CITY OF FITCHBURG
Fitchburg, Wisconsin

FINANCIAL STATEMENTS

December 31, 2010

CITY OF FITCHBURG

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December 31, 2010

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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, 2010, 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, 2010, 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 budgetary comparison schedule 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.

To the City Council
City of Fitchburg

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.

Baker Tilly Virchow Krause LLP

Madison, Wisconsin
May 16, 2011

MANAGEMENT'S DISCUSSION

AND ANALYSIS

(UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
For the Year Ending December 31, 2010

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, 2010. 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, 2010 by $98,497,391 (net assets). Of this amount, $10,651,498 (unrestricted net assets) may be used to meet the city's ongoing obligations to citizens and creditors, $2,354,964 is restricted for specific purposes (restricted net assets) and $85,490,929 is invested in capital assets, including all infrastructure, net of related debt.
- The City of Fitchburg's total net assets increased by $1,726,841 over the previous year. Net assets relating to Governmental Activities increased by $1,690,767 while net assets relating to Business-type Activities increased by $36,074.
- As of December 31, 2010, the city's governmental funds reported combined fund balances of $20,158,874, an increase of $1,645,183 from 2009.
- Unreserved fund balance for the general fund was $4,339,005 or 28 percent of 2010 general fund expenditures; however, $90,000 of this unreserved fund balance is designated for employee retirement payouts and $15,000 is designated for 2010 expenditures. This reduces the available unreserved fund balance for the general fund to $4,234,005 or approximately 27.4 percent of actual 2010 general fund expenditures.
- The 3 percent debt limit set by local ordinance as of December 31, 2010 was $75,738,834. Total general obligation debt outstanding at the end of the year was $25,297,632 (33.4 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.
- 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

FUND FINANCIAL STATEMENTS (cont.)

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

The city maintains seventeen 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.

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 $98,497,391 at the close of 2010, an increase of $1,726,841 or 1.8 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 $41,471,524 or 42.1 percent of total net assets. When net assets relating to business-type activities are included, 86.8 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 ($2,354,964 or 2.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($10,651,498 or 10.8 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.

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

Table 1
Condensed Statements of Net Assets

	Governmental Activities	Business-type Activities	2010 Totals	2009 Totals
Current and other assets	$ 45,600,450	$ 2,378,223	$ 47,978,673	$ 40,408,461
Capital assets	56,713,360	45,854,900	102,568,260	97,572,337
Total Assets	102,313,810	48,233,123	150,546,933	137,980,798
Long-term liabilities outstanding	26,062,745	805,272	26,868,017	21,245,872
Other liabilities	24,158,265	1,023,260	25,181,525	19,964,376
Total Liabilities	50,221,010	1,828,532	52,049,542	41,210,248
Net Assets				
Invested in capital assets, net of debt	41,471,524	45,169,405	86,640,929	86,414,021
Restricted	2,354,964	-	2,354,964	1,803,033
Unrestricted	8,266,312	1,235,186	9,501,498	8,553,496
Total Net Assets	$ 52,092,800	46,404,591	$ 98,497,291	$ 96,770,550

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

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 $1,690,767. This increase is primarily a result of the following items:

> Positive results in the governmental funds.

> Capital grants and contributions received of approximately $1.1 million.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the city's net assets by $36,074, which is attributable to capital contributions from developers.

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	2010 Totals	2009 Totals
Revenues:				
Program Revenues				
Charges for services	$ 1,851,099	$ 4,576,446	$ 6,427,545	$ 6,153,833
Operating grants and contributions	1,150,289	-	1,150,289	1,184,796
Capital grants and contributions	1,107,091	193,740	1,300,831	1,503,559
General Revenues				
Property taxes	16,874,220	-	16,874,220	16,020,566
Other taxes	69,688	-	69,688	52,266
Intergovernmental	1,209,485	-	1,209,485	1,026,621
Other revenues	2,020,124	24,595	2,044,719	1,281,052
Total Revenues	24,281,996	4,794,781	29,076,777	27,222,693
Expenses:				
General government	3,873,747	-	3,873,747	4,034,316
Public safety	9,532,990	-	9,532,990	8,980,115
Health and social services	372,777	-	372,777	360,097
Public works	5,284,437	-	5,284,437	6,600,907
Leisure activities	1,610,606	-	1,610,606	1,362,914
Conservation and development	1,579,305	-	1,579,305	1,412,117
Interest and fiscal charges	862,136	-	862,136	548,404
Water and sewer utilities	-	3,421,216	3,421,216	3,207,776
Storm water utility	-	812,722	812,722	823,359
Total Expenses	23,115,998	4,233,938	27,349,936	27,330,005
Increase (decrease) in net assets before grants	1,165,998	560,843	1,726,841	(107,312)
Transfers	524,769	(524,769)	-	-
Change in Net Assets	1,690,767	36,074	1,726,841	(107,312)
Net Assets – Beginning of Year (Restated)	50,402,033	46,368,517	96,770,550	96,877,862
Net Assets – End of Year	$ 52,092,800	$ 46,404,591	$ 98,497,391	$ 96,770,550

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.

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, 2010, the city's governmental funds reported combined fund balances of $20,158,874. Approximately 49.4 percent of this amount, $9,957,734 constitutes unreserved and undesignated fund balance, which is available to meet the city's current and future needs. An additional $105,000 is unreserved, but has been designated for specific projects or expenditures. The remaining $10,096,140 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 $5,192,845, a decrease of $197,888 or 3.7%.

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 revenues. For 2010, undesignated and unreserved fund balance is $4,234,005 and the 2010 general fund revenues were $15,237,229, resulting in an undesignated and unreserved fund balance of 27.8 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 $820,515 which is a decrease of 4.3 percent over the prior year is reserved for future debt service. The decrease is due to applying special assessment installments collected in advance to reduce debt levy for the year they were collected for.

Other Governmental Funds

Fund balance of all other governmental funds is $14,145,514, which is designated for future projects and expenditures. This balance includes negative fund balances of $40,262 for TID #7, and 31,353 for TID #8. The negative fund balance for TID #7 is due to the district having more expense than increment. This will be resolved when a decision is made on new projects which may then be borrowed for. The negative balance for TID #8 is due to the district being new and having a small amount of implementation/administration costs that have not been borrowed for. Funds have been advanced by the general fund with a charge for interest.

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.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2010 adopted General Fund budget was not amended in total during the year. The total original & final appropriations were $15,853,291. Actual expenditures were $15,977,886 resulting in an unfavorable variance of $124,595.

Total revenues and other sources were $15,776,998, $73,293 less than the final budget.

The overall operating result of the general fund was a loss of $197,888 which was caused by a transfer in the amount of $496,282 to correct an error in the 2009 debt levy.

CAPITAL ASSETS

At the end of 2010, the city had invested a total of $102,568,260 in capital assets. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

Table 3
Capital Assets

	Governmental Activities	Business-type Activities	2010 Totals	2009 Totals
Land and other assets not being depreciated	$ 17,294,718	$ 3,374,941	$ 20,669,659	$ 15,269,501
Land improvements	412,878	-	412,878	412,878
Building and improvements	12,095,289	2,401,992	14,497,281	14,531,545
Machinery and equipment	8,494,605	4,069,762	12,564,367	11,762,316
Roads, paths and sidewalks	38,444,913	-	38,444,913	37,765,370
Utility plant	-	49,968,371	49,968,371	49,830,493
Total Capital Assets	76,742,403	59,815,066	136,557,469	129,572,103
Less: Accumulated Depreciation	(20,029,043)	(13,960,166)	(33,989,209)	(31,999,766)
Net Capital Assets	$ 56,713,360	$ 45,854,900	$ 102,568,260	$ 97,572,337

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

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 $5,452,210

> Machinery, equipment, and furniture additions included computer replacements and police and fire safety equipment. The major building project in 2010 was the Fitchburg Public Library.

Business-type Activities

> The net water utility capital asset deductions were $8,707.

> Deletions were mostly a result of abandoning Well #9.

> The net sewer system capital asset additions were $3,941.

> The net storm water capital asset additions were $260,736.

> Water and sewer work in process at year-end include Rolfsmeyer Road Sanitary and future Glacier Valley improvements.

> The storm water utility work in process includes the preliminary assessment of Area H, Tower Hill Greenway and Apache Drive wet pond.

> There were 15 water services, and no sanitary sewer services added during 2010.

> There were 1,735 feet of water main added in 2010 bringing the total footage to 494,370 feet which is just over 93.6 miles of water main.

LONG-TERM DEBT

At December 31, 2010, the city had $25,297,632, 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, 2010 increased by $5,554,575 due to borrowing for capital costs including two fire trucks and an addition to the community center, and the balance of planned construction costs for the city's first library in the amount of $4,995,000.

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, 2010 was $126,231,390. Total general obligation debt outstanding at year-end was $25,297,632. Therefore, the city was at 20 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 2010, the city was at 33.4 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 2010 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 2010, scheduled payments were able to be made on the development agreements with the exception of a partial principal payment on TID #4. A similar development agreement related to TID Number 6 was approved during 2009, with a first payment made. During 2009, TID Number 8 had a base value certified. No projects for this TID were started during 2009 or 2010.

At the end of 2010, the city was close to getting approval for a second amendment to TID #4. This amendment involves a developer agreement with Green Tech and Tech Lands for development of the Nine Springs Property which with development of FTC I (original TID) and FTC II will ultimately have a minimum value increment of $44,000,000. The new closing date for this TID is projected to be 2025. The City's main investment in the amended TID will be the construction of an interchange at Hwy 14.

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. Operating costs were reduced and construction of the library is underway with opening scheduled for July, 2011. During 2009, the city borrowed $5,000,000 toward construction and furnishing of the library. During 2010, the city borrowed the planned second installment in the amount of $4,995,000. The balance of the projected cost of $14,000,000 is to be accomplished with fund raising and that effort is still underway with approximately three quarters of the funds either pledged or collected.

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, 2010

	Governmental Activities	Business-type Activities	Totals	Component Unit
ASSETS				
Cash and investments	$ 19,417,075	$ 2,323,905	$ 21,740,980	$ 579,714
Receivables (net)				
Taxes receivable	20,544,546	-	20,544,546	-
Delinquent personal property taxes	87,441	-	87,441	-
Accounts	2,149,888	1,092,335	3,242,223	52,117
Loans	-	-	-	144,940
Accrued interest	18,158	1,417	19,575	-
Special assessments	769,104	181,167	950,271	-
Delinquent special assessments	52,740	-	52,740	-
Land contract	18,277	-	18,277	-
Internal balances	1,258,623	(1,258,623)	-	-
Inventories	-	38,022	38,022	-
Prepaid items	997,865	-	997,865	3,447
Investment in joint venture	286,733	-	286,733	-
Capital assets				
Land	11,778,388	3,302,843	15,081,231	-
Construction in progress	5,516,330	72,098	5,588,428	-
Land improvements	412,878	-	412,878	-
Buildings	12,095,289	-	12,095,289	-
Machinery and equipment	8,494,605	-	8,494,605	-
Utility plant	-	56,440,125	56,440,125	-
Infrastructure	38,444,913	-	38,444,913	-
Less Accumulated depreciation	(20,029,043)	(13,960,166)	(33,989,209)	-
Total Assets	102,313,810	48,233,123	150,546,933	780,218
LIABILITIES				
Accounts payable	2,639,010	486,643	3,125,653	24,020
Accrued liabilities	998,444	536,617	1,535,061	-
Due to other governmental units	26,115	-	26,115	-
Deposits	52,403	-	52,403	-
Unearned revenue	20,442,293	-	20,442,293	-
Noncurrent liabilities				
Due within one year	2,404,028	108,021	2,512,049	-
Due in more than one year	23,658,717	697,251	24,355,968	-
Total Liabilities	50,221,010	1,828,532	52,049,542	24,020
NET ASSETS				
Invested in capital assets, net of related debt	41,471,524	45,169,405	85,490,929	-
Restricted for				
Debt service	267,453	-	267,453	-
Park and recreational impact fees	455,838	-	455,838	-
Cable TV	550,823	-	550,823	-
Library	17,922	-	17,922	-
Library project	1,062,928	-	1,062,928	-
Unrestricted	8,266,312	1,235,186	10,651,498	756,198
TOTAL NET ASSETS	$ 52,092,800	$ 46,404,591	$ 98,497,391	$ 756,198

See accompanying notes to financial statements.

CITY OF FITCHBURG

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	$ 3,873,747	$ 78,971	$ 101,250	$ -
Public safety	9,532,990	815,662	100,615	44,512
Public works	5,284,437	733,364	948,424	1,062,579
Health and human services	372,777	-	-	-
Culture, education and recreation	1,610,606	157,660	-	-
Conservation and development	1,579,305	65,442	-	-
Interest and fiscal charges	862,136	-	-	-
Total Governmental Activities	23,115,998	1,851,099	1,150,289	1,107,091
Business-type Activities				
Utility District No. 1	3,421,216	3,737,204	-	106,973
Stormwater Utility	812,722	839,242	-	86,767
Total Business-type Activities	4,233,938	4,576,446	-	193,740
Total Primary Government	$ 27,349,936	$ 6,427,545	$ 1,150,289	$ 1,300,831
Component Unit				
Community development authority	$ 257,615	$ -	$ -	$ -

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
Property taxes, levied for library purposes
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

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
$ (3,693,526)	$ -	$ (3,693,526)	$ -
(8,572,201)	-	(8,572,201)	-
(2,540,070)	-	(2,540,070)	-
(372,777)	-	(372,777)	-
(1,452,946)	-	(1,452,946)	-
(1,513,863)	-	(1,513,863)	-
(862,136)	-	(862,136)	-
(19,007,519)	-	(19,007,519)	-
-	422,961	422,961	-
-	113,287	113,287	-
-	536,248	536,248	-
(19,007,519)	536,248	(18,471,271)	-
-	-	-	(257,615)
11,851,560	-	11,851,560	-
1,391,109	-	1,391,109	-
1,006,298	-	1,006,298	-
2,493,218	-	2,493,218	-
132,035	-	132,035	-
69,688	-	69,688	220,348
1,209,485	-	1,209,485	-
1,145,769	-	1,145,769	-
230,056	24,595	254,651	10,314
644,299	-	644,299	16,849
524,769	(524,769)	-	-
20,698,286	(500,174)	20,198,112	247,511
1,690,767	36,074	1,726,841	(10,104)
50,402,033	46,368,517	96,770,550	766,302
$ 52,092,800	$ 46,404,591	$ 98,497,391	$ 756,198

See accompanying notes to financial statements.

CITY OF FITCHBURG

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010

	General	General Debt Service	General Capital Projects
ASSETS			
Cash and investments	$ 4,005,349	$ 820,365	$ 11,317,777
Receivables			
Taxes	11,963,502	2,528,532	922,069
Delinquent personal property taxes	87,441	-	-
Accounts	1,334,581	-	747,769
Interest	18,158	-	-
Special assessments	2,879	766,225	-
Delinquent special assessments	52,740	-	-
Land contract	18,277	-	-
Due from other funds	192,700	-	-
Advances to other funds	-	-	1,150,000
Prepaid items	189,177	150	807,452
TOTAL ASSETS	$ 17,864,804	$ 4,115,272	$ 14,945,067
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 249,744	$ -	$ 2,337,544
Accrued liabilities	439,734	-	-
Due to other funds	-	-	-
Due to other governments	26,115	-	-
Deposits	52,403	-	-
Deferred revenue	11,901,084	2,528,532	1,662,770
Deferred special assessment revenues	2,879	766,225	-
Advances from other funds	-	-	-
Total Liabilities	12,671,959	3,294,757	4,000,314
Fund Balances			
Reserved			
Reserved for advances to other funds and non-current receivables	139,894	-	1,150,000
Payment in lieu of taxes	524,769	-	-
Prepaid items	189,177	-	807,452
Debt service	-	820,515	-
Encumbrances	-	-	6,424,905
Unreserved, reported in:			
General fund designated	105,000	-	-
General fund undesignated	4,234,005	-	-
Special revenue funds undesignated	-	-	-
Capital projects funds undesignated	-	-	2,562,396
Total Fund Balances	5,192,845	820,515	10,944,753
TOTAL LIABILITIES AND FUND BALANCES	$ 17,864,804	$ 4,115,272	$ 14,945,067

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
$ 3,273,584	$ 19,417,075
5,130,443	20,544,546
-	87,441
67,538	2,149,888
-	18,158
-	769,104
-	52,740
-	18,277
-	192,700
38,342	1,188,342
1,086	997,865
$ 8,510,993	$ 45,436,136
$ 51,722	$ 2,639,010
5,648	445,382
84,077	84,077
-	26,115
-	52,403
5,130,443	21,222,829
-	769,104
38,342	38,342
5,310,232	25,277,262
38,342	1,328,236
-	524,769
1,086	997,715
-	820,515
-	6,424,905
-	105,000
-	4,234,005
1,385,979	1,385,979
1,775,354	4,337,750
3,200,761	20,158,874
$ 8,510,993	$ 45,436,136

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, 2010

Total Fund Balances - Governmental Funds	$ 20,158,874
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.	56,713,360
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. See Note IV.B	1,549,640
The city's equity interest in joint ventures is reported on the statement of net assets.	286,733
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.	(26,615,807)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 52,092,800

See accompanying notes to financial statements.

CITY OF FITCHBURG

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	General	General Debt Service	General Capital Projects	Nonmajor Governmental Funds
REVENUES				
Taxes	$ 11,930,122	$ 1,391,109	$ 1,006,298	$ 2,625,253
Intergovernmental	1,849,077	-	383,623	332,225
Licenses and permits	264,554	-	-	260,096
Fines, forfeitures and penalties	293,106	-	-	12,740
Public charges for services	231,907	-	-	711,214
Special assessments	4,684	45,642	-	-
Investment income	178,576	7,606	29,238	6,317
Intergovernmental charges for services	143,461	-	-	-
Miscellaneous	341,742	54,180	1,212,387	22,943
Total Revenues	15,237,229	1,498,537	2,631,546	3,970,788
EXPENDITURES				
Current				
General government	3,092,896	-	-	-
Public safety	8,698,273	-	-	41,950
Health and human services	367,967	-	-	-
Public works	1,789,077	-	-	764,718
Culture, recreation and education	941,664	-	-	416,783
Conservation and development	591,727	-	-	-
Capital Outlay	-	-	9,414,797	1,198,570
Debt Service				
Principal	-	1,861,010	-	-
Interest and fiscal charges	-	446,479	136,410	365
Total Expenditures	15,481,604	2,307,489	9,551,207	2,422,386
Excess (deficiency) of revenues over expenditures	(244,375)	(808,952)	(6,919,661)	1,548,402
OTHER FINANCING SOURCES (USES)				
Debt issued	-	-	7,545,000	-
Transfers in	542,769	771,893	183,000	-
Transfers out	(496,282)	-	(45,000)	(431,611)
Total Other Financing Sources (Uses)	46,487	771,893	7,683,000	(431,611)
Net Change in Fund Balances	(197,888)	(37,059)	763,339	1,116,791
FUND BALANCES - Beginning of Year	5,390,733	857,574	10,181,414	2,083,970
FUND BALANCES - END OF YEAR	$ 5,192,845	$ 820,515	$ 10,944,753	$ 3,200,761

See accompanying notes to financial statements.

Totals
$ 16,952,782
2,564,925
524,650
305,846
943,121
50,326
221,737
143,461
1,631,252
23,338,100
3,092,896
8,740,223
367,967
2,553,795
1,358,447
591,727
10,613,367
1,861,010
583,254
29,762,686
(6,424,586)
7,545,000
1,497,662
(972,893)
8,069,769
1,645,183
18,513,691
$ 20,158,874

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, 2010

Net change in fund balances - total governmental funds	$	1,645,183
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		10,613,367
Some items reported as capital outlay were not capitalized		(3,659,236)
Depreciation is reported in the government-wide financial statements		(1,461,038)
Net book value of assets retired		(40,883)
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.		686,504
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.		
Debt issued		(7,545,000)
Principal repaid		1,861,010
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		(66,694)
Accrued interest on debt		(278,882)
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.		(63,564)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	1,690,767

See accompanying notes to financial statements.

CITY OF FITCHBURG

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010

	Business-type Activities - Enterprise Funds		
	Utility District No. 1	Stormwater Utility	Totals
ASSETS			
Current Assets			
Cash and investments	$ 2,129,565	$ 194,340	$ 2,323,905
Receivables			
Accounts	922,961	169,374	1,092,335
Interest	1,417	-	1,417
Inventories	38,022	-	38,022
Advances to other funds	55,000	-	55,000
Total Current Assets	3,146,965	363,714	3,510,679
Noncurrent Assets			
Capital Assets			
Land and land rights	444,063	2,858,780	3,302,843
Construction in progress	23,843	48,255	72,098
Property and equipment	42,135,778	14,304,347	56,440,125
Less: Accumulated depreciation	(9,351,904)	(4,608,262)	(13,960,166)
Other Assets			
Special assessments receivable	138,475	42,692	181,167
Advances to other funds	288,750	-	288,750
Total Noncurrent Assets	33,679,005	12,645,812	46,324,817
Total Assets	36,825,970	13,009,526	49,835,496

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Utility District No. 1	Stormwater Utility	Totals
LIABILITIES			
Current Liabilities			
Accounts payable	$ 475,230	$ 11,413	$ 486,643
Accrued wages	8,308	2,096	10,404
Accrued taxes	524,769	-	524,769
Accrued interest	-	1,444	1,444
Due to other funds	-	108,623	108,623
Compensated absences (current portion)	6,909	1,232	8,141
Current portion of advances	-	55,000	55,000
General obligation bonds and notes payable	-	99,880	99,880
Total Current Liabilities	1,015,216	279,688	1,294,904
Noncurrent Liabilities			
Long-Term Debt			
General obligation bonds payable	-	585,615	585,615
Advances from other funds	-	1,438,750	1,438,750
Compensated absences	93,624	18,012	111,636
Total Noncurrent Liabilities	93,624	2,042,377	2,136,001
Total Liabilities	1,108,840	2,322,065	3,430,905
NET ASSETS			
Invested in capital assets, net of related debt	33,251,780	11,917,625	45,169,405
Unrestricted (deficit)	2,465,350	(1,230,164)	1,235,186
TOTAL NET ASSETS	$ 35,717,130	$ 10,687,461	$ 46,404,591

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, 2010

	Business-type Activities - Enterprise Funds		
	Utility District No. 1	Stormwater Utility	Totals
OPERATING REVENUES	$ 3,737,204	$ 839,242	$ 4,576,446
OPERATING EXPENSES			
Operation and maintenance	2,654,183	361,263	3,015,446
Depreciation	767,033	411,741	1,178,774
Total Operating Expenses	3,421,216	773,004	4,194,220
Operating Income	315,988	66,238	382,226
NONOPERATING REVENUES (EXPENSES)			
Investment income	21,095	3,500	24,595
Interest expense	-	(39,718)	(39,718)
Total Nonoperating Revenues (Expenses)	21,095	(36,218)	(15,123)
Income Before Contributions and Transfers	337,083	30,020	367,103
CONTRIBUTIONS AND TRANSFERS			
Capital contributions	106,973	86,767	193,740
Transfers out - tax equivalent	(524,769)	-	(524,769)
Total Contributions and Transfers	(417,796)	86,767	(331,029)
Change in Net Assets	(80,713)	116,787	36,074
NET ASSETS - Beginning of Year	35,797,843	10,570,674	46,368,517
NET ASSETS - END OF YEAR	$ 35,717,130	$ 10,687,461	$ 46,404,591

See accompanying notes to financial statements.

CITY OF FITCHBURG

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010

	Business-type Activities - Enterprise Funds		
	Utility District No. 1	Stormwater Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	$ 3,747,984	$ 834,215	$ 4,582,199
Received from municipality	-	-	-
Paid to suppliers for goods and services	(2,546,685)	(244,428)	(2,791,113)
Paid to employees for services	(133,879)	(136,013)	(269,892)
Net Cash Flows From Operating Activities	1,067,420	453,774	1,521,194
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	24,351	3,500	27,851
Net Cash Flows From Investing Activities	24,351	3,500	27,851
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Paid to municipality for tax equivalent	(461,417)	-	(461,417)
Repayment of advances to other funds	55,000	-	55,000
Advance from water	-	(55,000)	(55,000)
Net Cash Flows From Noncapital Financing Activities	(406,417)	(55,000)	(461,417)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	-	(129,415)	(129,415)
Interest paid	-	(42,974)	(42,974)
Special assessments received	115,509	10,149	125,658
Acquisition and construction of capital assets	(79,969)	(448,313)	(528,282)
Capital contributions received	9,359	-	9,359
Net Cash Flows From Capital and Related Financing Activities	44,899	(610,553)	(565,654)
Net Change in Cash and Cash Equivalents	730,253	(208,279)	521,974
CASH AND CASH EQUIVALENTS - Beginning of Year	1,399,312	402,619	1,801,931
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,129,565	$ 194,340	$ 2,323,905

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	$ 315,988	$ 66,238	$ 382,226
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities			
Depreciation	767,033	411,741	1,178,774
Depreciation charged to other funds	35,880	-	35,880
Changes in assets and liabilities			
Accounts receivable	(25,085)	(5,027)	(30,112)
Other accounts receivable	(16)	-	(16)
Inventories	(967)	-	(967)
Accounts payable	(27,489)	(5,688)	(33,177)
Compensated absences	1,182	(306)	876
Due to other funds	-	(13,330)	(13,330)
Accrued wages	894	146	1,040
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 1,067,420	$ 453,774	$ 1,521,194
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Developer financed additions to plant	$ 29,850	$ 86,767	
New special assessments	$ 67,764	$ -	

See accompanying notes to financial statements.

CITY OF FITCHBURG

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
December 31, 2010

	Agency Fund
ASSETS	
Cash and investments	$ 22,859,843
Tax roll receivable	15,555,621
TOTAL ASSETS	$ 38,415,464
LIABILITIES	
Due to other taxing units	$ 38,415,464
TOTAL LIABILITIES	$ 38,415,464

See accompanying notes to financial statements.

CITY OF FITCHBURG

INDEX TO NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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.H. 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, 2010. The CDA does not issue separate financial statements.

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% 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% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.

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.

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	Cable TV
Recycling and Refuse Collection	Cemetery
Park Dedication	Library Services

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. 4
Tax Incremental District (TID) No. 6
Tax Incremental District (TID) No. 7
Tax Incremental District (TID) No. 8

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

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board guidance 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.

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 guidance 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.

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, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.

c. Bonds or securities issued or guaranteed by the federal government.

d. The local government investment pool.

e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.

f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.

g. Repurchase agreements with public depositories, with certain conditions.

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

D. Assets, Liabilities, and Net Assets or Equity (cont.)

1. Deposits and Investments (cont.)

The city has adopted an investment policy. That policy contains the following guidelines for allowable investments. Custodial credit risk - A maximum of $500,000 may be invested at any one financial institution, except the Local Government Investment Pool, unless properly collateralized by federal government securities having a market value of 100% of the investment or collateralization shall have been waived by the City Council. Concentration of credit risk - With the exception of U.S. Treasury securities and the Local Government Investment Pool, no more than 40% of the city's total investment portfolio should be invested in a single security type or with a single financial institution for extended periods of time.

No policy exists for the following risks:

Credit risk
Interest rate 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, 2010, 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.

The Madison Community Foundation ("foundation") is a community endowment fund. The foundation is not registered with the Securities and Exchange Commission. It constitutes a contractual agreement between the city and the foundation with respect to investment of city assets. The foundation reports the fair value of its underlying assets annually. At December 31, 2010, the fair value of the foundation's assets was substantially equal to the city's share as reported in Note IV.A.

See Note IV. A. for further information.

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

D. Assets, Liabilities, and Net Assets or Equity (cont.)

2. Receivables

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

Property tax calendar - 2010 tax roll:

Lien date and levy date	December 2010
Tax bills mailed	December 2010
Payment in full, or	January 31, 2011
First installment due	January 31, 2011
Second installment due	July 31, 2011
Personal property taxes in full	January 31, 2011
Tax sale - 2010 delinquent real estate taxes	October 2013

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.

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 $10,000 for general capital assets and $10,000 for infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. 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 depreciationdepreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	50	Years
Land Improvements	30	Years
Machinery and Equipment	5-15	Years
Utility System	15-100	Years
Infrastructure	15-50	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.

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 $82,174. The number of participants currently eligible to receive benefits is six. The total amount outstanding at year end to be paid in the future is $88,151 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, 2010, 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.

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 $795,000, made up of one issue.

The city has approved Midwest Disaster Area Bonds for the benefit of private business enterprises. They 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 bonds outstanding at the end of the year is approximately $5,000,000, 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. The liability and expenditure for claims and judgments is only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

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."

The net asset section includes an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column. The amount is a reduction of "invested in capital assets, net of related debt", and an increase in "unrestricted" net assets, shown only in the total column. A reconciliation of this adjustment is as follows:

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

D. Assets, Liabilities, and Net Assets or Equity (cont.)

8. Equity Classifications (cont.)

Government-Wide Statements (cont.)

	Governmental Activities	Business-type Activities	Adjustment	Total
Invested in capital assets, net of related debt	$ 41,471,524	$ 45,169,405	$ (1,150,000)	$ 85,490,929
Unrestricted	8,266,312	1,235,186	1,150,000	10,651,498

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

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. 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.

9. Basis for Existing Rates

Water Utility

Current water rates were approved by the Public Service Commission of Wisconsin on September 1, 2010.

Sewer Utility

Current sewer rates were approved by the City Council and they are updated every year based on treatment cost. The new rates are effective on January 1st of each year.

Stormwater Utility

On November 10, 2009, the City Council approved an annual increase in rates of 5% for 2009-2012.

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

A. *Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net 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	$	11,778,388
Construction in progress		5,516,330
Land improvements		412,878
Buildings		12,095,289
Machinery and equipment		8,494,605
Infrastructure		38,444,913
Less: Accumulated depreciation		(20,029,043)
Combined Adjustment for Capital Assets	$	56,713,360

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	$	24,612,137
Compensated absences		1,450,608
Accrued interest		553,062
Combined Adjustment for Long-Term Liabilities	$	26,615,807

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, and municipal building funds. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

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

A. Budgetary Information (cont.)

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.

B. Excess Expenditures Over Appropriations

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
General debt service	$ 1,687,560	$ 2,307,489	$ 619,929

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, 2010, the following individual funds held a deficit balance:

Fund	Amount	Reason
Cemetery fund	$ 4,881	Expenditures in excess of revenues
Municipal building	12,462	Expenditures in excess of revenues
TID No. 7	40,262	Expenditures in excess of revenues
TID No. 8	31,353	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.

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

D. Limitations On The City's Tax Levy

As part of Wisconsin's Act 28 (2009), 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% for the 2009 levy collected in 2010 and 3% for the 2010 levy collected in 2011. 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 2010 levy.

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	$ 35,551,446	$ 33,506,201	Custodial credit
US agencies	1,074,857	1,074,857	Credit, custodial credit, concentration of credit, and interest rate
LGIP	7,489,855	7,489,855	Credit and interest rate
CLASS	735	735	Credit
Madison Community Foundation	1,062,928	1,062,928	Interest rate and credit
Petty cash	716	-	N/A
Total Deposits and Investments	$ 45,180,537	$ 43,134,576	

Reconciliation to financial statements	
Per statement of net assets	
Cash and investments - City	$ 21,740,980
Cash and investments - Component unit	579,714
Per statement of net assets- fiduciary funds	
Agency Fund	22,859,843
Total Deposits and Investments	$ 45,180,537

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.

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

A. Deposits and Investments (cont.)

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.

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

SIPC membership provides account protection up to a maximum of $500,000 per customer, of which $100,000 may be in cash. Additionally, through Lloyds of London, accounts have additional securities coverage of $99.5 million per customer, subject to a $500 million aggregate firm limit. $1,813,203 of the city's investments are covered by SIPC.

The city maintains collateral agreements with its banks. At December 31, 2010, the banks had pledged various government securities in the amount of $4,074,563 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, 2010, $26,747,686 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 26,747,686
Total	$ 26,747,686

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.

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

A. *Deposits and Investments* (cont.)

Credit Risk (cont.)

As of December 31, 2010, the city's investments were rated as follows:

Investment Type	Fitch Ratings
US Agencies	AAA
CLASS	AAA

The city also held investments in the following external pools which are not rated:

LGIP

Madison Community Foundation

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, 2010, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Net Assets
FHLMC	US Agency	5.00%

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, 2010, the city's investments were as follows:

Investment	Maturity Date	Call Date	Fair Value
FHLMC	7/27/2018	7/27/11	$ 330,577
FHLMC	6/30/2020	6/30/11	139,409
FNMA	10/27/2020	4/27/11	383,420
FHLB	10/29/2020	4/29/11	221,451
Total			$ 1,074,857

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

A. *Deposits and Investments* (cont.)

The city had $7,489,855 invested in the local government investment pool, which had a weighted average maturity of less than 6 months. The average maturity for the $1,062,928 held in the Madison Community Foundation was not available.

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

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	$ -	$ 20,442,293	$ 20,442,293
Special assessments not yet due	769,104	-	769,104
Land contract	18,277	-	18,277
Accrued interest	13,437	-	13,437
Omitted taxes	8,121	-	8,121
Accounts receivable	740,701	-	740,701
Total Deferred/Unearned Revenue for Governmental Funds	$ 1,549,640	$ 20,442,293	$ 21,991,933

C. *Capital Assets*

Capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	$ 11,426,459	$ 351,929	$ -	$ 11,778,388
Construction in progress	139,381	5,376,949	-	5,516,330
Total Capital Assets Not Being Depreciated	11,565,840	5,728,878	-	17,294,718

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

C. Capital Assets (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Capital assets being depreciated				
Land improvements	$ 412,878	$ -	$ -	$ 412,878
Buildings and improvements	12,095,289	-	-	12,095,289
Machinery and equipment	8,109,285	490,422	105,102	8,494,605
Streets	33,244,494	734,831	55,288	33,924,037
Sidewalks	2,815,937	-	-	2,815,937
Bikepath	524,648	-	-	524,648
Bridge	1,180,291	-	-	1,180,291
Total Capital Assets Being Depreciated	58,382,822	1,225,253	160,390	59,447,685
Total Capital Assets	69,948,662	6,954,131	160,390	76,742,403
Less: Accumulated depreciation for				
Land improvements	(332,759)	(8,587)	-	(341,346)
Buildings and improvements	(6,555,754)	(357,780)	-	(6,913,534)
Machinery and equipment	(4,585,988)	(478,127)	83,680	(4,980,435)
Streets	(6,690,967)	(537,791)	35,827	(7,192,931)
Sidewalks	(372,203)	(45,177)	-	(417,380)
Bikepath	(143,546)	(20,986)	-	(164,532)
Bridge	(6,295)	(12,590)	-	(18,885)
Total Accumulated Depreciation	(18,687,512)	(1,461,038)	119,507	(20,029,043)
Net Capital Assets Being Depreciated	39,695,310	(235,785)	40,883	39,418,642
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	$ 51,261,150	$ 5,493,093	$ 40,883	$ 56,713,360

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	$ 429,000
Public safety	267,916
Public works, which includes the depreciation of infrastructure	633,977
Leisure activities	130,145
Total Governmental Activities Depreciation Expense	$ 1,461,038

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

C. *Capital Assets* (cont.)

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
Water				
Capital assets not being depreciated/amortized				
Land and land rights	$ 349,186	$ -	$ 16,033	$ 333,153
Construction in progress	362,534	210,878	549,569	23,843
Total Capital Assets Not Being Depreciated/Amortized	711,720	210,878	565,602	356,996
Capital assets being depreciated/amortized				
Buildings and improvements	1,225,394	9,903	58,275	1,177,022
Machinery and equipment	1,932,818	267,643	178,366	2,022,095
Infrastructure	24,517,576	272,023	305,601	24,483,998
Total Capital Assets Being Depreciated/Amortized	27,675,788	549,569	542,242	27,683,115
Total Capital Assets	28,387,508	760,447	1,107,844	28,040,111
Less: Accumulated depreciation/amortization for				
Buildings and improvements	(342,460)	(38,437)	58,275	(322,622)
Machinery and equipment	(1,345,439)	(108,553)	178,366	(1,275,626)
Infrastructure	(4,757,599)	(471,366)	330,102	(4,898,863)
Total Accumulated Depreciation/Amortization	(6,445,498)	(618,356)	566,743	(6,497,111)
Net Capital Assets Being Depreciated/ Amortized	21,230,290	(68,787)	(24,501)	21,186,004
Net Water Plant	$ 21,942,010	$ 142,091	$ 541,101	$ 21,543,000

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

C. Capital Assets (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Sewer				
Capital assets not being depreciated/amortized				
Land and land rights	$ 110,910	$ -	$ -	$ 110,910
Total Capital Assets Not Being Depreciated/Amortized	110,910	-	-	110,910
Capital assets being depreciated/amortized				
Machinery and equipment	476,470	-	-	476,470
Infrastructure	13,775,195	3,941	-	13,779,136
Intangible	197,057	-	-	197,057
Total Capital Assets Being Depreciated/Amortized	14,448,722	3,941	-	14,452,663
Total Capital Assets	14,559,632	3,941	-	14,563,573
Less: Accumulated depreciation/amortization for				
Machinery and equipment	(453,506)	(3,169)	-	(456,675)
Infrastructure	(2,093,775)	(178,433)	-	(2,272,208)
Intangible	(122,954)	(2,956)	-	(125,910)
Total Accumulated Depreciation/Amortization	(2,670,235)	(184,558)	-	(2,854,793)
Net Capital Assets Being Depreciated/ Amortized	11,778,487	(180,617)	-	11,597,870
Net Sewer Plant	$ 11,889,397	$ (180,617)	$ -	$ 11,708,780

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

C. Capital Assets (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Stormwater				
Capital assets not being depreciated/amortized				
Land and land rights	$ 2,848,480	$ 10,300	$ -	$ 2,858,780
Construction in progress	32,551	272,914	257,210	48,255
Total Capital Assets Not Being Depreciated/Amortized	2,881,031	283,214	257,210	2,907,035
Capital assets being depreciated/amortized				
Buildings and improvements	1,210,862	14,108	-	1,224,970
Machinery and equipment	1,243,743	327,454	-	1,571,197
Infrastructure	11,340,665	167,515	-	11,508,180
Total Capital Assets Being Depreciated/Amortized	13,795,270	509,077	-	14,304,347
Total Capital Assets	16,676,301	792,291	257,210	17,211,382
Less: Accumulated depreciation/amortization for				
Buildings and improvements	(241,850)	(24,358)	-	(266,208)
Machinery and equipment	(206,523)	(49,402)	-	(255,925)
Infrastructure	(3,748,148)	(337,981)	-	(4,086,129)
Total Accumulated Depreciation/Amortization	(4,196,521)	(411,741)	-	(4,608,262)
Net Capital Assets Being Depreciated/ Amortized	9,598,749	97,336	-	9,696,085
Net Stormwater Plant	$ 12,479,780	$ 380,550	$ 257,210	$ 12,603,120
Business-type Capital Assets, Net of Accumulated Depreciation/Amortization	$ 46,311,187	$ 342,024	$ 798,311	$ 45,854,900

Depreciation expense was charged to functions as follows:

Business-type Activities	
Water	$ 582,474
Sewer	184,559
Storm	411,741
Total Business-type Activities Depreciation/Amortization Expense	$ 1,178,774

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

C. Capital Assets (cont.)

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

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. 7	$ 40,262	$ 40,262
General fund	TID No. 8	31,353	31,353
General fund	Municipal building	12,462	-
General fund	Utility District No. 1	108,623	-
Total - Fund Financial Statements		192,700	
Less: Fund eliminations		(84,077)	
Add: Interfund advances		1,150,000	
Total Internal Balances - Government-Wide Statement of Net Assets		$ 1,258,623	

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.

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.

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

D. *Interfund Receivables/Payables, Advances and Transfers* (cont.)

Advances (cont.)

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%. A repayment schedule has been established and requires the Stormwater Utility to make quarterly principal payments of $13,750 until the advance is paid.

The general capital projects fund is advancing funds to the Stormwater Utility. The purpose of the advance is for acquisition of land for the Stormwater Utility. No repayment schedule has been established.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
Park dedication fund	Cemetery	$ 38,342	$ 38,342
Utility District No. 1	Stormwater Utility	343,750	288,750
General capital projects fund	Stormwater Utility	1,150,000	1,150,000
Total - Fund Financial Statements		1,532,092	
Less: Fund eliminations		(382,092)	
Total - Interfund Advances		$ 1,150,000	

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

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:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General fund	Recycling and refuse	$ 18,000	Reimbursement for work done by the highway department
General fund	Utility District No. 1	524,769	Tax-equivalent
Debt service fund	General fund	496,282	Debt service
Debt service fund	Capital projects fund	45,000	Fire impact fees
Debt service fund	TID No. 4	228,098	Debt repayment on developer incentive - trust fund
Debt service fund	Recycling	2,513	Share of rent for space in city hall
Capital projects fund	Park dedication	183,000	Capital projects
Total - Fund Financial Statements		1,497,662	
Less: Fund eliminations		(972,893)	
Total Transfers - Government-Wide Statement of Activities		$ 524,769	

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.

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

E. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	$ 18,928,147	$ 7,545,000	$ 1,861,010	$ 24,612,137	$ 2,174,782
Sub-totals	18,928,147	7,545,000	1,861,010	24,612,137	2,174,782
Other Liabilities					
Vested compensated absences	1,383,914	280,655	213,961	1,450,608	229,246
Total Governmental Activities Long-Term Liabilities	$ 20,312,061	$ 7,825,655	$ 2,074,971	$ 26,062,745	$ 2,404,028
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	$ 814,910	$ -	$ 129,415	$ 685,495	$ 99,880
Other Liabilities					
Vested compensated absences	118,901	14,562	13,686	119,777	8,141
Total Business-type Activities Long-Term Liabilities	$ 933,811	$ 14,562	$ 143,101	$ 805,272	$ 108,021

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2010, was $126,231,390. Total general obligation debt outstanding at year end was $25,297,632.

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.

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

E. Long-Term Obligations (cont.)

General Obligation Debt (cont.)

Governmental Activities General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2010
2001 general obligation promissory note	8/1/01	8/1/11	3.50 - 4.60%	$ 3,067,648	$ 64,505
2002 general obligation promissory note	11/1/02	6/1/12	1.80 - 4.05%	2,986,047	710,000
2005 State Trust Fund Loan	6/23/05	3/15/15	4.00 %	500,000	271,552
2005 general obligation promissory note	8/1/05	8/1/15	2.80 - 3.70%	1,135,000	610,000
2005 general obligation refunding bonds	8/1/05	8/1/17	3.00 - 3.75%	5,888,920	4,365,000
2005 State Trust Fund Loan	8/26/05	3/15/15	4.00%	395,000	241,524
2007 general obligation promissory note	9/13/07	8/1/17	3.70-4.00%	860,000	595,000
2007 State Trust Fund Loan	11/16/07	3/15/17	5.25%	500,000	414,556
2009 general obligation promissory note	9/16/09	9/1/19	2.00-3.125%	5,295,000	4,795,000
2009 State Trust Fund Loan	9/1/09	3/15/29	5.50%	5,000,000	5,000,000
2010 taxable general obligation promissory note	11/18/10	11/1/20	0.65-3.60%	2,550,000	2,550,000
2010 taxable general obligation library bonds	11/18/10	11/1/30	0.70-5.25%	4,995,000	4,995,000
Total Governmental Activities - General Obligation Debt					$ 24,612,137

Business-type Activities General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2010
2001 general obligation promissory note	8/1/01	8/1/11	3.50 - 4.60%	$ 612,352	$ 85,495
2007 general obligation promissory note	9/13/07	8/1/17	3.70-4.00%	625,000	600,000
Total Business-type Activities - General Obligation Debt					$ 685,495

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:

	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
Years	Principal	Interest	Principal	Interest
2011	$ 2,174,782	$ 1,029,860	$ 99,880	$ 26,379
2012	2,396,624	832,496	35,615	22,563
2013	2,123,450	767,169	50,000	21,613
2014	2,170,488	706,488	100,000	19,688
2015	2,192,843	641,710	125,000	15,813
2016-2020	7,528,950	2,235,807	275,000	16,938
2021-2025	2,870,000	1,276,212	-	-
2026-2030	3,155,000	473,498	-	-
Totals	$ 24,612,137	$ 7,963,240	$ 685,495	$ 122,994

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.

F. *LEASE DISCLOSURES*

The city has no material leases as lessee or lessor.

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

G. Net Assets/Fund Balances

Net assets reported on the government wide statement of net assets at December 31, 2010, includes the following:

Governmental Activities

Invested in Capital Assets, Net of Related Debt	
Land	$ 11,778,388
Construction in progress	5,516,330
Other capital assets, net of accumulated depreciation	39,418,642
Less: Long-term debt outstanding	(24,612,137)
Plus: Unspent capital related debt proceeds	5,963,857
Plus: Non-capital debt proceeds	3,406,444
Total Invested in Capital Assets, Net of Related Debt	41,471,524
Restricted	
Debt service	267,453
Park and recreational impact fees	455,838
Cable TV	550,823
Library	17,922
Library project	1,062,928
Total Restricted	2,354,964
Unrestricted	8,266,312
Total Governmental Activities Net Assets	$ 52,092,800

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2010, include the following:

Reserved	
Major Funds	
General Fund	
Noncurrent receivables, advances and interfunds	$ 139,894
Payment in lieu of taxes	524,769
Prepaid items	189,177
Total	$ 853,840
General Debt Service Fund	
Reserved for debt service	$ 820,515

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

G. Net Assets/Fund Balances (cont.)

Governmental Funds (cont.)

Reserved (cont.)		
General Capital Projects Fund		
Reserved for encumbrances	$	6,424,905
Prepaids		807,452
Noncurrent interfunds		1,150,000
Total	$	8,382,357
Non-Major Funds		
Special Revenue Funds		
Drug enforcement and training - prepaid items	$	1,086
Park dedication - advances		38,342
Total Non-Major Funds	$	39,428
Unreserved (designated)		
Major Fund		
General Fund		
Designated for employee retirement	$	105,000
Unreserved (undesignated) (deficit)		
Major Funds		
General fund	$	4,234,005
General capital projects fund		2,562,396
Total	$	6,796,401
Non-Major Funds		
Special Revenue Funds		
Drug enforcement and training	$	55,703
Recycling and refuse collection		348,916
Park dedication		512,481
Cable TV		455,838
Cemetery (deficit)		(4,881)
Library services		17,922
Total	$	1,385,979

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

G. *Net Assets/Fund Balances* (cont.)

Governmental Funds (cont.)

Unreserved (undesignated) (deficit) (cont.)

Non-Major Funds (cont.)		
Capital Projects Funds		
Municipal building (deficit)	$	(12,462)
TID No. 4		1,316,766
TID No. 6		542,665
TID No. 7 (deficit)		(40,262)
TID No. 8 (deficit)		(31,353)
Total	$	1,775,354

Business-type Activities

Invested in capital assets, net of related debt		
Land	$	3,302,843
Construction in progress		72,098
Other capital assets, net of accumulated depreciation		42,479,959
Less: Long-term debt outstanding		(685,495)
Total Invested in Capital Assets, Net of Related Debt		45,169,405
Unrestricted		1,235,186
Total Business-type Activities Net Assets	$	46,404,591

H. *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.

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

H. *Component Unit* (cont.)

HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY (cont.)

b. Deposits and Investments

At year end, the carrying amount of the CDA's deposits was $579,714 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, 2010, the CDA's loans receivable balance was $144,940.

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 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% for Protective Occupations with Social Security, and 3.9% 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, 2010, was $8,659,805; the employer's total payroll was $8,921,286. The total required contribution for the year ended December 31, 2010, was $1,163,083 or 13.4% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2009, and 2008 were $1,069,603 and $955,339, 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.

NOTE V - OTHER INFORMATION (cont.)

A. Employees' Retirement System (cont.)

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, 2010 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.

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.

NOTE V - OTHER INFORMATION (cont.)

C. Commitments and Contingencies (cont.)

In 2007, 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 $1,374,851.

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 $1,876,212.

In 2009, the city issued a municipal revenue obligation as part of a development agreement. The amount of the obligation was $3,500,000, and is payable to the developers solely from tax increments collected from specific portions of the development in TIF No. 6.

Payments are scheduled through the year 2017 and carry an interest rate of 6.5%. 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 $3,137,135.

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 2010 of $417,326. 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, City of Middleton, and City of Verona 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 City of Verona joined the commission in 2009. 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 $202,216 in 2010. 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.

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 $31,943 in 2010. 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. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; Statement No. 61, *The Financial Reporting Entity: Omnibus*; and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*. 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, 2010

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
TAXES			
General property taxes	$ 11,890,612	$ 11,851,560	$ (39,052)
Mobile home lottery credit and parking fees	5,000	3,710	(1,290)
Public accommodation (room) taxes	26,040	20,146	(5,894)
Other taxes	17,000	42,685	25,685
Interest and penalties on taxes	7,000	12,021	5,021
Total Taxes	11,945,652	11,930,122	(15,530)
INTERGOVERNMENTAL REVENUES			
State shared revenues	696,719	716,724	20,005
Payments for municipal services	66,400	58,269	(8,131)
State aid - general transportation aids	783,249	783,501	252
State aid - DNR lands	17,500	18,587	1,087
Fire insurance tax (2% fire dues)	71,500	73,359	1,859
State aid - exempt computer aid	175,000	150,997	(24,003)
Federal aid - land	4,000	-	(4,000)
Federal aid - fire	230,813	-	(230,813)
County aid - senior	32,450	33,286	836
Other police grants	14,250	14,354	104
Total Intergovernmental Revenues	2,091,881	1,849,077	(242,804)
LICENSES AND PERMITS			
Business and occupational licenses	36,000	37,579	1,579
Other nonbusiness licenses	8,600	9,541	941
Building permits	175,000	158,605	(16,395)
Zoning permits and fees	34,200	52,717	18,517
Other regulatory permits and fees	3,500	6,112	2,612
Total Licenses and Permits	257,300	264,554	7,254
FINES AND FORFEITURES			
Law and ordinance violations	332,000	293,106	(38,894)
PUBLIC CHARGES FOR SERVICES			
General government	19,500	10,601	(8,899)
Public safety	13,400	18,347	4,947
Engineering	5,000	23,349	18,349
Senior program fees	7,100	14,629	7,529
Recreation programs	125,000	121,805	(3,195)
Shelter and rental fees	22,000	15,313	(6,687)
Other public charges for services	1,000	27,863	26,863
Total Public Charges for Services	193,000	231,907	38,907

See independent 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, 2010

	Original and Final Budget	Actual	Variance with Final Budget
SPECIAL ASSESSMENTS			
Interest on delinquent special assessments	$ 2,500	$ 4,684	$ 2,184
INVESTMENT INCOME			
Investment income	150,100	178,576	28,476
INTERGOVERNMENTAL CHARGES FOR SERVICES			
Local - emergency services	58,823	75,472	16,649
Administration charges to utilities	73,000	67,989	(5,011)
Total Intergovernmental Charges for Services	131,823	143,461	11,638
MISCELLANEOUS			
Rental of city buildings	31,500	20,099	(11,401)
Cemetery	1,000	30	(970)
WPRA ticket commission	500	274	(226)
Land rental and leases	6,000	6,000	-
Donations	4,000	2,596	(1,404)
Refund of prior year expenditures	50,000	64,443	14,443
Reimbursement from stormwater	120,000	81,948	(38,052)
Maintenance facility reimbursement from utility	500	1,435	935
Worker's compensation reimbursement	-	25,884	25,884
Property sales	300	100	(200)
Senior advertising sales	2,500	3,270	770
Reimbursement from TIFs	2,500	19,563	17,063
Insurance recoveries	-	44,399	44,399
Transfer from CDA	42,440	42,440	-
EMS rental	2,795	5,095	2,300
Tower lease	15,876	15,876	-
Other miscellaneous	2,500	8,290	5,790
Total Miscellaneous	282,411	341,742	59,331
Total Revenues	15,386,667	15,237,229	(149,438)

See independent 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, 2010

	Original and Final Budget	Actual	Variance with Final Budget
EXPENDITURES			
GENERAL GOVERNMENT			
Mayor and city council	$ 92,891	$ 89,819	$ 3,072
Administrator	359,251	331,795	27,456
Municipal court	159,649	142,460	17,189
Clerk's office	352,587	339,564	13,023
Treasurer's office	254,588	251,462	3,126
Information technology	375,183	368,813	6,370
Assessment of property	368,609	367,769	840
Accounting and auditing	35,000	39,378	(4,378)
Legal counsel	187,885	166,742	21,143
New city hall	320,028	319,771	257
City hall	14,000	13,923	77
Other buildings - safety	32,600	37,834	(5,234)
Other buildings - fire	39,650	29,287	10,363
Other buildings - maintenance	54,000	41,532	12,468
Employee bonds	1,265	1,265	-
Property and liability insurance	346,855	314,786	32,069
Office supplies	16,000	15,633	367
Police evidence processing facility	4,500	5,054	(554)
Taxes paid by city	14,000	-	14,000
Illegal taxes	-	10,578	(10,578)
Miscellaneous	21,026	84,936	(63,910)
Employee retirement reserve	50,000	74,895	(24,895)
Merit pay	600	600	-
Professional services	45,000	45,000	-
Contingency	25,000	-	25,000
Total General Government	3,170,167	3,092,896	77,271
PUBLIC SAFETY			
Law enforcement	5,539,844	5,370,141	169,703
Fire suppression and prevention	2,377,183	2,319,374	57,809
Joint public safety system	210,606	202,216	8,390
Building inspection	391,555	383,991	7,564
EMS district	417,926	417,626	300
Weights and measures	3,600	3,600	-
Other public safety	1,925	1,325	600
Total Public Safety	8,942,639	8,698,273	244,366
HEALTH AND SOCIAL SERVICES			
Senior citizens program	376,491	367,967	8,524

CITY OF FITCHBURG

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2010

	Original and Final Budget	Actual	Variance with Final Budget
PUBLIC WORKS			
Mass transit - bus subsidy	$ 378,555	$ 378,665	$ (110)
Highway department	1,450,625	1,410,412	40,213
Total Public Works	1,829,180	1,789,077	40,103
CULTURE, EDUCATION AND RECREATION			
Library	-	72	(72)
Parks	598,292	614,455	(16,163)
Community center	63,358	57,176	6,182
Recreation programs and events	261,427	269,961	(8,534)
Total Culture, Education and Recreation	923,077	941,664	(18,587)
CONSERVATION AND DEVELOPMENT			
Zoning	418,381	401,904	16,477
Economic and community development	193,356	189,823	3,533
Total Conservation and Development	611,737	591,727	20,010
Total Expenditures	15,853,291	15,481,604	371,687
Excess (deficiency) of revenues over (under) expenditures	(466,624)	(244,375)	222,249
OTHER FINANCING SOURCES (USES)			
Transfers in	466,624	542,769	76,145
Transfers out	-	(496,282)	(496,282)
Net Change in Fund Balance	-	(197,888)	(197,888)
FUND BALANCE - Beginning of Year	5,390,733	5,390,733	-
FUND BALANCE - END OF YEAR	$ 5,390,733	$ 5,192,845	$ (197,888)

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

CITY OF FITCHBURG

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2010

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:

	Final Budget	Expenditures	Excess
General Fund			
Accounting and auditing	$ 35,000	$ 39,378	$ 4,378
Other buildings - safety	32,600	37,834	5,234
Police evidence processing facility	4,500	5,054	554
Illegal taxes	-	10,578	10,578
Miscellaneous	21,026	84,936	63,910
Employee retirement reserve	50,000	74,895	24,895
Mass transit - bus subsidy	378,555	378,665	110
Library	-	72	72
Parks	598,292	614,455	16,163
Recreation programs and events	261,427	269,961	8,534

See independent auditors' report.

SUPPLEMENTARY INFORMATION

CITY OF FITCHBURG

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2010

	Special Revenue Funds				
	Drug Enforcement and Training	Recycling and Refuse Collection	Park Dedication	Cable TV	Cemetery
ASSETS					
Cash and investments	$ 57,659	$ 397,138	$ 512,481	$ 391,960	$ 33,461
Taxes receivable	-	709,368	-	-	-
Accounts receivable	-	-	-	67,538	-
Advances to other funds	-	-	38,342	-	-
Prepaid items	1,086	-	-	-	-
TOTAL ASSETS	$ 58,745	$ 1,106,506	$ 550,823	$ 459,498	$ 33,461
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 1,956	$ 45,662	$ -	$ 1,801	$ -
Accrued liabilities	-	2,560	-	1,859	-
Due to other funds	-	-	-	-	-
Deferred revenues	-	709,368	-	-	-
Advances from other funds	-	-	-	-	38,342
Total Liabilities	1,956	757,590	-	3,660	38,342
Fund Balances					
Reserved for					
Advances to other funds	-	-	38,342	-	-
Prepaid items	1,086	-	-	-	-
Undesignated (deficit)	55,703	348,916	512,481	455,838	(4,881)
Total Fund Balances (Deficit)	56,789	348,916	550,823	455,838	(4,881)
TOTAL LIABILITIES AND FUND BALANCES	$ 58,745	$ 1,106,506	$ 550,823	$ 459,498	$ 33,461

Special Revenue Fund	Capital Projects Funds					
Library Services	Municipal Building	TID No. 4	TID No. 6	TID No. 7	TID No. 8	Total Nonmajor Governmental Funds
$ 21,454	$ -	$ 1,316,766	$ 542,665	$ -	$ -	$ 3,273,584
1,613,696	-	1,534,783	1,157,011	103,215	12,370	5,130,443
-	-	-	-	-	-	67,538
-	-	-	-	-	-	38,342
-	-	-	-	-	-	1,086
$ 1,635,150	$ -	$ 2,851,549	$ 1,699,676	$ 103,215	$ 12,370	$ 8,510,993
$ 2,303	$ -	$ -	$ -	$ -	$ -	$ 51,722
1,229	-	-	-	-	-	5,648
-	12,462	-	-	40,262	31,353	84,077
1,613,696	-	1,534,783	1,157,011	103,215	12,370	5,130,443
-	-	-	-	-	-	38,342
1,617,228	12,462	1,534,783	1,157,011	143,477	43,723	5,310,232
-	-	-	-	-	-	38,342
-	-	-	-	-	-	1,086
17,922	(12,462)	1,316,766	542,665	(40,262)	(31,353)	3,161,333
17,922	(12,462)	1,316,766	542,665	(40,262)	(31,353)	3,200,761
$ 1,635,150	$ -	$ 2,851,549	$ 1,699,676	$ 103,215	$ 12,370	$ 8,510,993

CITY OF FITCHBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	Special Revenue Funds				
	Drug Enforcement and Training	Recycling and Refuse Collection	Park Dedication	Cable TV	Cemetery
REVENUES					
Taxes	$ -	$ -	$ -	$ -	$ -
Intergovernmental	12,902	149,344	-	-	-
Licenses and permits	-	-	-	260,096	-
Fines, forfeitures and penalties	12,740	-	-	-	-
Public charges for services	-	705,331	350	2,653	2,880
Investment income	-	-	1,665	1,225	-
Miscellaneous	16,086	4,282	-	-	-
Total Revenues	41,728	858,957	2,015	263,974	2,880
EXPENDITURES					
Current					
Public safety	41,950	-	-	-	-
Public works	-	764,718	-	-	-
Culture, recreation and education	-	-	-	295,967	-
Capital Outlay	-	-	-	-	-
Debt Service					
Debt Service	-	-	-	-	-
Total Expenditures	41,950	764,718	-	295,967	-
Excess (deficiency) of revenues over expenditures	(222)	94,239	2,015	(31,993)	2,880
OTHER FINANCING USES					
Transfers out	-	(20,513)	(183,000)	-	-
Total Other Financing Uses	-	(20,513)	(183,000)	-	-
Net Change in Fund Balances	(222)	73,726	(180,985)	(31,993)	2,880
FUND BALANCES (DEFICIT) - Beginning of Year	57,011	275,190	731,808	487,831	(7,761)
FUND BALANCES (DEFICIT) - END OF YEAR	$ 56,789	$ 348,916	$ 550,823	$ 455,838	$ (4,881)

Special Revenue Fund	Capital Project Funds					
Library Services	Municipal Building	TID No. 4	TID No. 6	TID No. 7	TID No. 8	Total Nonmajor Governmental Funds
$ 132,035	$ -	$ 1,467,819	$ 889,866	$ 135,533	$ -	$ 2,625,253
-	-	115,882	47,821	6,276	-	332,225
-	-	-	-	-	-	260,096
-	-	-	-	-	-	12,740
-	-	-	-	-	-	711,214
29	-	2,342	1,056	-	-	6,317
2,575	-	-	-	-	-	22,943
134,639	-	1,586,043	938,743	141,809	-	3,970,788
-	-	-	-	-	-	41,950
-	-	-	-	-	-	764,718
120,816	-	-	-	-	-	416,783
-	-	528,217	666,806	2,166	1,381	1,198,570
-	-	-	-	285	80	365
120,816	-	528,217	666,806	2,451	1,461	2,422,386
13,823	-	1,057,826	271,937	139,358	(1,461)	1,548,402
-	-	(228,098)	-	-	-	(431,611)
-	-	(228,098)	-	-	-	(431,611)
13,823	-	829,728	271,937	139,358	(1,461)	1,116,791
4,099	(12,462)	487,038	270,728	(179,620)	(29,892)	2,083,970
$ 17,922	$ (12,462)	$ 1,316,766	$ 542,665	$ (40,262)	$ (31,353)	$ 3,200,761

CITY OF FITCHBURG

STATEMENT OF CASH FLOWS
COMPONENT UNIT
For the Year Ended December 31, 2010

	Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	$ 269,310
Paid to suppliers for goods and services	(234,285)
Net Cash Flows From Operating Activities	35,025
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	10,314
Net Cash Flows From Investing Activities	10,314
Net Change in Cash and Cash Equivalents	45,339
CASH AND CASH EQUIVALENTS - Beginning of Year	534,375
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 579,714
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	$ (37,267)
Nonoperating revenue	16,849
Changes in assets and liabilities	
Accounts receivables	32,113
Prepaids	420
Accounts payable	22,910
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 35,025
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
None	

CITY OF FITCHBURG

CAPITAL PROJECTS FUND - COMBINING SCHEDULE OF SUBFUNDS
For the Year Ended December 31, 2010

	Capital Projects					
	Roads/ Road Related	Parks	Capital Equipment	Community Events	Other	Totals
REVENUES						
Taxes	$ 468,000	$ 56,500	$ 481,798	$ -	$ -	$ 1,006,298
Intergovernmental	339,111	1,915	42,597	-	-	383,623
Investment income	-	2,072	16,861	325	9,980	29,238
Miscellaneous	29,054	1,000	1,147,564	10,965	23,804	1,212,387
Total Revenues	836,165	61,487	1,688,820	11,290	33,784	2,631,546
EXPENDITURES						
Capital Outlay	2,814,150	104,428	6,313,134	9,132	173,953	9,414,797
Debt Service						
Interest and fiscal charges	19,135	-	113,873	-	3,402	136,410
Total Expenditures	2,833,285	104,428	6,427,007	9,132	177,355	9,551,207
Excess (deficiency) of revenues over expenditures	(1,997,120)	(42,941)	(4,738,187)	2,158	(143,571)	(6,919,661)
OTHER FINANCING SOURCES (USES)						
Debt issued	1,249,500	-	6,073,650	-	221,850	7,545,000
Transfers in	-	183,000	-	-	-	183,000
Transfers out	-	-	-	-	(45,000)	(45,000)
Total Other Financing Sources (Uses)	1,249,500	183,000	6,073,650	-	176,850	7,683,000
Net Change in Fund Balances	(747,620)	140,059	1,335,463	2,158	33,279	763,339
FUND BALANCES - Beginning of Year	197,319	548,903	5,184,609	101,433	4,149,150	10,181,414
FUND BALANCES (DEFICIT) - END OF YEAR	$ (550,301)	$ 688,962	$ 6,520,072	$ 103,591	$ 4,182,429	$ 10,944,753