

# **CITY OF FITCHBURG**

Fitchburg, Wisconsin

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2014

# CITY OF FITCHBURG

## TABLE OF CONTENTS As of and for the Year Ended December 31, 2014

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	<u>Page(s)</u>
Independent Auditors' Report	i - ii
Management's Discussion and Analysis	iii - xii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2 - 3
Fund Financial Statements	
Balance Sheet - Governmental Funds	4 - 5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7 - 8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Net Position - Proprietary Funds	10 - 11
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	12
Statement of Cash Flows - Proprietary Funds	13 - 14
Statement of Assets and Liabilities - Agency Fund	15
Index to Notes to Financial Statements	16
Notes to Financial Statements	17 - 52
Required Supplementary Information	
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	53 - 56
Notes to Required Supplementary Information	57
Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	58 - 59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	60 - 61
Statement of Cash Flows - Component Unit	62

## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Fitchburg  
Fitchburg, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying 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, 2014, and the related notes to the financial statements, which collectively comprise the City of Fitchburg's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We 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 from material misstatement.

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

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

To the City Council  
City of Fitchburg

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fitchburg, Wisconsin, as of December 31, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fitchburg's basic financial statements. The combining and individual fund financial statements and the statement of component unit cash flows 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the statement of component unit cash flows are fairly stated in all material respects, in relation to the basic financial statements as a whole.

*Baker Tilly Vinchow Krause, LLP*  
Madison, Wisconsin  
May 15, 2015

# CITY OF FITCHBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ended December 31, 2014

As management of the City of Fitchburg (the “city”), 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, 2014. We encourage the reader to consider the information presented here in conjunction with the city’s financial statements.

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### FINANCIAL HIGHLIGHTS

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When revenues exceed expenses, the result is an increase in net position. When expenses exceed revenues, the result is a decrease in net position. This relationship between revenues and expenses is considered the city’s results of operations. Changes in net position are one indicator of financial health or financial position. Over time, increases or decreases in net position 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, 2014 by \$122,156,328 (net position). Of this amount, \$4,522,421 (unrestricted net position) may be used to meet the city’s ongoing obligations to citizens and creditors, \$6,034,242 is restricted for specific purposes (restricted net position) and \$111,599,665 is the net investment in capital assets, including all infrastructure.
- > The City of Fitchburg’s total net position increased by \$13,588,029 over the previous year. Net position relating to Governmental Activities increased by \$9,906,702 while net position relating to Business-type Activities increased by \$3,681,327.
- > As of December 31, 2014, the city’s governmental funds reported combined fund balances of \$13,103,579, a decrease of \$3,665,133 from 2013.
- > Unassigned fund balance for the general fund was \$4,538,150 or 27.2 percent of 2014 general fund expenditures.
- > The 3 percent debt limit set by local ordinance as of December 31, 2014 was \$78,718,926. Total general obligation debt outstanding at the end of the year was \$37,762,170 (48.0 percent of the allowable limit).

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### OVERVIEW OF THE FINANCIAL STATEMENTS

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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.

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.

# CITY OF FITCHBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ended December 31, 2014

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### OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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#### ***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 position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 position and how they have changed. Net Position – the difference between the city's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the city's financial health, or position. Over time, increases or decreases in the city's net position 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 position changed during the most recent fiscal year. All changes in net position 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.

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.

# CITY OF FITCHBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ended December 31, 2014

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### OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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#### *FUND FINANCIAL STATEMENTS (cont.)*

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 general debt service fund, the general capital projects fund, the TID No. 4 fund, and the TID No. 6 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.

*Agency Funds* – Agency funds are used to account for resources held for the benefit of parties outside the government. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the city's own programs. The accounting used for agency 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.

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### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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An analysis of the city's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the city's net position and changes therein. It should be noted that the 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 position 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 \$122,132,275 at the close of 2014, an increase of \$13,563,976 or 12.5 percent.

## CITY OF FITCHBURG

### MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ended December 31, 2014

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

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 \$63,461,581 or 96.3 percent of governmental net position. Including governmental and business-type activities, 91.4 percent of total net position is 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 position (\$6,034,242 or 4.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$4,498,368 or 3.7 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 position, for the city as a whole, as well as for its business-type activities.

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

**Table 1  
Condensed Statements of Net Position**

	Governmental Activities	Business-type Activities	2014 Totals	2013 Totals
Current and other assets	\$ 41,682,777	\$ 5,906,470	\$ 47,589,247	\$ 48,709,814
Capital assets	91,148,058	51,517,061	142,665,119	129,815,132
Total Assets	<u>132,830,835</u>	<u>57,423,531</u>	<u>190,254,366</u>	<u>178,524,946</u>
Long-term liabilities outstanding	39,385,861	590,036	39,975,897	43,508,468
Other liabilities	3,464,241	589,699	4,053,940	2,588,358
Total Liabilities	<u>42,850,102</u>	<u>1,179,735</u>	<u>44,029,837</u>	<u>46,096,826</u>
Total Deferred Inflows of Resources	<u>24,092,254</u>	<u>-</u>	<u>24,092,254</u>	<u>23,859,821</u>
<b>Net Position</b>				
Net investment in capital assets	63,461,581	51,117,061	111,599,665	96,855,440
Restricted	5,773,293	260,949	6,034,242	6,331,354
Unrestricted (deficit)	<u>(3,346,395)</u>	<u>4,865,786</u>	<u>4,498,368</u>	<u>5,381,505</u>
Total Net Position	<u>\$ 65,888,479</u>	<u>\$ 56,243,796</u>	<u>\$ 122,132,275</u>	<u>\$ 108,568,299</u>

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

# CITY OF FITCHBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ended December 31, 2014

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

#### **GOVERNMENTAL ACTIVITIES**

Governmental activities increased the city's net position by \$9,882,649. This increase is primarily a result of \$10,739,847 in capital grants and contributions for public works awarded as a part of several large construction projects completed during 2014.

#### **BUSINESS-TYPE ACTIVITIES**

Business-type activities increased the city's net position by \$3,681,327. This increase is primarily a result of \$1,250,912 in capital grants and contributions for the Stormwater Utility received from large projects completed in 2014.

**Table 2  
Condensed Statement of Activities**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2014 Totals</u>	<u>2013 Totals</u>
<b>Revenues:</b>				
Program Revenues				
Charges for services	\$ 2,877,564	\$ 5,563,611	\$ 8,441,175	\$ 7,517,023
Operating grants and contributions	1,937,917	-	1,937,917	1,709,573
Capital grants and contributions	10,998,263	2,018,146	13,016,409	3,813,922
General Revenues				
Property taxes	22,794,685	-	22,794,685	20,833,535
Other taxes	37,457	-	37,457	38,723
Intergovernmental	1,888,424	-	1,888,424	2,111,067
Other revenues	1,920,568	20,365	1,940,933	1,044,247
Total Revenues	<u>42,454,878</u>	<u>7,602,122</u>	<u>50,057,000</u>	<u>37,068,090</u>
<b>Expenses:</b>				
General government	3,219,898	-	3,219,898	4,194,646
Public safety	10,957,835	-	10,957,835	9,707,764
Public works	11,334,075	-	11,334,075	6,143,365
Health and human services	419,820	-	419,820	400,169
Culture, education and recreation	3,524,529	-	3,524,529	3,919,726
Conservation and development	1,311,610	-	1,311,610	55,856
Interest and fiscal charges	1,011,119	-	1,011,119	1,085,047
Water and sewer utilities	-	3,811,612	3,811,612	3,766,747
Stormwater utility	-	902,526	902,526	1,032,225
Total Expenses	<u>31,778,886</u>	<u>4,714,138</u>	<u>36,493,024</u>	<u>30,305,545</u>
Increase in net position before transfers	10,675,992	2,887,984	13,563,976	6,762,545
Transfers	(793,343)	793,343	-	-
Change in Net Position	<u>9,882,649</u>	<u>3,681,327</u>	<u>13,563,976</u>	<u>6,762,545</u>
Net Position – Beginning of Year	<u>56,005,830</u>	<u>52,562,469</u>	<u>108,568,299</u>	<u>101,805,754</u>
Net Position – End of Year	<u>\$ 65,888,479</u>	<u>\$ 56,243,796</u>	<u>\$ 122,132,275</u>	<u>\$ 108,568,299</u>

# CITY OF FITCHBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ended December 31, 2014

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

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#### ***BUSINESS-TYPE ACTIVITIES*** (cont.)

As previously noted, the Statement of Net Position shows the change in financial position of net position. The specific nature or source of these changes then becomes more evident in the Statement of Activities as shown in Table 2.

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### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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#### ***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, unassigned 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, 2014, the city's governmental funds reported combined fund balances of \$13,103,579. Approximately 20.3 percent of this amount, \$2,659,853 constitutes unassigned fund balance, which is available to meet the city's current and future needs. The remaining \$10,443,726 is non-spendable 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 \$6,770,079, an increase of \$865,583 or 14.7%.

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 2014, unassigned fund balance is \$4,538,150 and the 2014 general fund revenues were \$16,912,706, resulting in an unassigned fund balance of 26.8 percent of revenues.

#### ***General 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 \$138,815 is a decrease of 10.4 percent over the prior year and is assigned for future debt service.

#### ***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 \$795,256 is a decrease of \$3,311,644 or 80.6 percent over the previous year. The decrease is due primarily to the temporary use of fund balance to support capital projects that were subsequently reimbursed by debt proceeds in 2015.

# CITY OF FITCHBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ended December 31, 2014

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

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#### *GOVERNMENTAL FUNDS (cont.)*

##### ***TID No. 4 Capital Projects Fund***

TID No. 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 2010, 2011 and 2012 for the interchange. The entire fund balance of \$3,190,473 is restricted for TID activities.

##### ***TID No. 6 Capital Projects Fund***

TID No. 6 was amended once in 2013 to add the Arrowhead area. The majority of the city's obligations for the amendment was spent in 2014 with the construction of Spoke and Sprocket Drives. Funds were borrowed in 2015 to reimburse the TID for those construction costs; however, the timing of the debt issuance resulted in a negative fund balance as of December 31, 2014 of \$603,139.

##### ***Nonmajor Governmental Funds***

Fund balance of nonmajor governmental funds is \$2,812,095, which is nonspendable, restricted, or committed for future projects and expenditures. This balance includes a negative fund balance of \$24,192 for TID No. 8, due to the district being new and having a small amount of implementation/administration costs that have not been recovered. Also the municipal building fund includes a negative fund balance of \$12,462. 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.

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### GENERAL FUND BUDGETARY HIGHLIGHTS

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The 2014 adopted General Fund budget was not amended during the year. The total original and final appropriations were \$17,116,609. Actual expenditures and other financing uses were \$16,664,330 resulting in a favorable variance of \$452,279. Total revenues and other financing sources were \$17,529,913, which is \$413,304 more than budget. The overall operating result of the general fund was a gain of \$865,583 and was primarily due to:

- > Favorable variances due to vacancies in the police, finance, fire, clerk, and public works departments.
- > Delay in the DaneCom project resulting in delayed annual maintenance costs.
- > Waived disability premium costs.
- > Building and related permit revenues in excess of budget, primarily due to the favorable economic climate and several large projects that were constructed in 2014.
- > Non-cash mark-to-market adjustment for the city's investments.

# CITY OF FITCHBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ended December 31, 2014

### CAPITAL ASSETS

At the end of 2014, the city had invested a total of \$142,665,119 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	2014 Totals	2013 Totals
Land and other assets not being depreciated	\$ 24,351,867	\$ 5,471,328	\$ 29,823,195	\$ 26,706,603
Land improvements	412,878	-	412,878	412,878
Building and improvements	28,494,916	2,925,838	31,420,754	28,559,807
Machinery and equipment	11,579,354	2,806,696	14,386,050	13,972,447
Roads, paths, and sidewalks	52,918,094	-	52,918,094	46,436,007
Utility plant	-	59,020,244	59,020,244	56,048,536
Intangible	-	197,057	197,057	197,057
Total Capital Assets	<u>117,757,109</u>	<u>70,421,163</u>	<u>188,178,272</u>	<u>172,333,335</u>
Less: Accumulated Depreciation	<u>(26,609,051)</u>	<u>(18,904,102)</u>	<u>(45,513,153)</u>	<u>(42,518,203)</u>
Net Capital Assets	<u>\$ 91,148,058</u>	<u>\$ 51,517,061</u>	<u>\$ 142,665,119</u>	<u>\$ 129,815,132</u>

More information on net capital assets can be found in the notes to the financial statements, Note III.D.

#### **GOVERNMENTAL ACTIVITIES**

Total capital assets from governmental activities increased \$11,931,953. Major capital asset events during the current fiscal year included the following:

- > Land additions include a purchase for the new fire station and land contributed for a path. Additional purchases were also made for the DaneCom project, which remains in construction in progress.
- > Building and improvements include the final costs and reclassification from construction in progress for the new maintenance facility, splashpad, and Dawley bike hub. Also included is a decrease due to the demolition of the old City Hall building.
- > Machinery, equipment, and furniture additions included police and fire safety equipment and public works equipment.
- > There were several road and path projects completed in 2014 including Cannonball and Military Ridge paths and connections; Spoke and Sprocket Drives; reconstruction of McKee Road (aka Highway PD); Haight Farm Road bridge; and various developer contributed infrastructure items.

# CITY OF FITCHBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ended December 31, 2014

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### **CAPITAL ASSETS (cont.)**

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#### ***BUSINESS -TYPE ACTIVITIES***

Total utility capital assets increased \$1,311,283 for water; \$431,580 for sewer; and \$2,170,121 for stormwater. Major capital asset events during the current fiscal year included the following:

- > Water and sewer work in process at year-end includes Rolfsmeyer Road Sanitary, King James Booster Station Improvements, AMI, and Syene Water Connection, Verona Rd Relocates, Fitchrona Road Water Main and SCADA radio upgrade.
- > The storm water utility work in process includes the preliminary assessment of Area H, Schuman Drive, Harlan Hills East Pond and Ashbourne Pond.
- > There were 11 water services added and no sanitary sewer services added during 2014.
- > There were 1,195 feet of water main added in 2014, so total footage is increased to 508,633 feet, which equates to just over 96.3 miles of water main.

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### **LONG-TERM DEBT**

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As of December 31, 2014, the city had \$37,762,170 of long-term bonds and notes outstanding, including utilities. All of the city's external debt is for general obligation issues. This is a decrease of \$3,670,164 from 2013 due to the scheduled payments on the existing debt. The city did not issue any new external debt in 2014.

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, 2014 was \$131,198,210. The city was at 28.8 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. The city's internal debt limit as of December 31, 2014 was \$78,718,926 and the city had used 48.0 percent.

Also see notes to the financial statements, Note III.F.

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### **CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS**

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All currently known facts and economic conditions were considered in preparing the 2015 city budget.

During 2007, the city issued two municipal revenue obligations as a part of development agreements related to specific portions of the development in TID No. 4. During 2014, an additional municipal revenue obligation was issued as a part of another development agreement within the same TID. These 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 2014 scheduled payments were able to be made on the development agreements.

## **CITY OF FITCHBURG**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ended December 31, 2014**

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#### **CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS (cont.)**

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A similar development agreement related to TID No. 6 was approved during 2009, with payments made each year as scheduled.

During 2009, TID No. 8 had a base value certified; however, no projects have begun and the TID has a deficit balance.

During 2011, the city received approval for a second amendment to TID No. 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 has been the construction of an interchange at Hwy 14, which was completed in 2012.

During 2013, the city received approval for an amendment to TID No. 6. This amendment involves the construction of Spoke and Sprocket Drives with the intention to spur development in the Arrowhead area. The construction of those two roads was substantially completed in 2014.

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#### **REQUESTS FOR INFORMATION**

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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 at 608 270 4252, Monday through Friday, 8:00 a.m. – 4:30 p.m.

# CITY OF FITCHBURG

## STATEMENT OF NET POSITION As of December 31, 2014

	Governmental Activities	Business-type Activities	Totals	Component Unit
<b>ASSETS</b>				
Cash and investments	\$ 11,624,266	\$ 5,532,859	\$ 17,157,125	\$ 600,742
Receivables (net)				
Taxes receivable	24,196,073	-	24,196,073	-
Delinquent personal property taxes	19,810	-	19,810	-
Accounts	2,207,054	1,468,904	3,675,958	68,208
Loans	-	-	-	48,090
Special assessments	781,133	219,212	1,000,345	-
Delinquent special assessments	12,853	-	12,853	-
Land contract	18,277	-	18,277	-
Internal balances	1,658,943	(1,658,943)	-	-
Due from other governmental units	14,108	34,893	49,001	-
Inventories	-	41,488	41,488	-
Prepaid items	243,980	7,108	251,088	2,550
Investment in joint venture	422,276	-	422,276	-
Restricted assets				
Cash and investments	484,004	260,949	744,953	-
Capital Assets				
Land	21,623,679	4,881,012	26,504,691	-
Intangible plant - land	-	664,596	664,596	-
Construction in progress	2,728,188	122,777	2,850,965	-
Other capital assets, net of depreciation	66,796,191	45,848,676	112,644,867	-
Total Assets	<u>132,830,835</u>	<u>57,423,531</u>	<u>190,254,366</u>	<u>719,590</u>
<b>LIABILITIES</b>				
Accounts payable	2,660,411	553,261	3,213,672	38,621
Accrued liabilities	740,693	36,438	777,131	-
Due to other governmental units	17,384	-	17,384	-
Deposits	45,753	-	45,753	-
Noncurrent Liabilities				
Due within one year	4,009,447	142,344	4,151,791	-
Due in more than one year	35,376,414	447,692	35,824,106	-
Total Liabilities	<u>42,850,102</u>	<u>1,179,735</u>	<u>44,029,837</u>	<u>38,621</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenues	24,092,254	-	24,092,254	-
Total Deferred Inflows of Resources	<u>24,092,254</u>	<u>-</u>	<u>24,092,254</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	63,461,581	51,117,061	111,599,665	-
Restricted for				
Room tax	-	-	-	254,780
Park and recreational fees	1,363,892	-	1,363,892	-
Impact fees	484,004	260,949	744,953	-
Library	359,603	-	359,603	-
Library project	5,855	-	5,855	-
Park projects	66,151	-	66,151	-
TID activities	3,493,788	-	3,493,788	-
Unrestricted (deficit)	<u>(3,346,395)</u>	<u>4,865,786</u>	<u>4,498,368</u>	<u>426,189</u>
<b>TOTAL NET POSITION</b>	<u>\$ 65,888,479</u>	<u>\$ 56,243,796</u>	<u>\$ 122,132,275</u>	<u>\$ 680,969</u>

See accompanying notes to financial statements.

# CITY OF FITCHBURG

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 3,219,898	\$ 505,508	\$ 77,990	\$ -
Public safety	10,957,835	488,171	142,167	32,469
Public works	11,334,075	833,943	1,175,036	10,715,794
Health and human services	419,820	-	-	-
Culture, education and recreation	3,524,529	1,003,541	469,831	250,000
Conservation and development	1,311,610	46,401	-	-
Interest and fiscal charges	1,011,119	-	72,893	-
Total Governmental Activities	31,778,886	2,877,564	1,937,917	10,998,263
Business-type Activities				
Water	1,576,951	2,229,520	-	565,735
Sewer	2,234,661	2,250,576	-	201,499
Stormwater	902,526	1,083,515	-	1,250,912
Total Business-type Activities	4,714,138	5,563,611	-	2,018,146
Total Primary Government	\$ 36,493,024	\$ 8,441,175	\$ 1,937,917	\$ 13,016,409
Component Unit				
Community development authority	\$ 262,140	\$ -	\$ -	\$ -

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 library purposes

        Property taxes, levied for TIF districts

        Other taxes

    Intergovernmental revenues not restricted to specific programs

    Public gifts and grants

    Investment income

    Miscellaneous

Transfers

    Total General Revenues and Transfers

**Change in net position**

NET POSITION - Beginning of Year

**NET POSITION - END OF YEAR**

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Unit
\$ (2,636,400)	\$ -	\$ (2,636,400)	\$ -
(10,295,028)	-	(10,295,028)	-
1,390,698	-	1,390,698	-
(419,820)	-	(419,820)	-
(1,801,157)	-	(1,801,157)	-
(1,265,209)	-	(1,265,209)	-
(938,226)	-	(938,226)	-
<u>(15,965,142)</u>	<u>-</u>	<u>(15,965,142)</u>	<u>-</u>
-	1,218,304	1,218,304	-
-	217,414	217,414	-
-	1,431,901	1,431,901	-
<u>-</u>	<u>2,867,619</u>	<u>2,867,619</u>	<u>-</u>
<u>(15,965,142)</u>	<u>2,867,619</u>	<u>(13,097,523)</u>	<u>-</u>
-	-	-	(262,140)
12,810,396	-	12,810,396	-
3,214,036	-	3,214,036	-
669,900	-	669,900	-
1,557,433	-	1,557,433	-
4,542,920	-	4,542,920	-
37,457	-	37,457	276,206
1,888,424	-	1,888,424	-
496,236	-	496,236	-
358,024	17,593	375,617	3,901
1,066,308	2,772	1,069,080	8,432
(793,343)	793,343	-	-
<u>25,847,791</u>	<u>813,708</u>	<u>26,661,499</u>	<u>288,539</u>
9,882,649	3,681,327	13,563,976	26,399
<u>56,005,830</u>	<u>52,562,469</u>	<u>108,568,299</u>	<u>654,570</u>
<u>\$ 65,888,479</u>	<u>\$ 56,243,796</u>	<u>\$ 122,132,275</u>	<u>\$ 680,969</u>

See accompanying notes to financial statements.

# CITY OF FITCHBURG

## BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2014

	General	General Debt Service	General Capital Projects
<b>ASSETS</b>			
Cash and investments	\$ 2,353,292	\$ 138,815	\$ 1,590,395
Receivables			
Taxes	13,113,582	3,825,193	1,145,386
Delinquent personal property taxes	19,810	-	-
Accounts	511,664	-	708,761
Special assessments	-	781,133	-
Delinquent special assessments	12,853	-	-
Land contract	18,277	-	-
Due from other governments	14,108	-	-
Due from other funds	4,330,236	-	-
Advances to other funds	36,662	-	1,068,707
Prepaid items	242,113	-	-
Restricted assets	-	-	484,004
	<u>\$ 20,652,597</u>	<u>\$ 4,745,141</u>	<u>\$ 4,997,253</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 373,024	\$ -	\$ 551,352
Accrued liabilities	446,010	-	-
Due to other funds	-	-	2,440,000
Due to other governments	17,384	-	-
Deposits	18,060	-	-
Advances from other funds	-	-	-
Total Liabilities	<u>854,478</u>	<u>-</u>	<u>2,991,352</u>
Deferred Inflows of Resources			
Unearned revenues	13,009,763	3,825,193	1,145,386
Unavailable revenues	18,277	781,133	65,259
Total Deferred Inflows of Resources	<u>13,028,040</u>	<u>4,606,326</u>	<u>1,210,645</u>
Fund Balances			
Nonspendable	311,438	-	1,068,707
Restricted	53,255	-	965,053
Committed	-	-	-
Assigned	1,867,236	138,815	-
Unassigned (deficit)	4,538,150	-	(1,238,504)
Total Fund Balances	<u>6,770,079</u>	<u>138,815</u>	<u>795,256</u>
	<u>\$ 20,652,597</u>	<u>\$ 4,745,141</u>	<u>\$ 4,997,253</u>

See accompanying notes to financial statements.

TID No. 4	TID No. 6	Nonmajor Governmental Funds	Totals
\$ 4,672,005	\$ 19,735	\$ 2,850,024	\$ 11,624,266
3,337,602	323,306	2,451,004	24,196,073
-	-	-	19,810
-	-	84,730	1,305,155
-	-	-	781,133
-	-	-	12,853
-	-	-	18,277
-	901,899	-	916,007
-	-	-	4,330,236
-	-	-	1,105,369
-	-	1,867	243,980
<u>-</u>	<u>-</u>	<u>-</u>	<u>484,004</u>
<u>\$ 8,009,607</u>	<u>\$ 1,244,940</u>	<u>\$ 5,387,625</u>	<u>\$ 45,037,163</u>
\$ 1,481,532	\$ 224,773	\$ 29,730	\$ 2,660,411
-	-	30,441	476,451
-	1,300,000	-	3,740,000
-	-	-	17,384
-	-	27,693	45,753
-	-	<u>36,662</u>	<u>36,662</u>
<u>1,481,532</u>	<u>1,524,773</u>	<u>124,526</u>	<u>6,976,661</u>
3,337,602	323,306	2,451,004	24,092,254
<u>-</u>	<u>-</u>	<u>-</u>	<u>864,669</u>
<u>3,337,602</u>	<u>323,306</u>	<u>2,451,004</u>	<u>24,956,923</u>
-	-	1,867	1,382,012
3,190,473	-	2,025,232	6,234,013
-	-	821,650	821,650
-	-	-	2,006,051
-	(603,139)	(36,654)	<u>2,659,853</u>
<u>3,190,473</u>	<u>(603,139)</u>	<u>2,812,095</u>	<u>13,103,579</u>
<u>\$ 8,009,607</u>	<u>\$ 1,244,940</u>	<u>\$ 5,387,625</u>	<u>\$ 45,037,163</u>

See accompanying notes to financial statements.

## CITY OF FITCHBURG

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2014

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Total Fund Balances - Governmental Funds	\$ 13,103,579
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Amounts reported for governmental activities in the statement of net position are different because:

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

Land	21,623,679
Construction in progress	2,728,188
Land improvements	412,878
Buildings	28,494,916
Machinery and equipment	11,579,354
Infrastructure	52,918,094
Less: Accumulated depreciation	(26,609,051)

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

864,669

The city's equity interest in joint ventures is reported on the statement of net position.

422,276

Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.

Bonds and notes payable	(37,362,170)
Compensated absences	(2,023,691)
Accrued interest	<u>(264,242)</u>

**NET POSITION OF GOVERNMENTAL ACTIVITIES**

**\$ 65,888,479**

## CITY OF FITCHBURG

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

For the Year Ended December 31, 2014

	General	General Debt Service	General Capital Projects	TID No. 4
<b>REVENUES</b>				
Taxes	\$ 12,847,853	\$ 3,214,036	\$ 669,900	\$ 3,034,232
Intergovernmental	2,019,737	72,893	1,378,908	620,454
Licenses and permits	616,200	-	-	-
Fines, forfeitures and penalties	271,366	-	-	-
Public charges for services	268,525	-	-	-
Special assessments	926	201,711	-	-
Investment income	284,424	32,297	21,134	7,815
Intergovernmental charges for services	91,579	-	-	-
Miscellaneous	531,739	71,596	524,803	900
Total Revenues	16,932,349	3,592,533	2,594,745	3,663,401
<b>EXPENDITURES</b>				
Current				
General government	3,281,529	-	-	-
Public safety	9,322,247	-	-	-
Health and human services	403,668	-	-	-
Public works	2,038,324	-	-	-
Culture, recreation and education	1,120,683	-	-	-
Conservation and development	497,879	-	-	-
Capital Outlay	-	-	6,050,264	3,111,665
Debt Service				
Principal	-	3,570,164	-	-
Interest and fiscal charges	-	1,028,711	-	-
Total Expenditures	16,664,330	4,598,875	6,050,264	3,111,665
Excess (deficiency) of revenues over expenditures	268,019	(1,006,342)	(3,455,519)	551,736
<b>OTHER FINANCING USES</b>				
Property sales	7,613	-	-	-
Transfers in	589,951	990,203	143,875	-
Transfers out	-	-	-	(987,690)
Total Other Financing Uses	597,564	990,203	143,875	(987,690)
<b>Net Change in Fund Balances</b>	865,583	(16,139)	(3,311,644)	(435,954)
FUND BALANCES - Beginning of Year	5,904,496	154,954	4,106,900	3,626,427
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	\$ 6,770,079	\$ 138,815	\$ 795,256	\$ 3,190,473

See accompanying notes to financial statements.

TID No. 6	Nonmajor Governmental Funds	Totals
\$ 1,384,348	\$ 1,681,773	\$ 22,832,142
909,368	570,951	5,572,311
-	344,357	960,557
-	13,014	284,380
-	1,615,954	1,884,479
-	-	202,637
1,960	10,394	358,024
-	-	91,579
<u>586</u>	<u>158,940</u>	<u>1,288,564</u>
<u>2,296,262</u>	<u>4,395,383</u>	<u>33,474,673</u>
-	-	3,281,529
-	30,732	9,352,979
-	-	403,668
-	936,465	2,974,789
-	2,234,007	3,354,690
-	-	497,879
4,108,002	3,030	13,272,961
-	-	3,570,164
-	-	<u>1,028,711</u>
<u>4,108,002</u>	<u>3,204,234</u>	<u>37,737,370</u>
<u>(1,811,740)</u>	<u>1,191,149</u>	<u>(4,262,697)</u>
-	-	7,613
-	-	1,724,029
-	<u>(146,388)</u>	<u>(1,134,078)</u>
-	<u>(146,388)</u>	<u>597,564</u>
(1,811,740)	1,044,761	(3,665,133)
<u>1,208,601</u>	<u>1,767,334</u>	<u>16,768,712</u>
<u>\$ (603,139)</u>	<u>\$ 2,812,095</u>	<u>\$ 13,103,579</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, 2014

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Net change in fund balances - total governmental funds	\$ (3,665,133)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives 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	13,272,961
Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements	264,759
Depreciation is reported in the government-wide financial statements	(2,335,325)
Net book value of assets retired	(992,636)

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.	(126,900)
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal repaid	3,570,164
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(155,302)
Accrued interest on debt	17,592

The proportionate share of the change in net position 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>32,469</u>
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**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES**

<u>\$ 9,882,649</u>
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## CITY OF FITCHBURG

### STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2014

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Utility District</u>	<u>Stormwater</u>	<u>Totals</u>
	<u>No. 1</u>	<u>Utility</u>	
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 4,780,621	\$ 752,238	\$ 5,532,859
Receivables			
Accounts	1,198,629	270,275	1,468,904
Grants receivable	-	34,893	34,893
Inventories	41,488	-	41,488
Prepaid items	5,475	1,633	7,108
Total Current Assets	<u>6,026,213</u>	<u>1,059,039</u>	<u>7,085,252</u>
Noncurrent Assets			
Restricted Assets			
Restricted assets	260,949	-	260,949
Capital Assets			
Land and land rights	470,003	4,411,009	4,881,012
Construction in progress	97,473	25,304	122,777
Intangible plant	255,711	408,885	664,596
Property and equipment	47,254,443	17,498,335	64,752,778
Less: Accumulated depreciation	(12,517,087)	(6,387,015)	(18,904,102)
Other Assets			
Special assessments receivable	216,706	2,506	219,212
Total Noncurrent Assets	<u>36,038,198</u>	<u>15,959,024</u>	<u>51,997,222</u>
Total Assets	<u>42,064,411</u>	<u>17,018,063</u>	<u>59,082,474</u>

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>	
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 493,831	\$ 38,550	\$ 532,381
Accrued wages	31,921	4,517	36,438
Due to other funds	590,236	-	590,236
Compensated absences	14,217	3,127	17,344
Current portion of advances	-	55,940	55,940
General obligation bonds payable	-	<u>125,000</u>	<u>125,000</u>
Total Current Liabilities	<u>1,130,205</u>	<u>227,134</u>	<u>1,357,339</u>
Noncurrent Liabilities			
Long-Term Debt			
General obligation bonds payable	-	275,000	275,000
Advances from other funds	-	1,012,767	1,012,767
Compensated absences	151,957	20,735	172,692
Other long term payables	<u>20,880</u>	-	<u>20,880</u>
Total Noncurrent Liabilities	<u>172,837</u>	<u>1,308,502</u>	<u>1,481,339</u>
Total Liabilities	<u>1,303,042</u>	<u>1,535,636</u>	<u>2,838,678</u>
<b>NET POSITION</b>			
Net investment in capital assets	35,560,543	15,556,518	51,117,061
Restricted for			
Impact fees	260,949	-	260,949
Unrestricted	<u>4,939,877</u>	<u>(74,091)</u>	<u>4,865,786</u>
<b>TOTAL NET POSITION</b>	<u>\$ 40,761,369</u>	<u>\$ 15,482,427</u>	<u>\$ 56,243,796</u>

See accompanying notes to financial statements.

## CITY OF FITCHBURG

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds		
	Utility District No. 1	Stormwater Utility	Totals
<b>OPERATING REVENUES</b>	<u>\$ 4,480,096</u>	<u>\$ 1,083,515</u>	<u>\$ 5,563,611</u>
<b>OPERATING EXPENSES</b>			
Operation and maintenance	2,966,916	368,843	3,335,759
Depreciation	<u>844,696</u>	<u>475,483</u>	<u>1,320,179</u>
Total Operating Expenses	<u>3,811,612</u>	<u>844,326</u>	<u>4,655,938</u>
Operating Income (Loss)	<u>668,484</u>	<u>239,189</u>	<u>907,673</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	16,013	1,580	17,593
Interest expense	-	(58,200)	(58,200)
Miscellaneous	<u>-</u>	<u>2,772</u>	<u>2,772</u>
Total Nonoperating Revenues (Expenses)	<u>16,013</u>	<u>(53,848)</u>	<u>(37,835)</u>
Income Before Contributions and Transfers	<u>684,497</u>	<u>185,341</u>	<u>869,838</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>			
Capital contributions	767,234	1,250,912	2,018,146
Capital contributions - municipality	558,420	824,874	1,383,294
Transfers out	<u>(589,951)</u>	<u>-</u>	<u>(589,951)</u>
Total Contributions and Transfers	<u>735,703</u>	<u>2,075,786</u>	<u>2,811,489</u>
Change in Net Position	1,420,200	2,261,127	3,681,327
NET POSITION - Beginning of Year	<u>39,341,169</u>	<u>13,221,300</u>	<u>52,562,469</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 40,761,369</u>	<u>\$ 15,482,427</u>	<u>\$ 56,243,796</u>

See accompanying notes to financial statements.

# CITY OF FITCHBURG

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds		
	Utility District	Stormwater	Totals
	No. 1	Utility	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received from customers	\$ 4,499,381	\$ 1,050,817	\$ 5,550,198
Paid to suppliers for goods and services	(2,904,743)	(282,583)	(3,187,326)
Paid to employees for services	(173,320)	(110,402)	(283,722)
Net Cash Flows From Operating Activities	<u>1,421,318</u>	<u>657,832</u>	<u>2,079,150</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	16,013	1,580	17,593
Net Cash Flows From Investing Activities	<u>16,013</u>	<u>1,580</u>	<u>17,593</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Paid to municipality for tax equivalent	(604,270)	-	(604,270)
Net Cash Flows From Noncapital Financing Activities	<u>(604,270)</u>	<u>-</u>	<u>(604,270)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Debt retired	-	(100,000)	(100,000)
Interest paid	-	(58,200)	(58,200)
Special assessments received	92,839	10,012	102,851
Acquisition and construction of capital assets	(675,373)	(206,639)	(882,012)
Capital contributions received	253,838	33,991	287,829
Net Cash Flows From Capital and Related Financing Activities	<u>(328,696)</u>	<u>(320,836)</u>	<u>(649,532)</u>
<b>Net Change in Cash and Cash Equivalents</b>	504,365	338,576	842,941
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>4,537,205</u>	<u>413,662</u>	<u>4,950,867</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 5,041,570</u>	<u>\$ 752,238</u>	<u>\$ 5,793,808</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Utility District No. 1	Stormwater Utility	Totals
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income	\$ 668,484	\$ 239,189	\$ 907,673
Nonoperating revenue	-	2,772	2,772
Adjustments to Reconcile Operating Income to Net Cash			
Flows From Operating Activities			
Depreciation	844,696	475,483	1,320,179
Depreciation charged to other funds	54,178	-	54,178
Changes in assets and liabilities			
Accounts receivable	(34,891)	(35,470)	(70,361)
Prepays	(5,475)	(1,633)	(7,108)
Inventories	(1,284)	-	(1,284)
Accounts payable	(110,965)	(2,532)	(113,497)
Compensated absences	2,756	(20,750)	(17,994)
Accrued wages	3,819	773	4,592
	<u>3,819</u>	<u>773</u>	<u>4,592</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 1,421,318</u>	<u>\$ 657,832</u>	<u>\$ 2,079,150</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS</b>			
Cash and investments - statement of net position	\$ 4,780,621	\$ 752,238	\$ 5,532,859
Restricted cash and investments - statement of net position	<u>260,949</u>	<u>-</u>	<u>260,949</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 5,041,570</u>	<u>\$ 752,238</u>	<u>\$ 5,793,808</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
City and developer financed additions to plant	<u>\$ 1,102,916</u>	<u>\$ 2,041,794</u>	

See accompanying notes to financial statements.

# CITY OF FITCHBURG

## STATEMENT OF ASSETS AND LIABILITIES AGENCY FUND As of December 31, 2014

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 25,911,165
Tax roll receivable	<u>14,101,861</u>
<b>TOTAL ASSETS</b>	<u>\$ 40,013,026</u>
<b>LIABILITIES</b>	
Due to other taxing units	<u>\$ 40,013,026</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 40,013,026</u>

See accompanying notes to financial statements.

# CITY OF FITCHBURG

## INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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<b>NOTE</b>	<b>Page</b>
I Summary of Significant Accounting Policies	17
A. Reporting Entity	17
B. Government-Wide and Fund Financial Statements	18
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	20
D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity	22
1. Deposits and Investments	22
2. Receivables	24
3. Inventories and Prepaid Items	25
4. Restricted Assets	25
5. Capital Assets	25
6. Compensated Absences	26
7. Long-Term Obligations/Conduit Debt	27
8. Deferred Inflows of Resources	27
9. Equity Classifications	27
10. Basis for Existing Rates	29
II Stewardship, Compliance, and Accountability	30
A. Budgetary Information	30
B. Excess Expenditures Over Appropriations	30
C. Deficit Balances	30
D. Limitations on the City's Tax Levy	31
III Detailed Notes on All Funds	31
A. Deposits and Investments	31
B. Receivables	34
C. Restricted Assets	35
D. Capital Assets	36
E. Interfund Receivables/Payables, Advances and Transfers	40
F. Long-Term Obligations	42
G. Net Position/Fund Balances	45
H. Component Unit	47
IV Other Information	48
A. Employees' Retirement System	48
B. Risk Management	49
C. Commitments and Contingencies	49
D. Joint Ventures	51
E. Subsequent Events	52
F. Effect of New Accounting Standards on Current-Period Financial Statements	52

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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. The reporting entity for the city consists of the primary government and its component unit. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

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

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

---

#### **A. REPORTING ENTITY (cont.)**

##### ***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. 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 III.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, 2014. The CDA does not issue separate financial statements.

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

##### ***Government-Wide Financial Statements***

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

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 city are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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### 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/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental 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, 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.
- Tax Incremental District (TID) No. 6 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:

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

# CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

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## 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. 7
Tax Incremental District (TID) No. 8

In addition, the city reports the following fund type:

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

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

---

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

---

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

##### ***Government-Wide Financial Statements (cont.)***

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 inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the city is entitled the resources and the amounts are available. Amounts owed to the city which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. At December 31, 2014, there were \$4,305,226 of unrecorded assessments which are not recorded as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

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

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

# CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

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

---

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

#### ***Fund Financial Statements (cont.)***

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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.

### ***D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY***

#### ***1. Deposits and Investments***

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

Investment of city funds is restricted by 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.

# CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

---

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

---

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

#### *1. Deposits and Investments (cont.)*

- 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

At December 31, 2014, the city has deposits which do not meet the custodial credit risk investment policy guidelines and are uninsured and uncollateralized. See Note III.A.

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, 2014, 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 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, 2014, the fair value of the Foundation's assets was substantially equal to the city's share as reported in Note III. A.

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

---

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

---

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

##### **1. Deposits and Investments (cont.)**

See Note III. 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 statement of assets and liabilities - agency fund.

Property tax calendar - 2014 tax roll:

Lien date and levy date	December 2014
Tax bills mailed	December 2014
Payment in full, or	January 31, 2015
First installment due	January 31, 2015
Second installment due	July 31, 2015
Personal property taxes in full	January 31, 2015
Tax sale - 2014 delinquent real estate taxes	October 2017

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

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. 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 nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

---

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

---

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

##### **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.

##### **4. Restricted Assets**

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

##### **5. Capital Assets**

###### ***Government-Wide Statements***

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

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. 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.

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

---

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

---

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

##### **5. Capital Assets (cont.)**

###### ***Government-Wide Statements (cont.)***

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

##### **6. Compensated Absences**

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

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 \$36,896. The number of participants currently eligible to receive benefits is six. The total amount outstanding at year end to be paid in the future is \$104,487 and is included in the government-wide statement of net position.

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, 2014, are determined on the basis of current salary rates and include salary related payments.

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

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

##### **7. 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 amortized over the life of the issue using the straight-line or effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

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 \$63,565,676, made up of two issues.

##### **8. Deferred Inflows of Resources**

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

##### **9. Equity Classifications**

###### **Government-Wide Statements**

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

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

# CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

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

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

#### **9. Equity Classifications (cont.)**

##### ***Government-Wide Statements (cont.)***

The net position 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 "net investment in capital assets", and an increase in "unrestricted" net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 63,461,581	\$ 51,117,061	\$ (2,978,977)	\$111,599,665
Unrestricted	(3,346,395)	4,865,786	2,978,977	4,498,368

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

##### ***Fund Statements***

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- 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 (resolution) of the City Council. 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 Council 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, 2014

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

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

#### **9. 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.

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

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

The city has a formal minimum fund balance policy to maintain its general fund unrestricted fund balance at a minimum between 15 and 25% of total general fund annual revenues plus the amount of state shared revenue received during the previous year. The balance at year end was \$4,538,150, or 26%.

See Note III. G. for further information.

#### **10. Basis for Existing Rates**

##### ***Water Utility***

Current water rates were approved by the Public Service Commission of Wisconsin on July 1, 2012.

##### ***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***

Current stormwater rates were approved by the City Council effective January 1, 2014.

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

### NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. BUDGETARY INFORMATION

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

#### B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Drug enforcement and training	\$ 30,000	\$ 30,732	\$ 732
TID No. 4	3,639,900	4,099,355	459,455
TID No. 6	885,402	4,108,002	3,222,600

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, 2014, the following individual funds held a deficit balance:

Fund	Amount	Reason
Municipal building	\$ 12,462	Expenditures in excess of revenues
TID No. 8	24,192	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. The municipal building fund deficit is anticipated to be funded with future contributions, general tax revenues, or long-term borrowing.

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

### **NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)**

#### ***D. LIMITATIONS ON THE CITY'S TAX LEVY***

Wisconsin law limits the city's future tax levies. Generally the city is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the city's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The city is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

### **NOTE III - 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	\$ 40,043,349	\$ 40,296,711	Custodial credit
US agencies-implicitly guaranteed	2,846,458	2,846,458	Credit, custodial credit, concentration of credit, and interest rate
LGIP	1,397,486	1,397,486	Credit
Madison Community Foundation	126,042	126,042	Interest rate and credit
Petty cash	650	-	N/A
 Total Deposits and Investments	 \$ 44,413,985	 \$ 44,666,697	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 17,157,125		
Restricted cash and investments	744,953		
Cash and investments - component unit	600,742		
Per statement of assets and liabilities -			
agency fund			
Agency Fund	25,911,165		
 Total Deposits and Investments	 \$ 44,413,985		

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

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#### **A. DEPOSITS AND INVESTMENTS** (cont.)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit 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 nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

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

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. \$500,000 of the city's investments are covered by SIPC. Additionally, through Lloyds of London, accounts have additional securities coverage of \$99.5 million per customer, subject to a \$500 million aggregate firm limit. \$5,579,575 of the city's investments are covered by Lloyds of London.

#### ***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, 2014, \$3,445,678 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>3,445,678</u>
Total	\$ <u><u>3,445,678</u></u>

#### ***Credit Risk***

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

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

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#### A. DEPOSITS AND INVESTMENTS (cont.)

##### **Credit Risk** (cont.)

As of December 31, 2014, the city's investments were rated as follows:

<u>Investment Type</u>	<u>Standard &amp; Poors</u>	<u>Moody's Investors Services</u>
FHLB	AA	AAA

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

LGIP  
Madison Community Foundation

##### **Concentration of Credit Risk**

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

At December 31, 2014, the investment portfolio was concentrated as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Portfolio</u>
FHLB	US Agency-implicitly guaranteed	65.00%

##### **Interest Rate Risk**

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

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

#### A. DEPOSITS AND INVESTMENTS (cont.)

##### *Interest Rate Risk* (cont.)

As of December 31, 2014, the city's investments were as follows:

Investment	Maturity Date	Call Date	Fair Value
FHLB	07/30/20	01/30/15	\$ 260,545
FHLB	09/13/21	03/13/15	571,665
FHLB	11/23/21	02/23/15	490,972
FHLB	11/09/22	02/09/15	244,784
FHLB	12/19/22	03/19/15	292,491
FHLB	01/30/23	01/30/15	389,384
FHLB	03/27/23	03/27/15	<u>596,617</u>
Total			<u>\$ 2,846,458</u>

The average maturity for the \$126,042 held in the Madison Community Foundation was not available.

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

#### B. RECEIVABLES

Receivables as of year end for the government's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>
Receivables	
Taxes	\$ 13,113,582
Delinquent personal property taxes	159,659
Accounts	2,756,255
Delinquent special assessments	12,853
Land contract	<u>18,277</u>
Gross receivables	16,060,626
Less: Allowance for uncollectibles	<u>(2,384,440)</u>
Net Total Receivables	<u>\$ 13,676,186</u>

All of the receivables on the balance sheet are expected to be collected within one year, except for \$19,810 of delinquent personal property taxes and \$12,853 of delinquent special assessments.

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

### **NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)**

#### **B. RECEIVABLES (cont.)**

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

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 24,092,254	\$ -
Special assessments not yet due	-	781,133
Land contract	-	18,277
Other unavailable revenues	-	65,259
 Total Unearned/Unavailable Revenue for Governmental Funds	 \$ 24,092,254	 \$ 864,669

#### **C. RESTRICTED ASSETS**

The following represent the balances of the restricted assets:

##### ***Impact Fee Account***

The city has received impact fees which must be spent in accordance with the local ordinance and state statutes. Any unspent funds must be refunded to the current property owner.

Following is a list of restricted assets at December 31, 2014:

	Restricted Assets
Impact fee account	\$ 744,953
 Total	 \$ 744,953

## CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

#### D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 18,208,269	\$ 4,012,388	\$ 596,978	\$ 21,623,679
Construction in progress	<u>3,830,747</u>	<u>1,558,840</u>	<u>2,661,399</u>	<u>2,728,188</u>
Total Capital Assets Not Being Depreciated	<u>22,039,016</u>	<u>5,571,228</u>	<u>3,258,377</u>	<u>24,351,867</u>
Capital assets being depreciated				
Land improvements	412,878	-	-	412,878
Buildings and improvements	25,769,504	2,725,412	-	28,494,916
Machinery and equipment	11,167,751	1,215,248	803,645	11,579,354
Infrastructure	<u>46,436,007</u>	<u>6,687,231</u>	<u>205,144</u>	<u>52,918,094</u>
Total Capital Assets Being Depreciated	<u>83,786,140</u>	<u>10,627,891</u>	<u>1,008,789</u>	<u>93,405,242</u>
Total Capital Assets	<u>105,825,156</u>	<u>16,199,119</u>	<u>4,267,166</u>	<u>117,757,109</u>
Less: Accumulated depreciation for				
Land improvements	(354,547)	(3,118)	-	(357,665)
Buildings and improvements	(8,367,266)	(550,206)	-	(8,917,472)
Machinery and equipment	(6,309,814)	(967,842)	594,505	(6,683,151)
Infrastructure	<u>(9,855,230)</u>	<u>(814,159)</u>	<u>18,626</u>	<u>(10,650,763)</u>
Total Accumulated Depreciation	<u>(24,886,857)</u>	<u>(2,335,325)</u>	<u>613,131</u>	<u>(26,609,051)</u>
Net Capital Assets Being Depreciated	<u>58,899,283</u>	<u>8,292,566</u>	<u>395,658</u>	<u>66,796,191</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 80,938,299</u>	<u>\$ 13,863,794</u>	<u>\$ 3,654,035</u>	<u>\$ 91,148,058</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 716,608
Public safety	299,203
Public works, which includes the depreciation of infrastructure	889,185
Culture, education and recreation	<u>430,329</u>
Total Governmental Activities Depreciation Expense	<u>\$ 2,335,325</u>

# CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

## NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

### D. CAPITAL ASSETS (cont.)

#### Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated/ amortized				
Land and land rights	\$ 359,093	\$ -	\$ -	\$ 359,093
Intangible plant - land	31,989	831	-	32,820
Construction in progress	<u>305,876</u>	<u>51,836</u>	<u>260,239</u>	<u>97,473</u>
Total Capital Assets Not Being Depreciated/ amortized	<u>696,958</u>	<u>52,667</u>	<u>260,239</u>	<u>489,386</u>
Capital assets being depreciated				
Buildings and improvements	1,177,022	-	-	1,177,022
Machinery and equipment	2,061,755	1,000	-	2,062,755
Infrastructure	<u>26,606,320</u>	<u>1,619,456</u>	<u>101,601</u>	<u>28,124,175</u>
Total Capital Assets Being Depreciated	<u>29,845,097</u>	<u>1,620,456</u>	<u>101,601</u>	<u>31,363,952</u>
Total Capital Assets	<u>30,542,055</u>	<u>1,673,123</u>	<u>361,840</u>	<u>31,853,338</u>
Less: Accumulated depreciation for				
Buildings and improvements	(435,615)	(37,666)	-	(473,281)
Machinery and equipment	(1,565,019)	(109,956)	-	(1,674,975)
Infrastructure	<u>(6,331,177)</u>	<u>(542,218)</u>	<u>101,601</u>	<u>(6,771,794)</u>
Total Accumulated Depreciation	<u>(8,331,811)</u>	<u>(689,840)</u>	<u>101,601</u>	<u>(8,920,050)</u>
Net Capital Assets Being Depreciated	<u>21,513,286</u>	<u>930,616</u>	<u>-</u>	<u>22,443,902</u>
Net Water Capital Assets	<u>\$ 22,210,244</u>	<u>\$ 983,283</u>	<u>\$ 260,239</u>	<u>\$ 22,933,288</u>

**CITY OF FITCHBURG**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)**

**D. CAPITAL ASSETS (cont.)**

**Business-type Activities (cont.)**

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer</u>				
Capital assets not being depreciated/ amortized				
Land and land rights	\$ 110,910	\$ -	\$ -	\$ 110,910
Intangible plant - land	<u>14,824</u>	<u>11,010</u>	<u>-</u>	<u>25,834</u>
Total Capital Assets Not Being Depreciated/ Amortized	<u>125,734</u>	<u>11,010</u>	<u>-</u>	<u>136,744</u>
Capital assets being depreciated				
Machinery and equipment	517,698	1,000	-	518,698
Infrastructure	14,952,223	419,570	-	15,371,793
Intangible	<u>197,057</u>	<u>-</u>	<u>-</u>	<u>197,057</u>
Total Capital Assets Being Depreciated	<u>15,666,978</u>	<u>420,570</u>	<u>-</u>	<u>16,087,548</u>
Total Capital Assets	<u>15,792,712</u>	<u>431,580</u>	<u>-</u>	<u>16,224,292</u>
Less: Accumulated depreciation for				
Machinery and equipment	(472,541)	(12,375)	-	(484,916)
Infrastructure	(2,783,417)	(196,436)	-	(2,979,853)
Intangible	<u>(132,045)</u>	<u>(223)</u>	<u>-</u>	<u>(132,268)</u>
Total Accumulated Depreciation	<u>(3,388,003)</u>	<u>(209,034)</u>	<u>-</u>	<u>(3,597,037)</u>
Net Capital Assets Being Depreciated	<u>12,278,975</u>	<u>211,536</u>	<u>-</u>	<u>12,490,511</u>
Net Sewer Capital Assets	<u>\$ 12,404,709</u>	<u>\$ 222,546</u>	<u>\$ -</u>	<u>\$ 12,627,255</u>

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

#### D. CAPITAL ASSETS (cont.)

#### Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Stormwater</u>				
Capital assets not being depreciated/ amortized				
Land and land rights	\$ 3,813,054	\$ 597,955	\$ -	\$ 4,411,009
Intangible plant - land	9,503	399,382	-	408,885
Construction in progress	<u>22,338</u>	<u>2,966</u>	-	<u>25,304</u>
Total Capital Assets Not Being Depreciated/ Amortized	<u>3,844,895</u>	<u>1,000,303</u>	-	<u>4,845,198</u>
Capital assets being depreciated				
Buildings and improvements	1,613,281	135,535	-	1,748,816
Machinery and equipment	225,243	-	-	225,243
Infrastructure	<u>14,489,993</u>	<u>1,034,283</u>	-	<u>15,524,276</u>
Total Capital Assets Being Depreciated	<u>16,328,517</u>	<u>1,169,818</u>	-	<u>17,498,335</u>
Total Capital Assets	<u>20,173,412</u>	<u>2,170,121</u>	-	<u>22,343,533</u>
Less: Accumulated depreciation for				
Buildings and improvements	(350,808)	(33,621)	-	(384,429)
Machinery and equipment	(177,606)	(23,015)	-	(200,621)
Infrastructure	<u>(5,383,118)</u>	<u>(418,847)</u>	-	<u>(5,801,965)</u>
Total Accumulated Depreciation	<u>(5,911,532)</u>	<u>(475,483)</u>	-	<u>(6,387,015)</u>
Net Capital Assets Being Depreciated	<u>10,416,985</u>	<u>694,335</u>	-	<u>11,111,320</u>
Net Stormwater Capital Assets	<u>\$ 14,261,880</u>	<u>\$ 1,694,638</u>	<u>\$ -</u>	<u>\$ 15,956,518</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 48,876,833</u>	<u>\$ 2,900,467</u>	<u>\$ 260,239</u>	<u>\$ 51,517,061</u>

Depreciation expense was charged to functions as follows:

#### Business-type Activities

Water	\$ 635,661
Sewer	209,035
Stormwater	<u>475,483</u>
Total Business-type Activities Depreciation Expense	<u>\$ 1,320,179</u>

**CITY OF FITCHBURG**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)**

***D. CAPITAL ASSETS*** (cont.)

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

***E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS***

***Interfund Receivables/Payables***

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

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General fund	General Capital Projects Fund	\$ 2,440,000	\$ -
General fund	TID No. 6	1,300,000	-
General fund	Utility District No. 1	590,236	-
Total - Fund Financial Statements		4,330,236	
Less: Fund eliminations		(3,740,000)	
Add: Interfund advances		1,068,707	
Total Internal Balances - Government-Wide Statement of Net Position		\$ 1,658,943	

The principal purpose of the interfunds between the general fund and the utility is for payment in lieu of taxes. 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.

***Advances***

The general fund is advancing funds to TID No. 8 and municipal building funds. The amount advanced is determined by the deficit cash balance. No repayment schedule has been established.

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. Interest is being accrued at 2.00 - 3.125%. A repayment schedule has been established and requires the Stormwater Utility to make quarterly principal payments of \$13,985, plus accrued interest, until the advance is repaid.

**CITY OF FITCHBURG**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)**

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

***Advances (cont.)***

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General fund	TID No. 8	\$ 24,200	\$ 24,200
General fund	Municipal building	12,462	12,462
General capital projects fund	Stormwater Utility	1,068,707	1,012,767
Total - Fund Financial Statements		1,105,369	
Less: Fund eliminations		(36,662)	
Total - Interfund Advances		\$ 1,068,707	

***Transfers***

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General fund	Utility District No. 1	\$ 589,951	Tax-equivalent
Debt service fund	TID. No. 4	987,690	Debt repayment on developer incentive - trust fund
Debt service fund	Recycling and refuse	2,513	Rent
Capital projects fund	Park dedication	81,515	Capital projects
General Capital Projects Fund	Library Services Fund	16,000	Capital projects
General Capital Projects Fund	Cable	46,360	Capital projects
Total - Fund Financial Statements		1,724,029	
Less: Fund eliminations		(1,134,078)	
Less: Capital asset contributions from governmental activities to business-type activities		(1,383,294)	
Total Transfers - Government-Wide Statement of Activities		\$ (793,343)	

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

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

##### *Transfers (cont.)*

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

#### *F. LONG-TERM OBLIGATIONS*

Long-term obligations activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 40,932,334	\$ -	\$ 3,570,164	\$ 37,362,170	\$ 3,732,170
Other Liabilities					
Vested compensated absences	1,868,389	402,695	247,393	2,023,691	277,277
Total Governmental Activities Long-Term Liabilities	<u>\$ 42,800,723</u>	<u>\$ 402,695</u>	<u>\$ 3,817,557</u>	<u>\$ 39,385,861</u>	<u>\$ 4,009,447</u>
<b>Business-type Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 500,000	\$ -	\$ 100,000	\$ 400,000	\$ 125,000
Other Liabilities					
Vested compensated absences	207,745	1,424	19,133	190,036	17,344
Total Business-type Activities Long-Term Liabilities	<u>\$ 707,745</u>	<u>\$ 1,424</u>	<u>\$ 119,133</u>	<u>\$ 590,036</u>	<u>\$ 142,344</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, 2014, was \$131,198,210. Total general obligation debt outstanding at year end was \$37,762,170.

#### **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, 2014

**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)**

**F. LONG-TERM OBLIGATIONS (cont.)**

**General Obligation Debt (cont.)**

**Governmental Activities**

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2014
2005 general obligation promissory note	8/1/05	8/1/15	2.80 - 3.70%	\$ 1,135,000	\$ 125,000
2005 general obligation refunding bonds	8/1/05	8/1/17	3.00 - 3.75%	5,888,920	2,195,000
2005 State Trust Fund Loan	8/26/05	3/15/15	4.00%	395,000	52,170
2007 general obligation promissory note	9/13/07	8/1/17	3.70-4.00%	860,000	215,000
2009 general obligation promissory note	9/16/09	9/1/19	2.00-3.125%	5,295,000	2,625,000
2010 taxable general obligation promissory note	11/18/10	11/1/20	0.65-3.60%	2,550,000	1,600,000
2010 taxable general obligation library bonds	11/18/10	11/1/30	0.70-5.25%	4,995,000	4,240,000
2011 general obligation promissory notes	12/13/11	12/1/21	2.00-2.10%	1,190,000	650,000
2011 general obligation bonds	12/13/11	12/1/27	2.00-2.850%	5,395,000	5,195,000
2012 general obligation promissory note	3/21/12	3/1/22	1.00-2.00%	6,195,000	4,740,000
2012 general obligation corporate purpose bonds	3/21/12	3/1/29	2.00-3.00%	15,350,000	14,480,000
2012 taxable general obligation refunding bonds	3/21/12	3/1/17	0.40-1.30%	500,000	255,000
2013 general obligation promissory notes	11/14/13	11/1/23	0.40%- 2.35%	1,040,000	<u>990,000</u>
Total Governmental Activities - General Obligation Debt					<u><u>\$ 37,362,170</u></u>

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

#### *F. LONG-TERM OBLIGATIONS* (cont.)

##### *General Obligation Debt* (cont.)

#### **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, 2014</u>
2007 general obligation promissory note	9/13/07	8/1/17	3.70-4.00%	\$ 625,000	<u>\$ 400,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 400,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>		<u>Business-type Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 3,732,170	\$ 953,480	\$ 125,000	\$ 15,813
2016	3,750,000	870,298	125,000	10,938
2017	3,780,000	781,516	150,000	6,000
2018	3,045,000	684,678	-	-
2019	3,265,000	613,792	-	-
2020-2024	11,380,000	2,160,180	-	-
2025-2029	8,060,000	701,712	-	-
2030	<u>350,000</u>	<u>18,375</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 37,362,170</u>	<u>\$ 6,784,031</u>	<u>\$ 400,000</u>	<u>\$ 32,751</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.

# CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

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## NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

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### *G. NET POSITION/FUND BALANCES*

Net position reported on the government wide statement of net position at December 31, 2014, includes the following:

#### *Governmental Activities*

Net Investment in Capital Assets	
Land	\$ 21,623,679
Construction in progress	2,728,188
Other capital assets, net of accumulated depreciation	66,796,191
Less: Long-term debt outstanding	(37,362,170)
Plus: Unspent capital related debt proceeds	462,298
Plus: Noncapital debt proceeds	<u>9,213,395</u>
Total Net Investment in Capital Assets	<u>\$ 63,461,581</u>

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

#### G. NET POSITION/FUND BALANCES (cont.)

##### Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2014, include the following:

	General Fund	General Debt Service	General Capital Projects	TID No. 4	TID No. 6	Nonmajor Funds	Totals
<b>Fund Balances</b>							
<b>Nonspendable:</b>							
Delinquent personal property taxes	\$ 19,810	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,810
Delinquent special assessments	12,853	-	-	-	-	-	12,853
Advances to other funds	36,662	-	1,068,707	-	-	-	1,105,369
Prepaid items	242,113	-	-	-	-	1,867	243,980
<b>Restricted for:</b>							
Capital projects	-	-	462,298	-	-	-	462,298
Park and recreational improvement fees	-	-	-	-	-	1,363,892	1,363,892
Fire impact fees	-	-	484,004	-	-	-	484,004
Library	-	-	-	-	-	358,025	358,025
Library project	-	-	5,855	-	-	-	5,855
TID activities	-	-	-	3,190,473	-	303,315	3,493,788
Park projects	53,255	-	12,896	-	-	-	66,151
<b>Committed to:</b>							
Drug enforcement and training	-	-	-	-	-	17,326	17,326
Recycling and refuse	-	-	-	-	-	258,378	258,378
Cable TV	-	-	-	-	-	538,448	538,448
Cemetery	-	-	-	-	-	7,498	7,498
<b>Assigned to:</b>							
Debt service	-	138,815	-	-	-	-	138,815
Capital projects	1,187,000	-	-	-	-	-	1,187,000
Payment in lieu of taxes	590,236	-	-	-	-	-	590,236
Employee retirement	90,000	-	-	-	-	-	90,000
<b>Unassigned (deficit):</b>	<u>4,538,150</u>	<u>-</u>	<u>(1,238,504)</u>	<u>-</u>	<u>(603,139)</u>	<u>(36,654)</u>	<u>2,659,853</u>
<b>Total Fund Balances</b>	<u>\$ 6,770,079</u>	<u>\$ 138,815</u>	<u>\$ 795,256</u>	<u>\$ 3,190,473</u>	<u>\$ (603,139)</u>	<u>\$ 2,812,095</u>	<u>\$ 13,103,579</u>

# CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

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## NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

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### G. NET POSITION/FUND BALANCES (cont.)

#### *Business-type Activities*

Net Investment in Capital Assets	
Land	\$ 4,881,012
Construction in progress	122,777
Intangible plant - land	664,596
Other capital assets, net of accumulated depreciation	45,848,676
Less: Long-term debt outstanding	<u>(400,000)</u>
Total Net Investment in Capital Assets	<u>\$ 51,117,061</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.

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 \$600,742 and is part of the city's commingled cash. See Note III. 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, 2014, the CDA's loans receivable balance was \$171,409 and its allowance for doubtful accounts was \$123,319, leaving a net receivable balance of \$48,090.

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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### NOTE IV - OTHER INFORMATION

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#### A. EMPLOYEES' RETIREMENT SYSTEM

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

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

Contribution rates for December 31, 2014 were:

	<u>Employee</u>	<u>Employer</u>
General	7.00%	7.00%
Executives and Elected Officials	7.75%	7.75%
Protective with Social Security	7.00%	10.10%
Protective without Social Security	7.00%	13.70%

The payroll for city employees covered by the WRS for the year ended December 31, 2014 was \$10,010,951; the employer's total payroll was \$10,478,394. The total required contribution for the year ended December 31, 2014 was \$1,559,348 or 15.6% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ended 2013 and 2012 were \$1,536,972 and \$1,402,846, 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. A final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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### NOTE IV - OTHER INFORMATION (cont.)

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#### **A. EMPLOYEES' RETIREMENT SYSTEM (cont.)**

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

As of December 31, 2014 there was no pension related debt for the city.

#### **B. RISK MANAGEMENT**

The city is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

#### **C. COMMITMENTS AND CONTINGENCIES**

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.

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, except for the following: the city is currently negotiating a settlement related to a prior year claim for additional compensation related to a condemnation. The proposed settlement calls for the city to pay the claimant \$350,000 and in exchange, the claimant will grant a quit claim deed for a parcel of land.

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.

The city has active construction projects as of December 31, 2014. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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### NOTE IV - OTHER INFORMATION (cont.)

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#### *C. COMMITMENTS AND CONTINGENCIES (cont.)*

The city has the following encumbrances outstanding at year end expected to be honored upon performance by the vendor:

General Capital Projects	\$	848,825
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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 \$779,882.

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 \$1,317,980.

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 \$1,344,487.

In 2014, the city issued a municipal revenue obligation as part of a development agreement. The amount of the obligation was \$4,000,000, and is payable solely from tax increments collected from a specific portion of the development in TIF No. 4. Payments are scheduled through the year 2025 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 obligation to the city. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability on the accompanying financial statements. The balance of the commitment outstanding at year end was \$3,850,000.

# CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2014

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## NOTE IV - OTHER INFORMATION (cont.)

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### *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 2014 of \$460,769.

Financial information of the district is available directly from the district's office.

The city's equity interest in the 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 position. Changes in the equity interest are reported on the statement of activities.

#### *Multijurisdictional Public Safety Information System Commission (MPSISC)*

The City of Fitchburg, City of Sun Prairie, City of Middleton, City of Verona, and City of Monona 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 and the City of Monona 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 \$230,334 in 2014. The transactions of the commission are not reflected in these financial statements.

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

# CITY OF FITCHBURG

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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### **NOTE IV - OTHER INFORMATION (cont.)**

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#### ***D. JOINT VENTURES (cont.)***

##### ***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.

#### ***E. SUBSEQUENT EVENTS***

On April 14, 2015, the city issued G.O Promissory Notes, Series 2015A in the amount of \$3,240,000 with interest rates of 1.0% - 2.0%.

On April 14, 2015, the city issued G.O. Corporate Purpose Bonds, Series 2015B in the amount of \$5,085,000 with interest rates of 2.0% - 3.0%.

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

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

- > Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- > Statement No. 71, *Pension - Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*

When they become effective, 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, 2014

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
<b>TAXES</b>			
General property taxes	\$ 12,832,476	\$ 12,810,396	\$ (22,080)
Mobile home lottery credit and parking fees	3,800	4,424	624
Public accommodation (room) taxes	23,000	25,110	2,110
Other taxes	-	3,665	3,665
Interest and penalties on taxes	10,000	4,258	(5,742)
Total Taxes	<u>12,869,276</u>	<u>12,847,853</u>	<u>(21,423)</u>
<b>INTERGOVERNMENTAL REVENUES</b>			
State shared revenues	479,102	470,145	(8,957)
Payments for municipal services	49,975	49,632	(343)
State aid - general transportation aids	1,071,680	1,071,681	1
State aid - DNR lands	23,000	24,169	1,169
Fire insurance tax (2% fire dues)	84,000	98,833	14,833
State aid - exempt computer aid	160,000	205,722	45,722
Federal aid - land	2,496	1,904	(592)
Other police grants	4,000	34,006	30,006
Federal aid - fire	21,940	20,918	(1,022)
Federal aid - law enforcement	-	1,343	1,343
County aid - senior	39,182	41,384	2,202
Total Intergovernmental Revenues	<u>1,935,375</u>	<u>2,019,737</u>	<u>84,362</u>
<b>LICENSES AND PERMITS</b>			
Business and occupational licenses	35,440	44,010	8,570
Other nonbusiness licenses	8,706	9,951	1,245
Building permits	250,000	355,781	105,781
Zoning permits and fees	64,000	191,580	127,580
Other regulatory permits and fees	10,915	14,878	3,963
Total Licenses and Permits	<u>369,061</u>	<u>616,200</u>	<u>247,139</u>
<b>FINES AND FORFEITURES</b>			
Law and ordinance violations	<u>440,000</u>	<u>271,366</u>	<u>(168,634)</u>
<b>PUBLIC CHARGES FOR SERVICES</b>			
General government	12,000	13,399	1,399
Public safety	25,367	32,131	6,764
Engineering	-	12,124	12,124
Senior program fees	14,600	20,502	5,902
Recreation programs	140,000	156,123	16,123
Shelter and rental fees	21,000	31,855	10,855
Other public charges for services	3,000	2,391	(609)
Total Public Charges for Services	<u>215,967</u>	<u>268,525</u>	<u>52,558</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 FUND For the Year Ended December 31, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>SPECIAL ASSESSMENTS</b>			
Interest on delinquent special assessments	\$ 5,000	\$ 926	\$ (4,074)
<b>INVESTMENT INCOME</b>			
Investment income	110,500	284,424	173,924
<b>INTERGOVERNMENTAL CHARGES FOR SERVICES</b>			
Local - emergency services	81,141	91,579	10,438
Total Intergovernmental Charges for Services	81,141	91,579	10,438
<b>MISCELLANEOUS</b>			
Rental of city buildings	16,250	12,082	(4,168)
Cemetery	30	30	-
WPRA ticket commission	250	210	(40)
Refund of prior year expenditures	74,271	48,924	(25,347)
Reimbursement from stormwater	90,000	43,974	(46,026)
Maintenance facility reimbursement from utility	1,600	1,860	260
Tower lease	15,876	18,240	2,364
Transfer from CDA	44,180	44,180	-
Administrative charges to utilities	71,796	71,796	-
Administrative charges to library	94,200	94,200	-
Administrative charges to cable	21,649	21,649	-
Brush collection reimbursement	19,643	19,643	-
Senior advertising sales	2,000	4,599	2,599
Reimbursement from TIFs	35,000	58,651	23,651
Donations	700	52,873	52,173
Other miscellaneous	7,500	3,033	(4,467)
Insurance recoveries	-	35,795	35,795
Total Miscellaneous	494,945	531,739	36,794
 Total Revenues	 16,521,265	 16,932,349	 411,084

## CITY OF FITCHBURG

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>EXPENDITURES</b>			
<b>GENERAL GOVERNMENT</b>			
Mayor and city council	\$ 66,633	\$ 66,521	\$ 112
Administrator	366,620	366,173	447
Municipal court	161,598	140,904	20,694
Clerk's office	390,898	371,008	19,890
Legal counsel	188,888	168,172	20,716
Treasurer's office	288,043	260,123	27,920
Information technology	362,711	394,555	(31,844)
Assessment of property	405,845	417,469	(11,624)
Accounting and auditing	45,000	36,543	8,457
Risk and property management	15,000	-	15,000
Other buildings - safety	34,275	32,571	1,704
Other buildings - fire	31,875	29,364	2,511
Other buildings - maintenance	39,000	47,823	(8,823)
Police evidence processing facility	4,750	7,054	(2,304)
Property and liability insurance	368,526	417,259	(48,733)
Employee bonds	1,447	1,817	(370)
Office supplies	16,000	11,846	4,154
Miscellaneous	11,845	46,447	(34,602)
Illegal taxes	-	15,486	(15,486)
Employee retirement reserve	32,376	24,144	8,232
Professional services	47,500	47,500	-
Contingency	12,500	-	12,500
New city hall	326,878	376,235	(49,357)
City hall	-	<u>2,515</u>	<u>(2,515)</u>
Total General Government	<u>3,218,208</u>	<u>3,281,529</u>	<u>(63,321)</u>
<b>PUBLIC SAFETY</b>			
Law enforcement	6,322,502	6,170,528	151,974
Fire suppression and prevention	2,325,843	2,184,860	140,983
Joint public safety system	214,836	230,334	(15,498)
Building inspection	407,508	260,321	147,187
EMS district	461,269	461,019	250
Weights and measures	3,600	3,600	-
Dane Com	65,156	10,508	54,648
Other public safety	1,928	<u>1,077</u>	<u>851</u>
Total Public Safety	<u>9,802,642</u>	<u>9,322,247</u>	<u>480,395</u>
<b>HEALTH AND SOCIAL SERVICES</b>			
Senior citizens program	<u>421,867</u>	<u>403,668</u>	<u>18,199</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 FUND For the Year Ended December 31, 2014

	Original and Final Budget	Actual	Variance with Final Budget
<b>PUBLIC WORKS</b>			
Mass transit - bus subsidy	\$ 421,000	\$ 426,400	\$ (5,400)
Highway department	<u>1,615,197</u>	<u>1,611,924</u>	<u>3,273</u>
Total Public Works	<u>2,036,197</u>	<u>2,038,324</u>	<u>(2,127)</u>
<b>CULTURE, EDUCATION AND RECREATION</b>			
Parks	764,070	760,518	3,552
Community center	71,021	56,532	14,489
Recreation programs and events	<u>295,090</u>	<u>303,633</u>	<u>(8,543)</u>
Total Culture, Education and Recreation	<u>1,130,181</u>	<u>1,120,683</u>	<u>9,498</u>
<b>CONSERVATION AND DEVELOPMENT</b>			
Zoning	308,118	300,419	7,699
Economic and community development	<u>199,396</u>	<u>197,460</u>	<u>1,936</u>
Total Conservation and Development	<u>507,514</u>	<u>497,879</u>	<u>9,635</u>
 Total Expenditures	 <u>17,116,609</u>	 <u>16,664,330</u>	 <u>452,279</u>
 Excess of revenues over expenditures	 <u>(595,344)</u>	 <u>268,019</u>	 <u>863,363</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	595,344	589,951	(5,393)
Property sales	<u>-</u>	<u>7,613</u>	<u>7,613</u>
Total Other Financing Sources	<u>595,344</u>	<u>597,564</u>	<u>2,220</u>
 <b>Net Change in Fund Balance</b>	 -	 865,583	 865,583
 FUND BALANCE - Beginning of Year	 <u>5,904,496</u>	 <u>5,904,496</u>	 <u>-</u>
 <b>FUND BALANCE - END OF YEAR</b>	 <u>\$ 5,904,496</u>	 <u>\$ 6,770,079</u>	 <u>\$ 865,583</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, 2014

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#### ***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.

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 department level of expenditure.

**SUPPLEMENTARY INFORMATION**

**CITY OF FITCHBURG**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
As of December 31, 2014

	Special Revenue Funds			
	Drug Enforcement and Training	Recycling and Refuse Collection	Park Dedication	Cable TV
<b>ASSETS</b>				
Cash and investments	\$ 18,352	\$ 274,581	\$ 1,386,985	\$ 459,235
Taxes receivable	-	770,495	-	-
Accounts	-	-	-	84,704
Prepaid items	270	5	-	14
<b>TOTAL ASSETS</b>	<b>\$ 18,622</b>	<b>\$ 1,045,081</b>	<b>\$ 1,386,985</b>	<b>\$ 543,953</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 1,026	\$ 7,782	\$ -	\$ 1,209
Accrued liabilities	-	3,821	-	4,282
Deposits	-	4,600	23,093	-
Advances from other funds	-	-	-	-
Total Liabilities	1,026	16,203	23,093	5,491
Deferred Inflows of Resources				
Unearned revenues	-	770,495	-	-
Total Deferred Inflows of Resources	-	770,495	-	-
Fund Balances (Deficit)				
Nonspendable	270	5	-	14
Restricted	-	-	1,363,892	-
Committed	17,326	258,378	-	538,448
Unassigned (deficit)	-	-	-	-
Total Fund Balances (deficit)	17,596	258,383	1,363,892	538,462
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 18,622</b>	<b>\$ 1,045,081</b>	<b>\$ 1,386,985</b>	<b>\$ 543,953</b>

Special Revenue Funds		Capital Projects Funds			Total Nonmajor Governmental Funds
Cemetery	Library Services	Municipal Building	TID No. 7	TID No. 8	
\$ 7,498	\$ 400,050	\$ -	\$ 303,315	\$ 8	\$ 2,850,024
-	1,604,133	-	76,376	-	2,451,004
-	26	-	-	-	84,730
-	1,578	-	-	-	1,867
<u>\$ 7,498</u>	<u>\$ 2,005,787</u>	<u>\$ -</u>	<u>\$ 379,691</u>	<u>\$ 8</u>	<u>\$ 5,387,625</u>
\$ -	\$ 19,713	\$ -	\$ -	\$ -	\$ 29,730
-	22,338	-	-	-	30,441
-	-	-	-	-	27,693
-	-	12,462	-	24,200	36,662
-	42,051	12,462	-	24,200	124,526
-	1,604,133	-	76,376	-	2,451,004
-	1,604,133	-	76,376	-	2,451,004
-	1,578	-	-	-	1,867
-	358,025	-	303,315	-	2,025,232
7,498	-	-	-	-	821,650
-	-	(12,462)	-	(24,192)	(36,654)
<u>7,498</u>	<u>359,603</u>	<u>(12,462)</u>	<u>303,315</u>	<u>(24,192)</u>	<u>2,812,095</u>
<u>\$ 7,498</u>	<u>\$ 2,005,787</u>	<u>\$ -</u>	<u>\$ 379,691</u>	<u>\$ 8</u>	<u>\$ 5,387,625</u>

## CITY OF FITCHBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2014

	Special Revenue Funds			
	Drug Enforcement and Training	Recycling and Refuse Collection	Park Dedication	Cable TV
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	7,985	103,355	-	-
Licenses and permits	-	-	-	344,357
Fines, forfeitures and penalties	13,014	-	-	-
Public charges for services	-	820,893	763,303	1,325
Investment income	32	1,015	1,349	567
Miscellaneous	3,124	9,456	-	259
<b>Total Revenues</b>	<u>24,155</u>	<u>934,719</u>	<u>764,652</u>	<u>346,508</u>
<b>EXPENDITURES</b>				
Current				
Public safety	30,732	-	-	-
Public works	-	936,465	-	-
Culture, recreation and education	-	-	-	233,671
Capital Outlay	-	-	-	-
<b>Total Expenditures</b>	<u>30,732</u>	<u>936,465</u>	<u>-</u>	<u>233,671</u>
Excess (deficiency) of revenues over expenditures	<u>(6,577)</u>	<u>(1,746)</u>	<u>764,652</u>	<u>112,837</u>
<b>OTHER FINANCING USES</b>				
Transfers out	-	(2,513)	(81,515)	(46,360)
<b>Total Other Financing Uses</b>	<u>-</u>	<u>(2,513)</u>	<u>(81,515)</u>	<u>(46,360)</u>
<b>Net Change in Fund Balances</b>	(6,577)	(4,259)	683,137	66,477
FUND BALANCES (DEFICIT) - Beginning of Year	<u>24,173</u>	<u>262,642</u>	<u>680,755</u>	<u>471,985</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 17,596</u>	<u>\$ 258,383</u>	<u>\$ 1,363,892</u>	<u>\$ 538,462</u>

Special Revenue Funds		Capital Project Funds			Total Nonmajor Governmental Funds
Cemetery	Library Services	Municipal Building	TID No. 7	TID No. 8	
\$ -	\$ 1,557,433	\$ -	\$ 124,340	\$ -	\$ 1,681,773
-	448,913	-	10,686	12	570,951
-	-	-	-	-	344,357
-	-	-	-	-	13,014
2,155	28,278	-	-	-	1,615,954
17	6,996	-	418	-	10,394
-	146,101	-	-	-	158,940
<u>2,172</u>	<u>2,187,721</u>	<u>-</u>	<u>135,444</u>	<u>12</u>	<u>4,395,383</u>
-	-	-	-	-	30,732
-	-	-	-	-	936,465
-	2,000,336	-	-	-	2,234,007
-	-	-	2,816	214	3,030
-	<u>2,000,336</u>	<u>-</u>	<u>2,816</u>	<u>214</u>	<u>3,204,234</u>
<u>2,172</u>	<u>187,385</u>	<u>-</u>	<u>132,628</u>	<u>(202)</u>	<u>1,191,149</u>
-	<u>(16,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(146,388)</u>
-	<u>(16,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(146,388)</u>
2,172	171,385	-	132,628	(202)	1,044,761
<u>5,326</u>	<u>188,218</u>	<u>(12,462)</u>	<u>170,687</u>	<u>(23,990)</u>	<u>1,767,334</u>
<u>\$ 7,498</u>	<u>\$ 359,603</u>	<u>\$ (12,462)</u>	<u>\$ 303,315</u>	<u>\$ (24,192)</u>	<u>\$ 2,812,095</u>

# CITY OF FITCHBURG

## STATEMENT OF CASH FLOWS COMPONENT UNIT For the Year Ended December 31, 2014

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	Component Unit
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from customers	\$ 276,089
Paid to suppliers for goods and services	<u>(254,242)</u>
Net Cash Flows From Operating Activities	<u>21,847</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	<u>4,421</u>
Net Cash Flows From Investing Activities	<u>4,421</u>
<b>Net Change in Cash and Cash Equivalents</b>	26,268
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>574,474</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 600,742</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating income	\$ 14,066
Nonoperating revenue	7,912
Changes in assets and liabilities	
Accounts receivables	(8,029)
Prepays	235
Accounts payable	<u>7,663</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><u>\$ 21,847</u></u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
None	