



## Finance Department 2016 Annual Report

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### Department Responsibilities

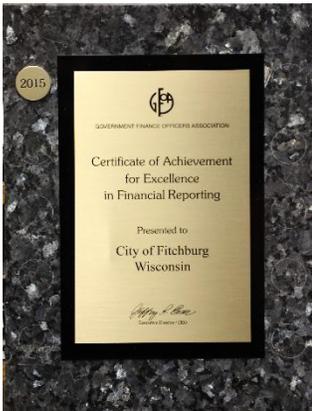
The Finance Department is responsible for providing financial management activities for all City operations, including:

- ensuring that bills incurred by the various departments are paid efficiently and in accordance with City policies
- collecting, depositing, recording, and investing cash receipts, including property taxes
- billing utility and other customers and pursuing collection activities when needed
- making sure payroll and all the associated employer related payments are paid accurately and on time
- coordinating the annual operating budget process
- monitoring debt issuance, payments, and continuing disclosure requirements
- reporting to departments, elected officials, citizens, and other interested parties about the financial status of the City

### Special Projects

**Utility AMI System Project:** The Automated Meter Information (AMI) system project for the utilities began in November 2012 and is estimated for completion in the second quarter of 2017. There are over 6,300 meters installed throughout the City that all need to be changed as a part of this project. As of the end of 2016, about 97% of the meters are now equipped with the new AMI technology and we are following-up with the last 179 resistors.

**Process Improvements:** During 2016 we worked in collaboration with the Senior Center to implement cash receipting through our accounting software and transition to daily deposits. This project gave both departments a chance to discuss best practices and ensure the process was streamlined, while maintaining appropriate controls. Also, a new donation/grant fund and a new technology fund were created. Both are designed to streamline our processes and improve reporting.



**Certificate of Achievement for Excellence in Financial Reporting and Award of Financial Reporting Achievement:** The City issued its first Comprehensive Annual Financial Report (CAFR) in 2016 for the year ended 2015. This report requires additional reporting to comply with the standards including a transmittal letter, additional budget-to-actual schedules, and a statistical section that includes comparative data for up to ten years. Significant time was spent accumulating the additional information and the reports have already proved useful. Beyond creating this enhanced report, we also submitted the report to the Government Finance Officers Association (GFOA) for consideration within their award program. The Certificate of Achievement for Excellence in Financial Reporting is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The CAFR was judged by an impartial panel to meet the high standards of the program including demonstrating a constructive “spirit of full disclosure” to clearly communicate its financial story. In Wisconsin, there are about 30 towns, villages, and cities that received this prestigious award.

**Water Rate Case:** The City’s Water Utility underwent a water rate study in 2016. The last full water rate case was in 2008. The total increase in water revenues was approved by the Public Service Commission (PSC) and resulted in an overall rate increase of 23%. Completing this analysis and application process is necessary to maintain a financially healthy utility.

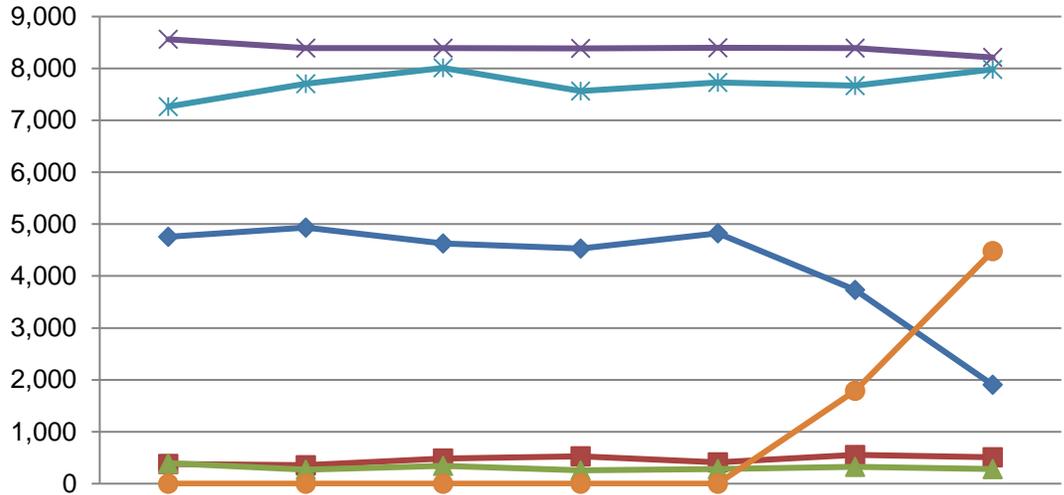
**Audit RFP:** During 2016 a Request for Proposal (RFP) for audit services was issued. A significant savings (approximately \$13,000 or 23%) was realized, primarily due to the improved reporting, documentation, and controls implemented over the past two years.

**Inventory Software Implementation:** Three departments successfully implemented the City’s new inventory control software during 2016: Fire, Police, and Technology. Data on City assets was accumulated and inputted into the software by the individual departments. The Finance Department then did a full inventory count of the assets included. Updated inventory audits will be completed each June. Additional departments are expected to be implemented in future years.

## Routine Activities

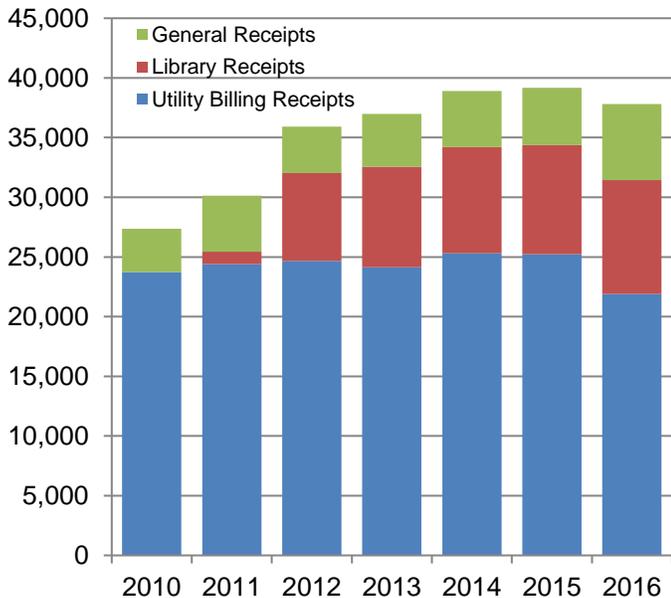
Over the past seven years, the volume of transactions has been relatively stable, with a few exceptions. The total number of receipts increased significantly between 2010 and 2012 due to the opening of the library in late 2011. While the Library staff collects and receipts their own money, the Finance Department is involved in verifying the receipts, reconciling the deposits, and bringing the deposits to the bank. We have also seen a shift from payroll checks to ACH with the direct deposit requirement for all new hires. Direct deposit is more convenient for most employees and saves the City time and money. In 2015 a new purchasing card (p-card) program was implemented to reduce the number of paper checks written. 2016 was the first full year with City-wide participation and we have realized time and material savings, a reduction in errors, and a sizeable rebate (approximately \$33,000 in 2016).

### Transactions Processed

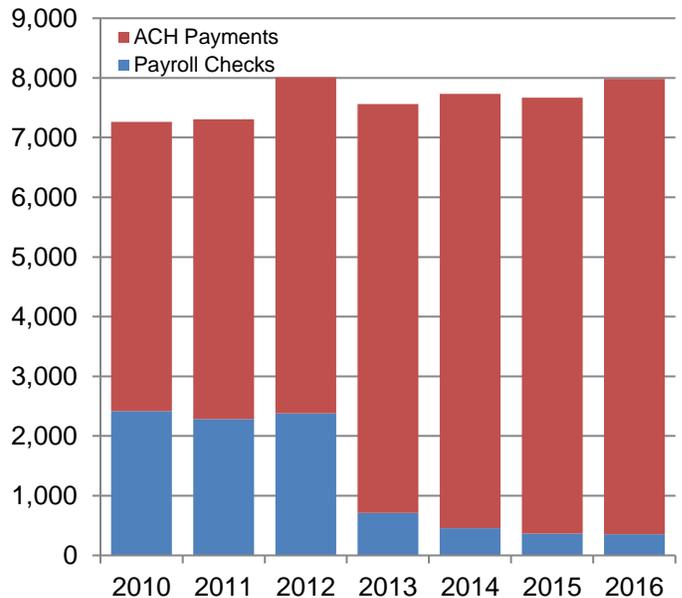


	2010	2011	2012	2013	2014	2015	2016
✕ Tax Bills Issued	8,562	8,395	8,395	8,384	8,399	8,393	8,212
* Payroll Transactions	7,266	7,703	8,010	7,563	7,732	7,671	7,981
◆ Accounts Payable Checks	4,758	4,934	4,628	4,529	4,822	3,730	1,905
■ Special Assessment Letters	380	356	483	525	412	554	506
▲ Invoices Issued	394	268	343	257	282	324	281
● P-Card Transactions	0	0	0	0	0	1,792	4,479

### Receipts

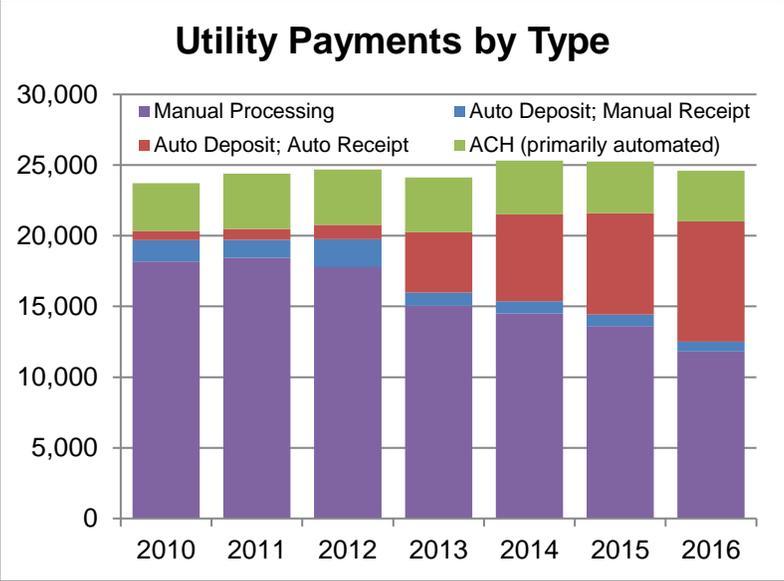
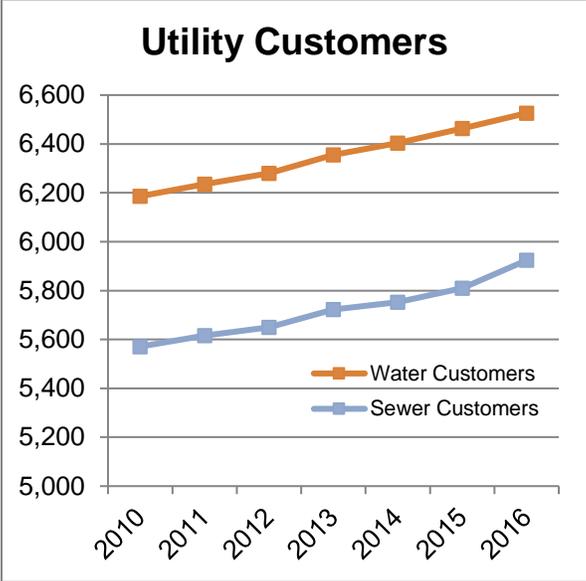


### Payroll Transactions



## Utility Billing and Collection

The process performed by the Finance Department that is most visible to citizens is utility billing and collection. Utility bills are issued quarterly in March, June, September, and December and include water, sewer, storm water, and fire protection charges. The number of utility customers continues to rise as new housing projects are completed. The other area of efficiency we are promoting is the increased use of our automated bill payment methods. In 2013 online bill viewing and free online payment was implemented. This new payment option has significantly decreased the number of payments that require manual processing and has allowed current full-time staffing levels to meet the increased demand.

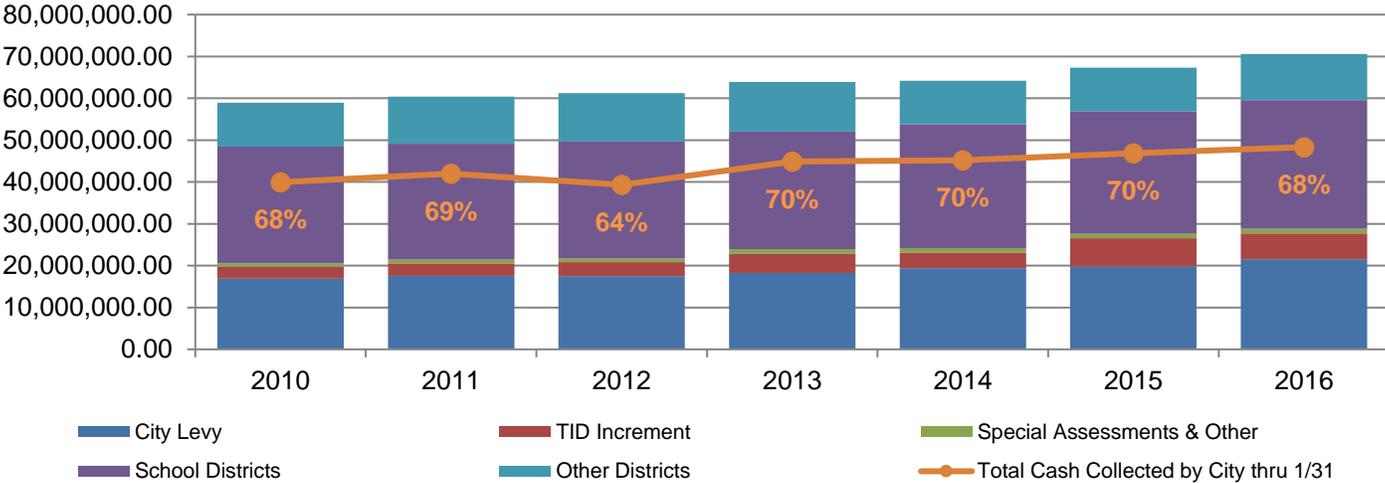


## Property Tax Collection

The second most visible Finance Department process is property tax collection. We collect property taxes not just for the City of Fitchburg but also for the overlying jurisdictions, including the three school districts, Madison College (MATC), State of Wisconsin, and Dane County. Property tax bills are issued in December each year for the current year's tax roll and the following year's budget (e.g. the 2016 tax bills were issued in December 2016 and collected through 2017 to pay 2017 expenses). For real property, the City collects payments through January 31 and then the outstanding amounts are turned over to Dane County. The collection responsibility for personal property remains with the City.

The total number of tax bills and the percentage collected by the City has remained relatively stable over the past seven years; however, the total volume of collections has risen due to the increase in levies for the taxing jurisdictions.

### Tax Roll by Jurisdiction (based on tax roll year)

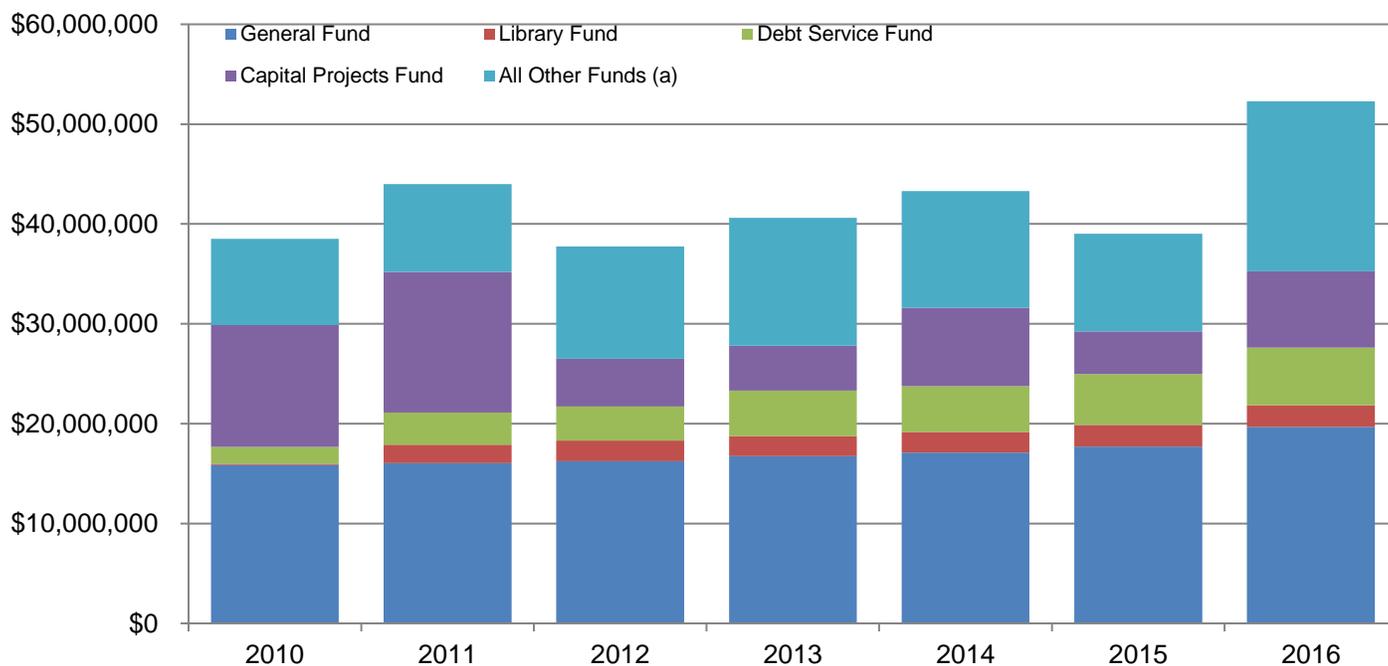


## Expenditure Budgets

The Finance Department monitors financial and budgetary status for the City, in cooperation with the various departments. The City has grown quite significantly in the past seven years, which has translated into larger expenditure budgets and property tax levies.

- **The General Fund** budget has remained relatively stable and has increased an average of 2.3% per year from 2010 to 2015. A larger increase (11.23%) was seen from 2015 to 2016 primarily due to a transfer from the General Fund to the Capital Projects Fund for new fire station land acquisition costs.
- **The Library Fund** was first established in 2009 to pay the initial operating costs associated with the planning and implementation of the new programming during the construction of the new building. The library was first operational in June 2011.
- **The Debt Service Fund** expenditures have increased to pay for the external debt issued by the City to finance large projects. The largest increase was between 2010 and 2011 which was primarily the issuance of debt for the construction of the new library. Larger increases are also seen from 2014 and beyond due to the construction of two new fire stations and several large road projects that were funded by borrowing.
- **The Capital Projects Fund** variances are also primarily the result of new building construction projects funded by debt issuance. The cost to construct the library building was paid out of the Capital Projects Fund in 2010 and 2011. Large costs for the new fire stations began in 2014 and are expected to continue through 2019. Payments on the debt issued to finance these projects are later paid by property taxes, through the Debt Service Fund.
- **The Other Funds** category has seen modest changes with some exceptions. The TID #4 budget has increased significantly due to projects, payment of developer pay-as-you-go incentives, and debt service payments for the Highway 14 interchange. TID #6 also paid for two new roads, Spoke and Sprocket, to help spur development. In addition a new TID #9 and a new Technology internal service fund were included in the 2016 budget.

### Expenditure Budgets by Fund



(a) The "All Other Funds" category includes:

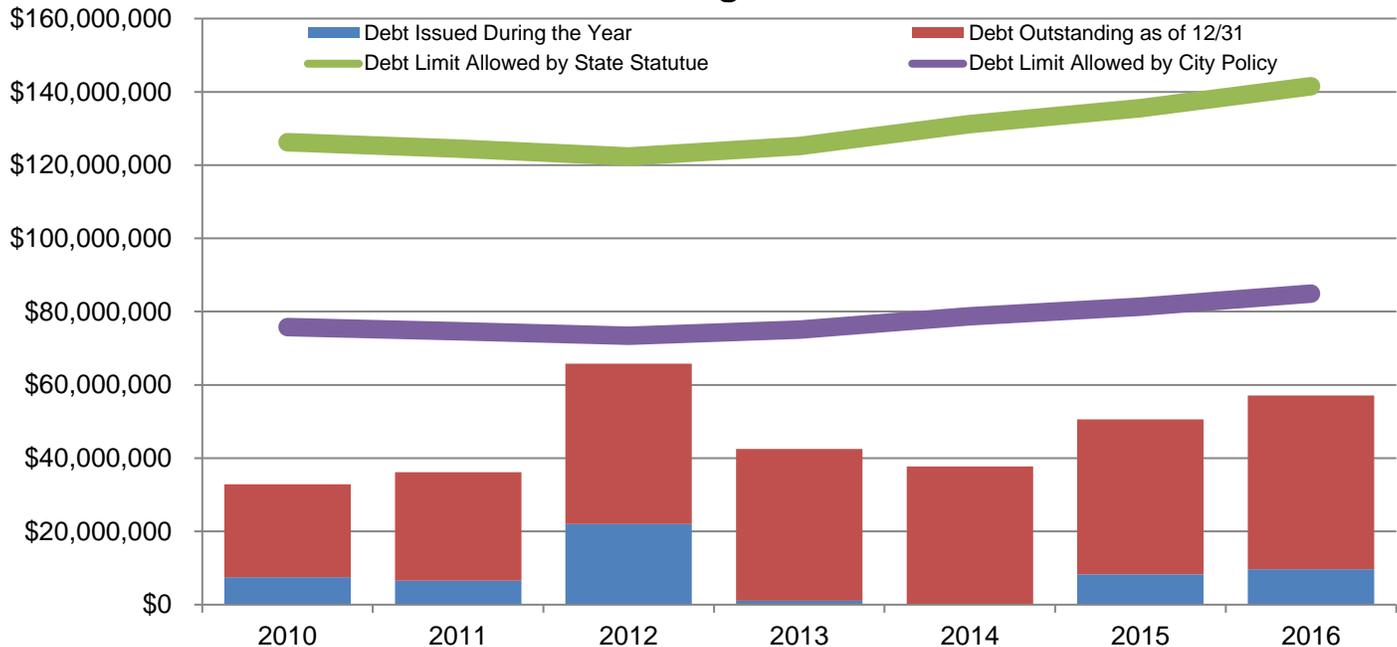
- Special Revenue Funds: park dedication, cable, refuse and recycling, police training and drug enforcement, community and economic development authority (CEDA)
- Tax Increment Financing District Funds: TID #4 – Fitchburg Technology Campus, Agora, and Fitchburg Technology Campus II/Uptown; TID #6 – Orchard Point and Arrowhead; TID #7 – North Fish Hatchery; TID #8 – Brown Business Park; TID #9 – Sub Zero; and TID #10 – North Fish Hatchery
- Enterprise Funds: Water and sewer fund and the storm water fund
- Internal Service Funds: Technology fund

## General Obligation Debt

The City uses external debt to finance large capital projects as indicated in the financial plans. One primary benefit of using debt issuance for these projects is to match the payments for the projects to the property tax collections from owners who benefit from the projects.

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 City has also adopted a more strict internal policy of 3% of equalized value. The City currently remains well within both of these limits.

### General Obligation Debt



Large projects included in the debt issuances include:

- **2010A Notes (\$2,550,000) and 2010B Bonds (\$4,995,000)**: All of the bonds were issued to finance the library building construction project.
- **2011A Notes (\$1,190,000) and 2011B Bonds (\$5,395,000)**: All of the bonds were issued to finance the first portion of the Highway 14 interchange project. Future payments on the debt will be paid through TID #4.
- **2012A Notes (\$6,195,000), 2012B Bonds (\$15,350,000), and 2012C Taxable Refunding Bonds (\$500,000)**: The notes include \$2.9 million for the Post Road and Index Road extensions. The bonds include a refinancing of a \$4.8 million State Trust Fund Loan for the library construction project and \$10.5 million for the second portion of the Highway 14 interchange project. Future payments on the interchange debt will be paid through TID #4.
- **2013A Notes (\$1,040,000)**: Various smaller projects.
- **2015A Notes (\$3,240,000) and 2015B Bonds (\$5,085,000)**: The notes include \$1.5 million for the McKee Road reconstruction project. The bonds include \$4.0 million for the land acquisition and roadway construction costs for the Arrowhead Redevelopment (aka Spoke and Sprocket roads). Future payments on Arrowhead debt will be paid through TID #6.

Note: Included in the 2014 budget was issuance of debt for approximately \$6 million in projects; however, due to turnover in the Finance Department, the debt was not issued as originally expected. Instead, the borrowing for the 2014 projects was included in the 2015 issuance, along with the other 2015 projects.

- **2016A Notes (\$4,465,000) and 2016B Bonds (\$5,235,000)**: The notes include \$1.1 million for a new aerial ladder truck for the Fire Department. All of the bonds are for the first large borrowing for the new fire stations. Additional borrowing for future costs of the stations are expected in future years.