u>157,235</u>
Net Change in Fund Balances	(1,407,980)	(205,819)	(604,330)	4,257	(10,917)	(2,224,789)
FUND BALANCES - Beginning of Year	<u>623,493</u>	<u>434,579</u>	<u>935,514</u>	<u>94,545</u>	<u>3,085,335</u>	<u>5,173,466</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (784,487)</u>	<u>\$ 228,760</u>	<u>\$ 331,184</u>	<u>\$ 98,802</u>	<u>\$ 3,074,418</u>	<u>\$ 2,948,677</u>