

CITY OF FITCHBURG

Fitchburg, Wisconsin

FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2011

CITY OF FITCHBURG

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Fitchburg
Fitchburg, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fitchburg, Wisconsin as of and for the year ended December 31, 2011, 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 previously 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I.B., the city adopted the provisions of GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective January 1, 2011.

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

To the City Council
City of 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 fund financial statements and statement of component unit cash flows, and Capital Projects Fund – combining schedule of subfunds as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BakerTilly Vinchow Krause, LLP

Madison, Wisconsin
May 14, 2012

**MANAGEMENT'S DISCUSSION
AND ANALYSIS
(UNAUDITED)**

CITY OF FITCHBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ending December 31, 2011

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, 2011. 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, 2011 by \$98,623,649 (net assets). Of this amount, \$6,584,495 (unrestricted net assets) may be used to meet the city's ongoing obligations to citizens and creditors, \$5,160,984 is restricted for specific purposes (restricted net assets) and \$86,878,170 is invested in capital assets, including all infrastructure, net of related debt.
- > The City of Fitchburg's total net assets increased by \$126,258 over the previous year. Net assets relating to Governmental Activities decreased by \$389,494 while net assets relating to Business-type Activities increased by \$515,752.
- > As of December 31, 2011, the city's governmental funds reported combined fund balances of \$15,915,313, a decrease of \$4,243,561 from 2010.
- > Unassigned fund balance for the general fund was \$4,258,986 or 26.8 percent of 2011 general fund expenditures.
- > The 3 percent debt limit set by local ordinance as of December 31, 2011 was \$74,692,947. Total general obligation debt outstanding at the end of the year was \$29,597,355 (39.6 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.

CITY OF FITCHBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ending December 31, 2011

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.

CITY OF FITCHBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ending December 31, 2011

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 fourteen 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, the capital projects fund, and the TID #4 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.

CITY OF FITCHBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ending December 31, 2011

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 \$98,623,649 at the close of 2011, an increase of \$126,258 or .13 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 \$43,510,847 or 44.1 percent of total net assets. When net assets relating to business-type activities are included, 88.1 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 (\$5,160,984 or 5.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6,584,495 or 6.7 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	2011 Totals	2010 Totals
Current and other assets	\$ 39,429,252	\$ 2,958,854	\$ 42,388,106	\$ 47,978,673
Capital assets	66,293,934	45,092,323	111,386,257	102,568,260
Total Assets	<u>105,723,186</u>	<u>48,051,177</u>	<u>153,774,363</u>	<u>150,546,933</u>
Long-term liabilities outstanding	30,587,247	736,399	31,323,646	26,868,017
Other liabilities	23,432,633	394,435	23,827,068	25,181,525
Total Liabilities	<u>54,019,880</u>	<u>1,130,834</u>	<u>55,150,714</u>	<u>52,049,542</u>
Net Assets				
Invested in capital assets, net of debt	43,510,847	44,517,323	86,878,170	86,640,929
Restricted	5,160,984	-	5,160,984	2,354,964
Unrestricted	3,031,475	2,403,020	6,584,495	9,501,498
Total Net Assets	<u>\$ 51,703,306</u>	<u>\$ 46,920,343</u>	<u>\$ 98,623,649</u>	<u>\$ 98,497,391</u>

CITY OF FITCHBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ending December 31, 2011

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 decreased the city's net assets by \$389,494. This decrease is primarily a result of the following:

- > Increased operating expenses, partially due to the addition of a public library.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the city's net assets by \$515,752, which is attributable to capital contributions from developers.

CITY OF FITCHBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ending December 31, 2011

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	2011 Totals	2010 Totals
Revenues:				
Program Revenues				
Charges for services	\$ 1,900,454	\$ 4,905,129	\$ 6,805,583	\$ 6,427,545
Operating grants and contributions	1,694,184	-	1,694,184	1,150,289
Capital grants and contributions	1,530,803	279,833	1,810,636	1,300,831
General Revenues				
Property taxes	19,688,989	-	19,688,989	16,874,220
Other taxes	42,975	-	42,975	69,688
Intergovernmental	1,352,511	-	1,352,511	1,209,485
Other revenues	1,139,019	18,085	1,157,104	2,044,719
Total Revenues	27,348,935	5,203,047	32,551,982	29,076,777
Expenses:				
General government	4,171,270	-	4,171,270	3,873,747
Public safety	9,848,882	-	9,848,882	9,532,990
Health and social services	392,272	-	392,272	372,777
Public works	4,123,594	-	4,123,594	5,284,437
Leisure activities	5,034,454	-	5,034,454	1,610,606
Conservation and development	3,786,905	-	3,786,905	1,579,305
Interest and fiscal charges	882,357	-	882,357	862,136
Water and sewer utilities	-	3,342,005	3,342,005	3,421,216
Storm water utility	-	843,985	843,985	812,722
Total Expenses	28,239,734	4,185,990	32,425,724	27,349,936
Increase (decrease) in net assets before grants	(890,799)	1,017,057	126,258	1,726,841
Transfers	501,305	(501,305)	-	-
Change in Net Assets	(389,494)	515,752	126,258	1,726,841
Net Assets – Beginning of Year	52,092,800	46,404,591	98,497,391	96,770,550
Net Assets – End of Year	\$ 51,703,306	\$ 46,920,343	\$ 98,623,649	\$ 98,497,391

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

CITY OF FITCHBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ending December 31, 2011

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, 2011, the city's governmental funds reported combined fund balances of \$15,915,313. Approximately 26.3 percent of this amount, \$4,179,884 constitutes unassigned fund balance, which is available to meet the city's current and future needs. The remaining \$11,735,429 is nonspendable for noncurrent asset balances, or restricted, committed or assigned for specific purposes of the city.

General Fund

The city's general fund is the chief operating fund of the city. The total general fund balance is \$5,225,039, an increase of \$32,194 or .62%.

The city evaluates general fund balance by measuring the unassigned general fund balance as a percentage of the current year's general fund revenues. For 2011, unassigned fund balance is \$4,258,986 and the 2011 general fund revenues were \$15,518,246, resulting in an unassigned fund balance of 27.4 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 \$720,316 which is a decrease of 12.2 percent over the prior year is restricted 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.

General Capital Projects Fund

The city's capital projects fund accounts for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The fund balance of \$2,317,203 is a decrease of 78.8% over the previous year. The decrease is due to catching up on projects borrowed for in prior years.

TID #4 Capital Projects Fund

TID #4 is currently the city's largest tax incremental district. This TID has been amended twice; the most recent amendment was approved in 2011 to add Nine Springs. This portion of the TID is a traditional TID with the city's major financial involvement being an interchange at Highway 14. Funds were borrowed in both 2010 and 2011 for the interchange. The entire fund balance of \$4,916,108 is restricted for TID activities.

CITY OF FITCHBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ending December 31, 2011

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

Other Governmental Funds

Fund balance of all other governmental funds is \$2,736,647, which is restricted or committed for future projects and expenditures. This balance includes negative fund balances of \$42,065 for TID #7, and \$19,694 for TID #8. The negative fund balance for TID #7 is due to the district having more expense than increment. This will be resolved after the next increment is received or if 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 2011 adopted General Fund budget was amended in total during the year. The total original appropriations were \$15,898,258 and final appropriations were \$16,048,258. Actual expenditures and other financing uses were \$16,047,782 resulting in a favorable variance of \$476.

Total revenues and other sources were \$16,079,976, \$196,718 more than the final budget.

The overall operating result of the general fund was a gain of \$32,194 which was due to unbudgeted revenues.

CITY OF FITCHBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ending December 31, 2011

CAPITAL ASSETS

At the end of 2011, the city had invested a total of \$111,386,257 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	2011 Totals	2010 Totals
Land and other assets not being depreciated	\$ 12,819,996	\$ 3,476,569	\$ 16,296,565	\$ 20,669,659
Land improvements	412,878	-	412,878	412,878
Building and improvements	25,437,048	2,436,868	27,873,916	14,497,281
Machinery and equipment	10,356,774	2,751,027	13,107,801	12,564,367
Roads, paths and sidewalks	38,444,913	-	38,444,913	38,444,913
Utility plant	-	51,605,668	51,605,668	49,968,371
Total Capital Assets	87,471,609	60,270,132	147,741,741	136,557,469
Less: Accumulated Depreciation	(21,177,675)	(15,177,809)	(36,355,484)	(33,989,209)
Net Capital Assets	<u>\$ 66,293,934</u>	<u>\$ 45,092,323</u>	<u>\$ 111,386,257</u>	<u>102,568,260</u>

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

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 \$9,580,574

- > Machinery, equipment, and furniture additions included computer replacements, an ambulance and police and fire safety equipment, including purchases of radios for the DaneCom project.. The significant building project in 2011 was the community center remodel.

BUSINESS -TYPE ACTIVITIES

- > The net water utility capital asset additions were \$115,019
- > The net sewer system capital asset additions were 28,022.
- > The net storm water capital asset additions were \$312,025.
- > Water and sewer work in process at year-end include Rolfsmeyer Road Sanitary, future Glacier Valley Improvements, King James Booster Station Improvements and AML..
- > The storm water utility work in process includes the preliminary assessment of Area H, Tower Hill Greenway and Nine Springs Master Plan.
- > There was one water service, and no sanitary sewer services added during 2011.
- > There was no water main added in 2011, so total footage remains at 494,370 feet which is just over 93.6 miles of water main.

CITY OF FITCHBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ending December 31, 2011

LONG-TERM DEBT

At December 31, 2011, the city had \$29,597,355, 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, 2011 increased by \$4,299,723 due to borrowing for capital costs including an addition to the community center, an ambulance, radio equipment and interchange costs at Highway 14 for the second TID #4 amendment.

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, 2011 was \$124,488,245. Total general obligation debt outstanding at year-end was \$29,597,355. Therefore, the city was at 23.8 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 2011, the city was at 39.6 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 2011 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 2011 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 payments made each year since then. During 2009, TID Number 8 had a base value certified. No projects for this TID were started during 2009, 2010 or 2011.

During 2011, the city got 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 2011 construction of the city's first public library was completed and the library opened in July, 2011. During 2009 the city borrowed \$5,000,000 toward construction and furnishing of the library. During 2010, the city borrowed \$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 a majority 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 the city Finance Director, Monday through Friday, 8:00 a.m. – 4:00 p.m.

CITY OF FITCHBURG

STATEMENT OF NET ASSETS As of December 31, 2011

	Governmental Activities	Business-type Activities	Totals	Component Unit
ASSETS				
Cash and investments	\$ 13,847,559	\$ 3,326,710	\$ 17,174,269	\$ 624,439
Receivables (net)				
Taxes receivable	21,430,436	-	21,430,436	-
Delinquent personal property taxes	84,058	-	84,058	-
Accounts	1,508,512	1,169,367	2,677,879	60,721
Loans	-	-	-	6,809
Accrued interest	45,018	1,213	46,231	-
Special assessments	94,140	136,549	230,689	-
Delinquent special assessments	43,840	-	43,840	-
Land contract	18,277	-	18,277	-
Grants receivable	-	56,393	56,393	-
Internal balances	1,802,353	(1,802,353)	-	-
Inventories	-	38,863	38,863	-
Prepaid items	205,021	-	205,021	2,596
Other assets	-	32,112	32,112	-
Investment in joint venture	332,048	-	332,048	-
Restricted assets				
Cash and investments	17,990	-	17,990	-
Capital assets				
Land	12,680,615	3,406,085	16,086,700	-
Construction in progress	139,381	70,483	209,864	-
Land improvements	412,878	-	412,878	-
Buildings	25,437,048	-	25,437,048	-
Machinery and equipment	10,356,774	-	10,356,774	-
Utility plant	-	56,793,564	56,793,564	-
Infrastructure	38,444,913	-	38,444,913	-
Less: Accumulated depreciation	<u>(21,177,675)</u>	<u>(15,177,809)</u>	<u>(36,355,484)</u>	-
Total Assets	<u>105,723,186</u>	<u>48,051,177</u>	<u>153,774,363</u>	<u>694,565</u>
LIABILITIES				
Accounts payable	1,131,454	380,881	1,512,335	39,839
Accrued liabilities	905,742	13,554	919,296	-
Due to other governmental units	12,701	-	12,701	-
Deposits	38,563	-	38,563	-
Unearned revenue	21,344,173	-	21,344,173	-
Noncurrent liabilities				
Due within one year	2,795,825	36,544	2,832,369	-
Due in more than one year	<u>27,791,422</u>	<u>699,855</u>	<u>28,491,277</u>	-
Total Liabilities	<u>54,019,880</u>	<u>1,130,834</u>	<u>55,150,714</u>	<u>39,839</u>
NET ASSETS				
Invested in capital assets, net of related debt	43,510,847	44,517,323	86,878,170	-
Restricted for				
Debt service	317,554	-	317,554	-
Park and recreational improvement fees	875,235	-	875,235	-
Fire Impact Fees	17,990	-	17,990	-
Library	111,005	-	111,005	-
Library project	674,021	-	674,021	-
TID activities	3,165,179	-	3,165,179	-
Room tax	-	-	-	215,505
Unrestricted	<u>3,031,475</u>	<u>2,403,020</u>	<u>6,584,495</u>	<u>439,221</u>
TOTAL NET ASSETS	<u>\$ 51,703,306</u>	<u>\$ 46,920,343</u>	<u>\$ 98,623,649</u>	<u>\$ 654,726</u>

See accompanying notes to financial statements.

CITY OF FITCHBURG

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities				
General government	\$ 4,171,270	\$ 91,000	\$ 88,965	\$ -
Public safety	9,848,882	889,267	172,654	59,020
Public works	4,123,594	715,641	1,021,583	236,125
Health and human services	392,272	-	-	-
Culture, education and recreation	5,034,454	160,004	184,648	1,235,658
Conservation and development	3,786,905	44,542	-	-
Interest and fiscal charges	882,357	-	226,334	-
Total Governmental Activities	<u>28,239,734</u>	<u>1,900,454</u>	<u>1,694,184</u>	<u>1,530,803</u>
Business-type Activities				
Utility District No. 1	3,342,005	4,001,334	-	73,776
Stormwater Utility	843,985	903,795	-	206,057
Total Business-type Activities	<u>4,185,990</u>	<u>4,905,129</u>	<u>-</u>	<u>279,833</u>
Total Primary Government	<u>\$ 32,425,724</u>	<u>\$ 6,805,583</u>	<u>\$ 1,694,184</u>	<u>\$ 1,810,636</u>
Component Unit				
Community development authority	<u>\$ 364,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

Taxes

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Property taxes, levied for capital assets
- Property taxes, levied for TIF districts
- 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
\$ (3,991,305)	\$ -	\$ (3,991,305)	\$ -
(8,727,941)	-	(8,727,941)	-
(2,150,245)	-	(2,150,245)	-
(392,272)	-	(392,272)	-
(3,454,144)	-	(3,454,144)	-
(3,742,363)	-	(3,742,363)	-
(656,023)	-	(656,023)	-
<u>(23,114,293)</u>	<u>-</u>	<u>(23,114,293)</u>	<u>-</u>
-	733,105	733,105	-
-	265,867	265,867	-
-	<u>998,972</u>	<u>998,972</u>	-
<u>(23,114,293)</u>	<u>998,972</u>	<u>(22,115,321)</u>	<u>-</u>
-	-	-	(364,785)
11,860,970	-	11,860,970	-
2,484,875	-	2,484,875	-
922,069	-	922,069	-
2,807,379	-	2,807,379	-
1,613,696	-	1,613,696	-
42,975	-	42,975	248,869
1,352,511	-	1,352,511	-
169,974	-	169,974	-
191,346	18,085	209,431	6,536
777,699	-	777,699	7,908
501,305	(501,305)	-	-
<u>22,724,799</u>	<u>(483,220)</u>	<u>22,241,579</u>	<u>263,313</u>
(389,494)	515,752	126,258	(101,472)
<u>52,092,800</u>	<u>46,404,591</u>	<u>98,497,391</u>	<u>756,198</u>
<u>\$ 51,703,306</u>	<u>\$ 46,920,343</u>	<u>\$ 98,623,649</u>	<u>\$ 654,726</u>

See accompanying notes to financial statements.

CITY OF FITCHBURG

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2011

	General	General Debt Service	General Capital Projects	TID No. 4
ASSETS				
Cash and investments	\$ 4,355,650	\$ 720,316	\$ 904,531	\$ 5,036,837
Receivables				
Taxes	12,437,208	2,797,115	973,651	1,600,474
Delinquent personal property taxes	84,058	-	-	-
Accounts	472,816	-	959,081	-
Interest	45,018	-	-	-
Special assessments	-	94,140	-	-
Delinquent special assessments	43,840	-	-	-
Land contract	18,277	-	-	-
Due from other funds	726,574	-	-	-
Advances to other funds	-	-	1,150,000	-
Prepaid items	204,425	-	-	-
Restricted cash and investments	-	-	17,990	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 18,387,866</u>	<u>\$ 3,611,571</u>	<u>\$ 4,005,253</u>	<u>\$ 6,637,311</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 218,438	\$ -	\$ 714,399	\$ 120,729
Accrued liabilities	484,932	-	-	-
Due to other funds	-	-	-	-
Due to other governments	12,069	-	-	-
Deposits	38,563	-	-	-
Deferred revenue	12,408,825	2,797,115	973,651	1,600,474
Deferred special assessment revenues	-	94,140	-	-
Advances from other funds	-	-	-	-
Total Liabilities	<u>13,162,827</u>	<u>2,891,255</u>	<u>1,688,050</u>	<u>1,721,203</u>
Fund Balances				
Nonspendable for prepaid expenditures	204,425	-	-	-
Nonspendable for long-term receivables	127,898	-	-	-
Restricted	-	720,316	692,011	4,916,108
Committed	-	-	-	-
Assigned	633,730	-	1,625,192	-
Unassigned (deficit)	4,258,986	-	-	-
Total Fund Balances	<u>5,225,039</u>	<u>720,316</u>	<u>2,317,203</u>	<u>4,916,108</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 18,387,866</u>	<u>\$ 3,611,571</u>	<u>\$ 4,005,253</u>	<u>\$ 6,637,311</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 2,830,225	\$ 13,847,559
3,621,988	21,430,436
-	84,058
75,983	1,507,880
-	45,018
-	94,140
-	43,840
-	18,277
-	726,574
38,342	1,188,342
3,217	207,642
-	17,990
<u>\$ 6,569,755</u>	<u>\$ 39,211,756</u>

\$ 80,509	\$ 1,134,075
18,048	502,980
74,221	74,221
-	12,069
-	38,563
3,621,988	21,402,053
-	94,140
<u>38,342</u>	<u>38,342</u>
<u>3,833,108</u>	<u>23,296,443</u>

3,217	207,642
-	127,898
1,985,826	8,314,261
826,706	826,706
-	2,258,922
<u>(79,102)</u>	<u>4,179,884</u>
<u>2,736,647</u>	<u>15,915,313</u>
<u>\$ 6,569,755</u>	<u>\$ 39,211,756</u>

See accompanying notes to financial statements.

CITY OF FITCHBURG

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS As of December 31, 2011

Total Fund Balances - Governmental Funds	\$ 15,915,313
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.	66,293,934
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.	152,020
The city's equity interest in joint ventures is reported on the statement of net assets.	332,048
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.	<u>(30,990,009)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 51,703,306</u>

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, 2011

	General	General Debt Service	General Capital Projects	TID No. 4
REVENUES				
Taxes	\$ 11,900,457	\$ 2,484,875	\$ 922,069	\$ 1,534,783
Intergovernmental	2,042,850	226,334	959,061	214,205
Licenses and permits	277,213	-	-	-
Fines, forfeitures and penalties	274,689	-	-	-
Public charges for services	205,713	-	-	-
Special assessments	6,672	63,558	-	-
Investment income	142,684	6,959	15,533	8,124
Intergovernmental charges for services	212,156	-	-	-
Miscellaneous	455,812	48,347	1,457,310	-
Total Revenues	<u>15,518,246</u>	<u>2,830,073</u>	<u>3,353,973</u>	<u>1,757,112</u>
EXPENDITURES				
Current				
General government	3,272,931	-	-	-
Public safety	9,013,773	-	-	-
Health and human services	379,794	-	-	-
Public works	1,795,214	-	-	-
Culture, recreation and education	951,510	-	-	-
Conservation and development	484,560	-	-	-
Capital Outlay	-	-	12,956,925	3,319,150
Debt Service				
Principal	-	2,174,782	-	-
Interest and fiscal charges	-	1,030,461	30,350	72,192
Total Expenditures	<u>15,897,782</u>	<u>3,205,243</u>	<u>12,987,275</u>	<u>3,391,342</u>
Excess (deficiency) of revenues over expenditures	<u>(379,536)</u>	<u>(375,170)</u>	<u>(9,633,302)</u>	<u>(1,634,230)</u>
OTHER FINANCING SOURCES (USES)				
Debt issued	-	-	1,190,000	5,395,000
Premium on debt issued	-	-	34,462	66,030
Transfers in	561,730	274,971	200,000	-
Transfers out	(150,000)	-	(418,710)	(227,458)
Total Other Financing Sources (Uses)	<u>411,730</u>	<u>274,971</u>	<u>1,005,752</u>	<u>5,233,572</u>
Net Change in Fund Balances	32,194	(100,199)	(8,627,550)	3,599,342
FUND BALANCES - Beginning of Year	<u>5,192,845</u>	<u>820,515</u>	<u>10,944,753</u>	<u>1,316,766</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,225,039</u>	<u>\$ 720,316</u>	<u>\$ 2,317,203</u>	<u>\$ 4,916,108</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 2,886,292	\$ 19,728,476
305,704	3,748,154
274,935	552,148
14,156	288,845
718,217	923,930
-	70,230
3,489	176,789
-	212,156
<u>35,922</u>	<u>1,997,391</u>
<u>4,238,715</u>	<u>27,698,119</u>
-	3,272,931
35,590	9,049,363
-	379,794
799,747	2,594,961
2,029,575	2,981,085
-	484,560
824,202	17,100,277
-	2,174,782
<u>146</u>	<u>1,133,149</u>
<u>3,689,260</u>	<u>39,170,902</u>
<u>549,455</u>	<u>(11,472,783)</u>
-	6,585,000
-	100,492
373,710	1,410,411
<u>(70,513)</u>	<u>(866,681)</u>
<u>303,197</u>	<u>7,229,222</u>
852,652	(4,243,561)
<u>1,883,995</u>	<u>20,158,874</u>
<u>\$ 2,736,647</u>	<u>\$ 15,915,313</u>

See accompanying notes to financial statements.

CITY OF FITCHBURG

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2011

Net change in fund balances - total governmental funds	\$	(4,243,561)
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		17,086,602
Some items reported as capital outlay were not capitalized		(5,684,786)
Depreciation is reported in the government-wide financial statements		(1,663,652)
Net book value of assets retired		(157,590)
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.		
		(1,397,620)
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		(6,585,000)
Principal repaid		2,174,782
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		(114,284)
Accrued interest on debt		150,300
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.		
		<u>45,315</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>(389,494)</u>

See accompanying notes to financial statements.

CITY OF FITCHBURG

STATEMENT OF NET ASSETS PROPRIETARY FUNDS As of December 31, 2011

	Business-type Activities - Enterprise Funds		
	Utility District No. 1	Stormwater Utility	Totals
ASSETS			
Current Assets			
Cash and investments	\$ 2,956,143	\$ 370,567	\$ 3,326,710
Receivables			
Accounts	980,201	189,166	1,169,367
Interest	1,213	-	1,213
Grants receivable	44	56,349	56,393
Inventories	38,863	-	38,863
Advances to other funds	55,000	-	55,000
Total Current Assets	<u>4,031,464</u>	<u>616,082</u>	<u>4,647,546</u>
Noncurrent Assets			
Capital Assets			
Land and land rights	470,003	2,936,082	3,406,085
Construction in progress	40,887	29,596	70,483
Property and equipment	42,235,835	14,557,729	56,793,564
Less: Accumulated depreciation	(10,154,067)	(5,023,742)	(15,177,809)
Other Assets			
Other long term receivables	32,112	-	32,112
Advance to other funds	233,750	-	233,750
Special assessments receivable	104,007	32,542	136,549
Total Noncurrent Assets	<u>32,962,527</u>	<u>12,532,207</u>	<u>45,494,734</u>
Total Assets	<u>36,993,991</u>	<u>13,148,289</u>	<u>50,142,280</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Utility District	Stormwater	Totals
	No. 1	Utility	
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 340,753	\$ 8,016	\$ 348,769
Accrued wages	9,787	2,554	12,341
Accrued interest	-	1,213	1,213
Due to other funds	543,730	108,623	652,353
Compensated absences (current portion)	9,359	2,185	11,544
Current portion of advances	-	55,000	55,000
General obligation bonds and notes payable	-	25,000	25,000
Total Current Liabilities	<u>903,629</u>	<u>202,591</u>	<u>1,106,220</u>
Noncurrent Liabilities			
Long-Term Debt			
General obligation bonds payable	-	550,000	550,000
Advances from other funds	-	1,383,750	1,383,750
Compensated absences	122,052	27,803	149,855
Other long term payables	<u>32,112</u>	-	<u>32,112</u>
Total Noncurrent Liabilities	<u>154,164</u>	<u>1,961,553</u>	<u>2,115,717</u>
Total Liabilities	<u>1,057,793</u>	<u>2,164,144</u>	<u>3,221,937</u>
NET ASSETS			
Invested in capital assets, net of related debt	32,592,658	11,924,665	44,517,323
Unrestricted	<u>3,343,540</u>	<u>(940,520)</u>	<u>2,403,020</u>
TOTAL NET ASSETS	<u>\$ 35,936,198</u>	<u>\$ 10,984,145</u>	<u>\$ 46,920,343</u>

See accompanying notes to financial statements.

CITY OF FITCHBURG

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds		
	Utility District No. 1	Stormwater Utility	Totals
OPERATING REVENUES	<u>\$ 4,001,334</u>	<u>\$ 903,795</u>	<u>\$ 4,905,129</u>
OPERATING EXPENSES			
Operation and maintenance	2,570,361	395,673	2,966,034
Depreciation	<u>771,644</u>	<u>415,480</u>	<u>1,187,124</u>
Total Operating Expenses	<u>3,342,005</u>	<u>811,153</u>	<u>4,153,158</u>
Operating Income	<u>659,329</u>	<u>92,642</u>	<u>751,971</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	15,216	2,869	18,085
Interest expense	<u>-</u>	<u>(32,832)</u>	<u>(32,832)</u>
Total Nonoperating Revenues (Expenses)	<u>15,216</u>	<u>(29,963)</u>	<u>(14,747)</u>
Income Before Contributions and Transfers	<u>674,545</u>	<u>62,679</u>	<u>737,224</u>
CONTRIBUTIONS AND TRANSFERS			
Capital contributions	73,776	206,057	279,833
Capital contributions - municipality	-	42,425	42,425
Transfers in - capital contributions	14,477	-	14,477
Transfers out	<u>(543,730)</u>	<u>(14,477)</u>	<u>(558,207)</u>
Total Contributions and Transfers	<u>(455,477)</u>	<u>234,005</u>	<u>(221,472)</u>
Change in Net Assets	219,068	296,684	515,752
NET ASSETS - Beginning of Year	<u>35,717,130</u>	<u>10,687,461</u>	<u>46,404,591</u>
NET ASSETS - END OF YEAR	<u>\$ 35,936,198</u>	<u>\$ 10,984,145</u>	<u>\$ 46,920,343</u>

See accompanying notes to financial statements.

CITY OF FITCHBURG

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds		
	Utility District No. 1	Stormwater Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 3,948,203	\$ 869,581	\$ 4,817,784
Paid to suppliers for goods and services	(2,363,798)	(236,673)	(2,600,471)
Paid to employees for services	(174,380)	(151,195)	(325,575)
Net Cash Flows From Operating Activities	1,410,025	481,713	1,891,738
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	15,420	2,869	18,289
Net Cash Flows From Investing Activities	15,420	2,869	18,289
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Paid to municipality for tax equivalent	(524,769)	-	(524,769)
Repayment of advances to other funds	55,000	-	55,000
Advance from water	-	(55,000)	(55,000)
Transfers out	-	(14,477)	(14,477)
Net Cash Flows From Noncapital Financing Activities	(469,769)	(69,477)	(539,246)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	-	(110,495)	(110,495)
Interest paid	-	(33,063)	(33,063)
Special assessments received	43,890	10,150	54,040
Acquisition and construction of capital assets	(232,001)	(254,460)	(486,461)
Capital contributions received	59,013	148,990	208,003
Net Cash Flows From Capital and Related Financing Activities	(129,098)	(238,878)	(367,976)
Net Change in Cash and Cash Equivalents	826,578	176,227	1,002,805
CASH AND CASH EQUIVALENTS - Beginning of Year	2,129,565	194,340	2,323,905
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,956,143	\$ 370,567	\$ 3,326,710

See accompanying notes to financial statements.

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Utility District</u>	<u>Stormwater</u>	<u>Totals</u>
	<u>No. 1</u>	<u>Utility</u>	
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 659,329	\$ 92,642	\$ 751,971
Adjustments to Reconcile Operating Income to Net Cash			
Flows From Operating Activities			
Depreciation	771,644	415,480	1,187,124
Depreciation charged to other funds	36,265	-	36,265
Changes in assets and liabilities			
Accounts receivable	(88,342)	(19,792)	(108,134)
Other accounts receivable	(1,054)	(14,422)	(15,476)
Inventories	(841)	-	(841)
Accounts payable	668	(3,397)	(2,729)
Compensated absences	30,877	10,744	41,621
Accrued wages	1,479	458	1,937
	<u>1,410,025</u>	<u>481,713</u>	<u>1,891,738</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES			
	<u>\$ 1,410,025</u>	<u>\$ 481,713</u>	<u>\$ 1,891,738</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Developer financed additions to plant	<u>\$ 29,240</u>	<u>\$ 57,565</u>	

See accompanying notes to financial statements.

CITY OF FITCHBURG

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
As of December 31, 2011**

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 22,094,685
Tax roll receivable	<u>16,840,147</u>
TOTAL ASSETS	<u>\$ 38,934,832</u>
LIABILITIES	
Due to other taxing units	<u>\$ 38,934,832</u>
TOTAL LIABILITIES	<u>\$ 38,934,832</u>

See accompanying notes to financial statements.

CITY OF FITCHBURG

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CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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, 2011. The CDA does not issue separate financial statements.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In February 2009, the GASB issued statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications based primarily on the extent to which the government is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

The city made the decision to implement this standard effective January 1, 2011.

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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

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

Fund Financial Statements (cont.)

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

- a. Total assets, 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.
- 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 and report all financial resources except those accounted for and reported in another fund.
- General Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.
- General Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets..
- Tax Incremental District (TID) No. 4 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TID project plan.

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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

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

Fund Financial Statements (cont.)

The city reports the following nonmajor governmental funds:

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

Drug Enforcement and Training	Cable TV
Recycling and Refuse Collection	Cemetery
Park Dedication	Library Services

Capital Projects Funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Municipal Building
Tax Incremental District (TID) No. 6
Tax Incremental District (TID) No. 7
Tax Incremental District (TID) No. 8

In addition, the city reports the following fund type:

Agency funds are used to account for and report 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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

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

Government-Wide Financial Statements (cont.)

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. Exceptions to this general rule are charges between the city's water, sewer and stormwater and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

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

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

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues. At December 31, 2011, there were \$660,115 of unrecorded deferred assessments which are not recorded as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

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

Fund Financial Statements (cont.)

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

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

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.

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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

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.

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

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

1. Deposits and Investments (cont.)

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, 2011, 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 ("the 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, 2011, 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.

2. Receivables

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

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

2. Receivables (cont.)

Property tax calendar - 2011 tax roll:

Lien date and levy date	December 2011
Tax bills mailed	December 2011
Payment in full, or	January 31, 2012
First installment due	January 31, 2012
Second installment due	July 31, 2012
Personal property taxes in full	January 31, 2012
Tax sale - 2011 delinquent real estate taxes	October 2014

Accounts receivable have been shown net of an allowance for uncollectible accounts of \$1,600,817 for municipal court receivables. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the Utility District No. 1 and Stormwater utility because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

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

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

3. Inventories and Prepaid Items

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

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 depreciation 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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 \$81,527. The number of participants currently eligible to receive benefits is four. The total amount outstanding at year end to be paid in the future is \$47,247 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, 2011, are determined on the basis of current salary rates and include salary related payments.

6. Long-Term Obligations/Conduit Debt

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

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

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 \$545,000, 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 \$79,354,156, made up of two issues.

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 are 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:

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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	\$ 43,510,847	\$ 44,517,323	\$ (1,150,000)	\$ 86,878,170
Unrestricted	3,031,475	2,403,020	1,150,000	6,584,495

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

Fund Statements

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

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (ordinance, resolution, motion) of the city. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the city that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The Council may take official action to assign amounts. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

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

8. Equity Classifications (cont.)

Fund Statements (cont.)

- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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

See Note IV. G. for further information.

9. Basis for Existing Rates

Water Utility

Current water rates were approved by the Public Service Commission of Wisconsin on October 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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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.

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	\$	29,022,355
Compensated absences		1,564,892
Accrued interest		<u>402,762</u>
Combined Adjustment for Long-Term Liabilities	\$	<u><u>30,990,009</u></u>

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

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

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
TID No. 4	\$ 1,351,529	\$ 3,618,800	\$ 2,267,271
Drug enforcement and training	30,200	35,590	5,390
TID No. 6	705,000	710,164	5,164

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, 2011, 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	42,065	Expenditures in excess of revenues
TID No. 8	19,694	Expenditures in excess of revenues

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

D. LIMITATIONS ON THE CITY'S TAX LEVY

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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	\$ 31,158,815	\$ 30,676,047	Custodial credit
US agencies	1,489,000	1,492,527	Credit, custodial credit, concentration of credit, and interest rate
LGIP	6,588,071	6,588,071	Credit and interest rate
CLASS	735	735	Credit
Madison Community Foundation	674,021	674,021	Interest rate and credit
Petty cash	741	-	N/A
 Total Deposits and Investments	 \$ 39,911,383	 \$ 39,431,401	

Reconciliation to financial statements

Per statement of net assets

Unrestricted cash and investments - City	\$ 17,174,269
Restricted cash and investments - City	17,990
Cash and investments - Component unit	624,439

Per statement of net assets - fiduciary funds

Agency Fund	22,094,685
-------------	------------

Total Deposits and Investments	\$ 39,911,383
--------------------------------	---------------

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction accounts. Deposits in the credit union are insured by the National Credit Union Administration in the amount of \$250,000 for all share draft accounts and \$250,000 for all share certificate and regular share accounts.

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

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

A. DEPOSITS AND INVESTMENTS (cont.)

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. Additionally, through Lloyds of London, accounts have additional securities coverage of \$99.5 million per customer, subject to a \$500 million aggregate firm limit. \$2,139,527 of the city's investments are covered by SIPC.

The city maintains collateral agreements with its banks. At December 31, 2011, the banks had pledged various government securities in the amount of \$4,962,726 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, 2011, \$19,842,032 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 19,842,032
Total	<u>\$ 19,842,032</u>

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

Credit Risk

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

As of December 31, 2011, the city's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>
US Agencies CLASS	AA+ AAA _m

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk (cont.)

The city also held investments in the following external 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, 2011, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
FHLMC	US Agency	11.00%
FNMA	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, 2011, the city's investments were as follows:

Investment	Maturity Date	Call Date	Fair Value
FHLMC	12/13/2019	3/13/2012	\$ 357,653
FNMA	10/27/2020	1/27/2012	400,408
FHLB	10/29/2020	1/29/2012	230,248
FHLMC	7/27/2021	1/27/2012	162,259
FHLMC	10/26/2021	10/26/2012	341,959
Total			<u>\$ 1,492,527</u>

The city had \$6,588,071 invested in the local government investment pool, which had a weighted average maturity of less than 6 months. The average maturity for the \$674,021 held in the Madison Community Foundation was not available.

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year, except for \$84,058 of delinquent personal property taxes and \$43,840 of delinquent special assessments.

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

	Unavailable	Unearned	Totals
Property taxes receivable for subsequent year	\$ -	\$ 21,344,173	\$ 21,344,173
Special assessments not yet due	94,140	-	94,140
Land contract	18,277	-	18,277
Accrued interest	27,994	-	27,994
Omitted taxes	11,609	-	11,609
 Total Deferred/Unearned Revenue for Governmental Funds	 \$ 152,020	 \$ 21,344,173	 \$ 21,496,193

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 11,778,388	\$ 902,227	\$ -	\$ 12,680,615
Construction in progress	5,516,330	7,912,257	13,289,206	139,381
Total Capital Assets Not Being Depreciated	17,294,718	8,814,484	13,289,206	12,819,996

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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	13,341,759	-	25,437,048
Machinery and equipment	8,494,605	2,534,779	672,610	10,356,774
Streets	33,924,037	-	-	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	59,447,685	15,876,538	672,610	74,651,613
Total Capital Assets	76,742,403	24,691,022	13,961,816	87,471,609
Less: Accumulated depreciation for				
Land improvements	(341,346)	(6,966)	-	(348,312)
Buildings and improvements	(6,913,534)	(423,745)	-	(7,337,279)
Machinery and equipment	(4,980,435)	(617,854)	515,020	(5,083,269)
Streets	(7,192,931)	(542,784)	-	(7,735,715)
Sidewalks	(417,380)	(45,055)	-	(462,435)
Bikepath	(164,532)	(14,658)	-	(179,190)
Bridge	(18,885)	(12,590)	-	(31,475)
Total Accumulated Depreciation	(20,029,043)	(1,663,652)	515,020	(21,177,675)
Net Capital Assets Being Depreciated	39,418,642	14,212,886	157,590	53,473,938
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 56,713,360	\$ 23,027,370	\$ 13,446,796	\$ 66,293,934

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 465,410
Public safety	309,341
Public works, which includes the depreciation of infrastructure	628,422
Leisure activities	260,479
Total Governmental Activities Depreciation Expense	\$ 1,663,652

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

C. CAPITAL ASSETS (cont.)

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 333,153	\$ 25,940	\$ -	\$ 359,093
Construction in progress	23,843	17,044	-	40,887
Total Capital Assets Not Being Depreciated	356,996	42,984	-	399,980
Capital assets being depreciated				
Buildings and improvements	1,177,022	-	-	1,177,022
Machinery and equipment	2,017,314	16,000	-	2,033,314
Infrastructure	24,488,779	59,356	3,321	24,544,814
Total Capital Assets Being Depreciated	27,683,115	75,356	3,321	27,755,150
Total Capital Assets	28,040,111	118,340	3,321	28,155,130
Less: Accumulated depreciation for				
Buildings and improvements	(322,622)	(37,665)	-	(360,287)
Machinery and equipment	(1,230,754)	(112,188)	-	(1,342,942)
Infrastructure	(4,943,675)	(470,738)	3,321	(5,411,092)
Total Accumulated Depreciation	(6,497,051)	(620,591)	3,321	(7,114,321)
Net Capital Assets Being Depreciated	21,186,064	(545,235)	-	20,640,829
Net Water Plant	\$ 21,543,060	\$ (502,251)	\$ -	\$ 21,040,809

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

C. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer</u>				
Capital assets not being depreciated				
Land and land rights	\$ 110,910	\$ -	\$ -	\$ 110,910
Total Capital Assets Not Being Depreciated	110,910	-	-	110,910
Capital assets being depreciated				
Machinery and equipment	476,470	16,000	-	492,470
Infrastructure	13,779,136	14,447	2,425	13,791,158
Intangible	197,057	-	-	197,057
Total Capital Assets Being Depreciated	14,452,663	30,447	2,425	14,480,685
Total Capital Assets	14,563,573	30,447	2,425	14,591,595
Less: Accumulated depreciation for				
Machinery and equipment	(456,674)	(5,824)	-	(462,498)
Infrastructure	(2,272,269)	(178,538)	2,425	(2,448,382)
Intangible	(125,910)	(2,956)	-	(128,866)
Total Accumulated Depreciation	(2,854,853)	(187,318)	2,425	(3,039,746)
Net Capital Assets Being Depreciated	11,597,810	(156,871)	-	11,440,939
Net Sewer Plant	\$ 11,708,720	\$ (156,871)	\$ -	\$ 11,551,849

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

C. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Stormwater</u>				
Capital assets not being depreciated				
Land and land rights	\$ 2,858,780	\$ 77,303	\$ -	\$ 2,936,083
Construction in progress	48,255	-	18,659	29,596
Total Capital Assets Not Being Depreciated	<u>2,907,035</u>	<u>77,303</u>	<u>18,659</u>	<u>2,965,679</u>
Capital assets being depreciated				
Buildings and improvements	1,224,970	34,876	-	1,259,846
Machinery and equipment	225,243	-	-	225,243
Infrastructure	<u>12,854,134</u>	<u>218,505</u>	<u>-</u>	<u>13,072,639</u>
Total Capital Assets Being Depreciated	<u>14,304,347</u>	<u>253,381</u>	<u>-</u>	<u>14,557,728</u>
Total Capital Assets	<u>17,211,382</u>	<u>330,684</u>	<u>18,659</u>	<u>17,523,407</u>
Less: Accumulated depreciation for				
Buildings and improvements	(266,208)	(24,848)	-	(291,056)
Machinery and equipment	(109,734)	(21,841)	-	(131,575)
Infrastructure	<u>(4,232,620)</u>	<u>(368,491)</u>	<u>-</u>	<u>(4,601,111)</u>
Total Accumulated Depreciation	<u>(4,608,562)</u>	<u>(415,180)</u>	<u>-</u>	<u>(5,023,742)</u>
Net Capital Assets Being Depreciated	<u>9,695,785</u>	<u>(161,799)</u>	<u>-</u>	<u>9,533,986</u>
Net Stormwater Plant	<u>\$ 12,602,820</u>	<u>\$ (84,496)</u>	<u>\$ 18,659</u>	<u>\$ 12,499,665</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 45,854,600</u>	<u>\$ (743,618)</u>	<u>\$ 18,659</u>	<u>\$ 45,092,323</u>

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 584,327
Sewer	187,317
Stormwater	<u>415,480</u>
 Total Business-type Activities Depreciation Expense	 <u>\$ 1,187,124</u>

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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	\$ 42,065	\$ -
General fund	TID No. 8	19,694	19,694
General fund	Municipal building	12,462	-
General fund	Utility District No. 1	543,730	-
General fund	Stormwater Utility	108,623	-
Total - Fund Financial Statements		726,574	
Less: Fund eliminations		(74,221)	
Add: Interfund advances		1,150,000	
Total Internal Balances - Government-Wide Statement of Net Assets		\$ 1,802,353	

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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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	288,750	233,750
General capital projects fund	Stormwater Utility	1,150,000	1,150,000
Total - Fund Financial Statements		1,477,092	
Less: Fund eliminations		(327,092)	
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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

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

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General fund	Recycling and refuse	\$ 18,000	Reimbursement for work done by the highway department
General fund	Utility District No. 1	543,730	Tax-equivalent
Debt service fund	Capital projects fund	45,000	Fire impact fees
Debt service fund	TID No. 4	227,458	Debt repayment on developer incentive - trust fund
Debt service fund	Recycling and refuse	2,513	Share of rent for space in city hall
Capital projects fund	General fund	150,000	Capital projects
Capital projects fund	Park dedication	50,000	Capital projects
Park dedication	Capital projects fund	373,710	Capital projects
Utility District No. 1	Stormwater Utility	<u>14,477</u>	Capital contributions
Total - Fund Financial Statements		1,424,888	
Less: Fund eliminations		(894,833)	
Less: Capital asset contributions from governmental activities to Stormwater Utility		<u>(28,750)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 501,305</u>	

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

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

E. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 24,612,137	\$ 6,585,000	\$ 2,174,782	\$ 29,022,355	\$ 2,566,624
Sub-totals	<u>24,612,137</u>	<u>6,585,000</u>	<u>2,174,782</u>	<u>29,022,355</u>	<u>2,566,624</u>
Other Liabilities					
Vested compensated absences	<u>1,450,608</u>	<u>297,743</u>	<u>183,459</u>	<u>1,564,892</u>	<u>229,201</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 26,062,745</u>	<u>\$ 6,882,743</u>	<u>\$ 2,358,241</u>	<u>\$ 30,587,247</u>	<u>\$ 2,795,825</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 685,495	\$ -	\$ 110,495	\$ 575,000	\$ 25,000
Other Liabilities					
Vested compensated absences	<u>119,777</u>	<u>49,762</u>	<u>8,140</u>	<u>161,399</u>	<u>11,544</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 805,272</u>	<u>\$ 49,762</u>	<u>\$ 118,635</u>	<u>\$ 736,399</u>	<u>\$ 36,544</u>

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, 2011, was \$124,488,245. Total general obligation debt outstanding at year end was \$29,597,355.

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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Governmental Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2011</u>
2002 general obligation promissory note	11/1/02	6/1/12	1.80 - 4.05%	\$ 2,986,047	\$ 385,000
2005 State Trust Fund Loan	6/23/05	3/15/15	4.00 %	500,000	221,411
2005 general obligation promissory note	8/1/05	8/1/15	2.80 - 3.70%	1,135,000	495,000
2005 general obligation refunding bonds	8/1/05	8/1/17	3.00 - 3.75%	5,888,920	3,895,000
2005 State Trust Fund Loan	8/26/05	3/15/15	4.00%	395,000	196,928
2007 general obligation promissory note	9/13/07	8/1/17	3.70-4.00%	860,000	485,000
2007 State Trust Fund Loan	11/16/07	3/15/17	5.25%	500,000	364,016
2009 general obligation promissory note	9/16/09	9/1/19	2.00-3.125%	5,295,000	4,290,000
2009 State Trust Fund Loan	9/1/09	3/15/29	5.50%	5,000,000	4,980,000
2010 taxable general obligation promissory note	11/18/10	11/1/20	0.65-3.60%	2,550,000	2,315,000
2010 taxable general obligation library bonds	11/18/10	11/1/30	0.70-5.25%	4,995,000	4,810,000
2011 general obligation promissory notes	12/13/11	12/1/21	2.00-2.10%	1,190,000	1,190,000
2011 general obligation bonds	12/13/11	12/1/27	2.00-2.850%	5,395,000	<u>5,395,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 29,022,355</u>

Business-type Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2011</u>
2007 general obligation promissory note	9/13/07	8/1/17	3.70-4.00%	\$ 625,000	\$ <u>575,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 575,000</u>

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2012	\$ 2,566,624	\$ 975,899	\$ 25,000	\$ 22,563
2013	2,408,450	912,117	50,000	21,613
2014	2,455,488	845,735	100,000	19,688
2015	2,502,843	775,258	125,000	15,813
2016	2,440,253	700,031	125,000	10,938
2017-2021	7,993,697	2,497,766	150,000	6,000
2022-2026	5,580,000	1,420,219	-	-
2027-2030	3,075,000	323,005	-	-
Totals	<u>\$ 29,022,355</u>	<u>\$ 8,450,030</u>	<u>\$ 575,000</u>	<u>\$ 96,615</u>

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.

F. LEASE DISCLOSURES

The city has no material leases as lessee or lessor.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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, 2011, includes the following:

Governmental Activities

Invested in Capital Assets, Net of Related Debt	
Land	\$ 12,680,615
Construction in progress	139,381
Other capital assets, net of accumulated depreciation	53,473,938
Less: Long-term debt outstanding	(29,022,355)
Plus: Unspent capital related debt proceeds	3,220,004
Plus: Non-capital debt proceeds	3,019,264
Total Invested in Capital Assets, Net of Related Debt	<u>43,510,847</u>
Restricted	
Debt service	317,554
Park and recreational impact fees	875,235
Fire impact fees	17,990
Library	111,005
Library project	674,021
TID activities	3,165,179
Total Restricted	<u>5,160,984</u>
Unrestricted	<u>3,031,475</u>
Total Governmental Activities Net Assets	<u>\$ 51,703,306</u>

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

G. NET ASSETS/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2011, include the following:

	General Fund	General Debt Service	General Capital Projects	TID No. 4	Nonmajor Funds	Totals
Fund Balances						
Nonspendable:						
Prepaid items	\$ 204,425	\$ -	\$ -	\$ -	\$ 3,217	\$ 207,642
Delinquent personal property taxes	84,058	-	-	-	-	84,058
Delinquent special assessments	43,840	-	-	-	-	43,840
Restricted for:						
Park and recreational improvement fees	-	-	-	-	875,235	875,235
Fire impact fees	-	-	17,990	-	-	17,990
Library	-	-	-	-	109,562	109,562
Library project	-	-	674,021	-	-	674,021
TID activities	-	-	-	4,916,108	1,001,029	5,917,137
Debt service	-	720,316	-	-	-	720,316
Committed to:						
Drug enforcement and training	-	-	-	-	63,696	63,696
Recycling and refuse	-	-	-	-	338,143	338,143
Cable TV	-	-	-	-	424,867	424,867
Assigned to:						
Capital projects	-	-	1,625,192	-	-	1,625,192
Payment in lieu of taxes	543,730	-	-	-	-	543,730
Employee retirement	90,000	-	-	-	-	90,000
Unassigned (deficit):	<u>4,258,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(79,102)</u>	<u>4,179,884</u>
Total Fund Balances	<u>\$ 5,225,039</u>	<u>\$ 720,316</u>	<u>\$ 2,317,203</u>	<u>\$ 4,916,108</u>	<u>\$ 2,736,647</u>	<u>\$ 15,915,313</u>

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

G. NET ASSETS/FUND BALANCES (cont.)

Business-type Activities

Invested in capital assets, net of related debt	
Land	\$ 3,406,085
Construction in progress	70,483
Other capital assets, net of accumulated depreciation	41,615,755
Less: Long-term debt outstanding	<u>(575,000)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>44,517,323</u>
Unrestricted	<u>2,403,020</u>
Total Business-type Activities Net Assets	<u>\$ 46,920,343</u>

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.

b. Deposits and Investments

At year end, the carrying amount of the CDA's deposits was \$624,439 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, 2011, the CDA's loans receivable balance was \$6,809.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 (1,200 hours for employees hired on or after July 1, 2011) are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan through June 28, 2011. Beginning, June 29, 2011 and thereafter covered employees in the General category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% for Protective Occupations without Social Security). Employers generally make these contributions to the plan on behalf of employees through June 28, 2011. Thereafter, employees are required to fund their contribution subject to terms of employment contracts and which employee group they are a member of. 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, 2011 was \$8,659,805; the employer's total payroll was \$9,441,270. The total required contribution for the year ended December 31, 2011 was \$1,163,083 or 13.4% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2010 and 2009 were \$1,163,083 and \$1,069,603, 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 or beginning participation on or after July 1, 2011, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and between April 24, 1998 and June 30, 2011 are immediately vested.

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

As of December 31, 2011 there was no pension related debt for the city.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE V - OTHER INFORMATION (cont.)

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.

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 \$1,240,847.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 \$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 \$1,786,221.

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 \$2,688,973.

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 FitchRona 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 2011 of \$425,239. 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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE V - OTHER INFORMATION (cont.)

D. JOINT VENTURES (cont.)

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 \$193,285 in 2011. The city believes that the commission will continue to provide services in the future at similar costs. The transactions of the commission are not reflected in these financial statements.

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

Town of Madison Cooperative Plan

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

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

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

City of Fitchburg 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 \$16,490 in 2011. 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. SUBSEQUENT EVENTS

On March 21, 2012 the city issued general obligation promissory notes in the amount of \$6,195,000 with an interest rate of 1-2%. This amount will be used for capital projects.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE V - OTHER INFORMATION (cont.)

E. SUBSEQUENT EVENTS (cont.)

On March 21, 2012 the city issued general obligation corporate purpose bonds in the amount of \$15,350,000 with an interest rate of 2-3%. This amount will be used for TID 4 projects and refunding of old general obligation debt.

On March 21, 2012 the city issued taxable general obligation refunding bonds in the amount of \$500,000 with an interest rate of 0.4-1.3%. This amount will be used for refunding of general obligation debt.

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*. 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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
TAXES				
General property taxes	\$ 11,860,970	\$ 11,860,970	\$ 11,860,970	\$ -
Mobile home lottery credit and parking fees	3,800	3,800	4,253	453
Public accommodation (room) taxes	18,600	18,600	22,624	4,024
Other taxes	-	-	380	380
Interest and penalties on taxes	<u>10,000</u>	<u>10,000</u>	<u>12,230</u>	<u>2,230</u>
Total Taxes	<u>11,893,370</u>	<u>11,893,370</u>	<u>11,900,457</u>	<u>7,087</u>
INTERGOVERNMENTAL REVENUES				
State shared revenues	746,420	746,420	746,457	37
Payments for municipal services	61,130	61,130	54,756	(6,374)
State aid - general transportation aids	901,026	901,026	901,026	-
State aid - DNR lands	18,600	18,600	22,203	3,603
Fire insurance tax (2% fire dues)	74,000	74,000	75,947	1,947
State aid - exempt computer aid	170,000	170,000	142,275	(27,725)
State aid - emergency government	-	-	3,436	3,436
Federal aid - land	4,000	4,000	2,329	(1,671)
Other police grants	14,250	14,250	17,903	3,653
Federal aid - fire	10,000	10,000	20,021	10,021
Other federal payments	-	-	20,614	20,614
County aid - senior	<u>36,562</u>	<u>36,562</u>	<u>35,883</u>	<u>(679)</u>
Total Intergovernmental Revenues	<u>2,035,988</u>	<u>2,035,988</u>	<u>2,042,850</u>	<u>6,862</u>
LICENSES AND PERMITS				
Business and occupational licenses	35,000	35,000	38,012	3,012
Other nonbusiness licenses	8,600	8,600	10,993	2,393
Building permits	230,000	230,000	158,518	(71,482)
Zoning permits and fees	40,000	40,000	58,993	18,993
Other regulatory permits and fees	<u>5,000</u>	<u>5,000</u>	<u>10,697</u>	<u>5,697</u>
Total Licenses and Permits	<u>318,600</u>	<u>318,600</u>	<u>277,213</u>	<u>(41,387)</u>
FINES AND FORFEITURES				
Law and ordinance violations	<u>397,000</u>	<u>397,000</u>	<u>274,689</u>	<u>(122,311)</u>
PUBLIC CHARGES FOR SERVICES				
General government	17,000	17,000	10,317	(6,683)
Public safety	15,629	15,629	38,140	22,511
Engineering	2,000	2,000	-	(2,000)
Senior program fees	11,000	11,000	8,635	(2,365)
Recreation programs	125,000	125,000	124,322	(678)
Shelter and rental fees	18,000	18,000	17,769	(231)
Other public charges for services	<u>1,000</u>	<u>1,000</u>	<u>6,530</u>	<u>5,530</u>
Total Public Charges for Services	<u>189,629</u>	<u>189,629</u>	<u>205,713</u>	<u>16,084</u>

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 For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
SPECIAL ASSESSMENTS				
Interest on delinquent special assessments	\$ 2,500	\$ 2,500	\$ 6,672	\$ 4,172
INVESTMENT INCOME				
Investment income	125,100	125,100	142,684	17,584
INTERGOVERNMENTAL CHARGES FOR SERVICES				
Local - emergency services	80,172	80,172	96,029	15,857
Administrative charges to utilities	71,994	71,994	67,989	(4,005)
Administrative charges to library	48,138	48,138	48,138	-
Total Intergovernmental Charges for Services	200,304	200,304	212,156	11,852
MISCELLANEOUS				
Rental of city buildings	20,000	20,000	11,018	(8,982)
Cemetery	-	-	30	30
WPRA ticket commission	500	500	388	(112)
Land rental and leases	6,000	6,000	9,000	3,000
Reimbursement from stormwater	85,000	85,000	101,523	16,523
Maintenance facility reimbursement from utility	2,000	2,000	1,616	(384)
Tower lease	15,876	15,876	15,876	-
Transfer from CDA	42,440	42,440	42,440	-
EMS rental	2,795	2,795	4,724	1,929
Senior advertising sales	1,000	1,000	2,203	1,203
Reimbursement from TIFs	25,000	25,000	43,008	18,008
Property sales	300	300	-	(300)
Worker's compensation reimbursement	-	-	8,544	8,544
Insurance recoveries	-	-	8,271	8,271
Donations	3,000	3,000	418	(2,582)
Refund of prior year expenditures	25,000	25,000	198,460	173,460
Other miscellaneous	2,500	2,500	8,293	5,793
Total Miscellaneous	231,411	231,411	455,812	224,401
 Total Revenues	 15,393,902	 15,393,902	 15,518,246	 124,344

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 For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES				
GENERAL GOVERNMENT				
Mayor and city council	\$ 78,395	\$ 78,395	\$ 70,642	\$ 7,753
Administrator	372,361	372,361	344,423	27,938
Municipal court	146,764	146,764	149,498	(2,734)
Clerk's office	361,093	361,093	357,461	3,632
Treasurer's office	263,222	263,222	259,848	3,374
Information technology	371,672	371,672	334,720	36,952
Assessment of property	384,449	384,449	382,276	2,173
Accounting and auditing	36,400	36,400	40,500	(4,100)
Legal counsel	200,920	200,920	271,887	(70,967)
New city hall	319,330	319,330	339,683	(20,353)
City hall	500	500	9,095	(8,595)
Other buildings - safety	32,600	32,600	42,437	(9,837)
Other buildings - fire	39,650	39,650	40,439	(789)
Other buildings - maintenance	51,000	51,000	40,259	10,741
Police evidence processing facility	6,000	6,000	5,645	355
Property and liability insurance	313,075	313,075	472,694	(159,619)
Employee bonds	1,265	1,265	1,265	-
Office supplies	16,000	16,000	17,537	(1,537)
Miscellaneous	27,125	27,125	20,114	7,011
Illegal taxes	-	-	3,778	(3,778)
Employee retirement reserve	50,000	50,000	34,380	15,620
Merit pay	-	-	600	(600)
Professional services	45,000	45,000	33,750	11,250
Contingency	25,000	25,000	-	25,000
Total General Government	<u>3,141,821</u>	<u>3,141,821</u>	<u>3,272,931</u>	<u>(131,110)</u>
PUBLIC SAFETY				
Law enforcement	5,739,363	5,739,363	5,761,166	(21,803)
Fire suppression and prevention	2,240,775	2,240,775	2,229,840	10,935
Joint public safety system	209,755	209,755	193,285	16,470
Building inspection	409,264	409,264	399,340	9,924
EMS district	425,739	425,739	425,389	350
Weights and measures	3,600	3,600	3,600	-
Other public safety	1,928	1,928	1,153	775
Total Public Safety	<u>9,030,424</u>	<u>9,030,424</u>	<u>9,013,773</u>	<u>16,651</u>
HEALTH AND SOCIAL SERVICES				
Senior citizens program	382,234	382,234	379,794	2,440
PUBLIC WORKS				
Mass transit - bus subsidy	390,000	390,000	370,000	20,000
Highway department	1,504,022	1,504,022	1,425,214	78,808
Total Public Works	<u>1,894,022</u>	<u>1,894,022</u>	<u>1,795,214</u>	<u>98,808</u>

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 For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
CULTURE, EDUCATION AND RECREATION				
Parks	\$ 589,350	\$ 589,350	\$ 623,170	\$ (33,820)
Community center	75,535	75,535	49,742	25,793
Recreation programs and events	<u>270,920</u>	<u>270,920</u>	<u>278,598</u>	<u>(7,678)</u>
Total Culture, Education and Recreation	<u>935,805</u>	<u>935,805</u>	<u>951,510</u>	<u>(15,705)</u>
CONSERVATION AND DEVELOPMENT				
Zoning	303,606	303,606	291,436	12,170
Economic and community development	<u>200,346</u>	<u>200,346</u>	<u>193,124</u>	<u>7,222</u>
Total Conservation and Development	<u>503,952</u>	<u>503,952</u>	<u>484,560</u>	<u>19,392</u>
 Total Expenditures	 <u>15,888,258</u>	 <u>15,888,258</u>	 <u>15,897,782</u>	 <u>(9,524)</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(494,356)</u>	 <u>(494,356)</u>	 <u>(379,536)</u>	 <u>114,820</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	489,356	489,356	561,730	72,374
Transfers out	<u>(10,000)</u>	<u>(160,000)</u>	<u>(150,000)</u>	<u>10,000</u>
Total Other Financing Sources (Uses)	<u>479,356</u>	<u>329,356</u>	<u>411,730</u>	<u>82,374</u>
 Net Change in Fund Balance	 (15,000)	 (165,000)	 32,194	 197,194
 FUND BALANCE - Beginning of Year	 <u>5,192,845</u>	 <u>5,192,845</u>	 <u>5,192,845</u>	 <u>-</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 5,177,845</u>	 <u>\$ 5,027,845</u>	 <u>\$ 5,225,039</u>	 <u>\$ 197,194</u>

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

CITY OF FITCHBURG

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2011

BUDGETARY INFORMATION

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

Excess expenditures over appropriations are as follows:

	Amended Budget	Expenditures	Excess
<u>General Fund</u>			
Municipal court	\$ 146,764	\$ 149,498	\$ 2,734
Accounting and auditing	36,400	40,500	4,100
Legal counsel	200,920	271,887	70,967
New city hall	319,330	339,683	20,353
City hall	500	9,095	8,595
Other buildings - safety	32,600	42,437	9,837
Other buildings - fire	39,650	40,439	789
Property and liability insurance	313,075	472,694	159,619
Other supplies	16,000	17,537	1,537
Illegal taxes	-	3,778	3,778
Merit pay	-	600	600
Law enforcement	5,739,363	5,761,166	21,803
Parks	589,350	623,170	33,820
Recreation programs and events	270,920	278,598	7,678

SUPPLEMENTARY INFORMATION

CITY OF FITCHBURG

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of December 31, 2011

	Special Revenue Funds			
	Drug Enforcement and Training	Recycling and Refuse Collection	Park Dedication	Cable TV
ASSETS				
Cash and investments	\$ 60,915	\$ 387,734	\$ 836,893	\$ 362,997
Taxes receivable	-	762,206	-	-
Accounts receivable	6,540	-	-	69,417
Advances to other funds	-	-	38,342	-
Prepaid items	596	-	-	1,178
TOTAL ASSETS	<u>\$ 68,051</u>	<u>\$ 1,149,940</u>	<u>\$ 875,235</u>	<u>\$ 433,592</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3,759	\$ 46,798	\$ -	\$ 4,230
Accrued liabilities	-	2,793	-	3,317
Due to other funds	-	-	-	-
Deferred revenues	-	762,206	-	-
Advances from other funds	-	-	-	-
Total Liabilities	<u>3,759</u>	<u>811,797</u>	<u>-</u>	<u>7,547</u>
Fund Balances				
Nonspendable	596	-	-	1,178
Restricted	-	-	875,235	-
Committed	63,696	338,143	-	424,867
Unassigned (deficit)	-	-	-	-
Total Fund Balances	<u>64,292</u>	<u>338,143</u>	<u>875,235</u>	<u>426,045</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 68,051</u>	<u>\$ 1,149,940</u>	<u>\$ 875,235</u>	<u>\$ 433,592</u>

Special Revenue Fund		Capital Projects Funds				Total Nonmajor Governmental Funds
Cemetery	Library Services	Municipal Building	TID No. 6	TID No. 7	TID No. 8	
\$ 33,461	\$ 147,196	\$ -	\$ 1,001,029	\$ -	\$ -	\$ 2,830,225
-	1,504,346	-	1,239,639	115,797	-	3,621,988
-	26	-	-	-	-	75,983
-	-	-	-	-	-	38,342
-	1,443	-	-	-	-	3,217
<u>\$ 33,461</u>	<u>\$ 1,653,011</u>	<u>\$ -</u>	<u>\$ 2,240,668</u>	<u>\$ 115,797</u>	<u>\$ -</u>	<u>\$ 6,569,755</u>
\$ -	\$ 25,722	\$ -	\$ -	\$ -	\$ -	\$ 80,509
-	11,938	-	-	-	-	18,048
-	-	12,462	-	42,065	19,694	74,221
-	1,504,346	-	1,239,639	115,797	-	3,621,988
<u>38,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,342</u>
<u>38,342</u>	<u>1,542,006</u>	<u>12,462</u>	<u>1,239,639</u>	<u>157,862</u>	<u>19,694</u>	<u>3,833,108</u>
-	1,443	-	-	-	-	3,217
-	109,562	-	1,001,029	-	-	1,985,826
-	-	-	-	-	-	826,706
<u>(4,881)</u>	<u>-</u>	<u>(12,462)</u>	<u>-</u>	<u>(42,065)</u>	<u>(19,694)</u>	<u>(79,102)</u>
<u>(4,881)</u>	<u>111,005</u>	<u>(12,462)</u>	<u>1,001,029</u>	<u>(42,065)</u>	<u>(19,694)</u>	<u>2,736,647</u>
<u>\$ 33,461</u>	<u>\$ 1,653,011</u>	<u>\$ -</u>	<u>\$ 2,240,668</u>	<u>\$ 115,797</u>	<u>\$ -</u>	<u>\$ 6,569,755</u>

CITY OF FITCHBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	Special Revenue Funds			
	Drug Enforcement and Training	Recycling and Refuse Collection	Park Dedication	Cable TV
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	26,294	96,507	-	-
Licenses and permits	-	-	-	274,935
Fines, forfeitures and penalties	14,156	-	-	-
Public charges for services	-	708,969	-	1,999
Investment income	-	-	702	969
Miscellaneous	2,643	4,011	-	-
Total Revenues	<u>43,093</u>	<u>809,487</u>	<u>702</u>	<u>277,903</u>
EXPENDITURES				
Current				
Public safety	35,590	-	-	-
Public works	-	799,747	-	-
Culture, recreation and education	-	-	-	307,696
Capital Outlay	-	-	-	-
Debt Service				
Debt Service	-	-	-	-
Total Expenditures	<u>35,590</u>	<u>799,747</u>	<u>-</u>	<u>307,696</u>
Excess (deficiency) of revenues over expenditures	<u>7,503</u>	<u>9,740</u>	<u>702</u>	<u>(29,793)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	373,710	-
Transfers out	-	(20,513)	(50,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(20,513)</u>	<u>323,710</u>	<u>-</u>
Net Change in Fund Balances	7,503	(10,773)	324,412	(29,793)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>56,789</u>	<u>348,916</u>	<u>550,823</u>	<u>455,838</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 64,292</u>	<u>\$ 338,143</u>	<u>\$ 875,235</u>	<u>\$ 426,045</u>

Special Revenue Fund		Capital Project Funds				Total Nonmajor Governmental Funds
Cemetery	Library Services	Municipal Building	TID No. 6	TID No. 7	TID No. 8	
\$ -	\$ 1,613,696	\$ -	\$ 1,157,011	\$ 103,215	\$ 12,370	\$ 2,886,292
-	164,627	-	9,821	8,406	49	305,704
-	-	-	-	-	-	274,935
-	-	-	-	-	-	14,156
-	7,249	-	-	-	-	718,217
-	122	-	1,696	-	-	3,489
-	29,268	-	-	-	-	35,922
-	1,814,962	-	1,168,528	111,621	12,419	4,238,715
-	-	-	-	-	-	35,590
-	-	-	-	-	-	799,747
-	1,721,879	-	-	-	-	2,029,575
-	-	-	710,164	113,334	704	824,202
-	-	-	-	90	56	146
-	1,721,879	-	710,164	113,424	760	3,689,260
-	93,083	-	458,364	(1,803)	11,659	549,455
-	-	-	-	-	-	373,710
-	-	-	-	-	-	(70,513)
-	-	-	-	-	-	303,197
-	93,083	-	458,364	(1,803)	11,659	852,652
(4,881)	17,922	(12,462)	542,665	(40,262)	(31,353)	1,883,995
\$ (4,881)	\$ 111,005	\$ (12,462)	\$ 1,001,029	\$ (42,065)	\$ (19,694)	\$ 2,736,647

CITY OF FITCHBURG

STATEMENT OF CASH FLOWS COMPONENT UNIT For the Year Ended December 31, 2011

	Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	\$ 386,304
Paid to suppliers for goods and services	<u>(348,115)</u>
Net Cash Flows From Operating Activities	<u>38,189</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>6,536</u>
Net Cash Flows From Investing Activities	<u>6,536</u>
Net Change in Cash and Cash Equivalents	44,725
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>579,714</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 624,439</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ (115,916)
Nonoperating revenue	7,908
Changes in assets and liabilities	
Accounts receivables	129,527
Prepays	851
Accounts payable	<u>15,819</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ 38,189</u></u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
None	

CITY OF FITCHBURG

CAPITAL PROJECTS FUND - COMBINING SCHEDULE OF SUBFUNDS For the Year Ended December 31, 2011

	Capital Projects					Totals
	Roads/ Road Related	Parks	Capital Equipment	Community Events	Other	
REVENUES						
Taxes	\$ 440,000	\$ 21,400	\$ 460,669	\$ -	\$ -	\$ 922,069
Intergovernmental	861,271	-	97,790	-	-	959,061
Investment income	-	1,374	6,152	234	7,773	15,533
Miscellaneous	-	2,810	1,285,059	28,981	140,460	1,457,310
Total Revenues	1,301,271	25,584	1,849,670	29,215	148,233	3,353,973
EXPENDITURES						
Capital Outlay	429,151	30,108	10,493,322	39,583	1,964,761	12,956,925
Debt Service						
Interest and fiscal charges	-	-	19,810	-	10,540	30,350
Total Expenditures	429,151	30,108	10,513,132	39,583	1,975,301	12,987,275
Excess (deficiency) of revenues over expenditures	872,120	(4,524)	(8,663,462)	(10,368)	(1,827,068)	(9,633,302)
OTHER FINANCING SOURCES (USES)						
Debt issued	-	-	776,707	-	413,293	1,190,000
Premium on debt issued	-	-	22,493	-	11,969	34,462
Transfers in	-	50,000	150,000	-	-	200,000
Transfers out	-	(373,710)	-	-	(45,000)	(418,710)
Total Other Financing Sources (Uses)	-	(323,710)	949,200	-	380,262	1,005,752
Net Change in Fund Balances	872,120	(328,234)	(7,714,262)	(10,368)	(1,446,806)	(8,627,550)
FUND BALANCES (DEFICIT) - Beginning of Year	(550,301)	688,962	6,520,072	103,591	4,182,429	10,944,753
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 321,819	\$ 360,728	\$ (1,194,190)	\$ 93,223	\$ 2,735,623	\$ 2,317,203