

CITY OF FITCHBURG

Fitchburg, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2012

CITY OF FITCHBURG

TABLE OF CONTENTS As of and for the Year Ended December 31, 2012

	<u>Page(s)</u>
Independent Auditors' Report	i - ii
Management's Discussion and Analysis	iii - xi
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 - 54
Required Supplementary Information	
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	55 - 58
Notes to Required Supplementary Information	59
Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	60 - 61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	62 - 63
Statement of Cash Flows Component Unit	64

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, 2012, 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 did not audit the financial statements of the Fitch-Rona EMS District, in which the City of Fitchburg has an equity interest, which represents 0.2 percent and 0.6 percent, respectively, of the assets and net position of the governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fitch-Rona EMS District, in which the City of Fitchburg has an equity interest, is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, 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, 2012 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.

Emphasis of Matter

As discussed in Note I, the City of Fitchburg adopted the provisions of GASB Statement No. 63, *Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective January 1, 2012. Our opinions are not modified with respect to this matter.

Other Matters

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fitchburg's basic financial statements. The combining fund financial statements and the statement of component unit cash flows 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 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 Vinchur Krause, LLP

Madison, Wisconsin
May 9, 2013

CITY OF FITCHBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ended December 31, 2012

As management of the City of Fitchburg, we offer readers of the financial statements of the city this narrative overview and analysis of the financial activities of the City of Fitchburg for the fiscal year ended December 31, 2012. We encourage the reader to consider the information presented here in conjunction with the city's financial statements.

FINANCIAL HIGHLIGHTS

When revenues exceed expenses, the result is an increase in net 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, 2012 by \$101,805,754 (net position). Of this amount, \$6,023,146 (unrestricted net position) may be used to meet the city's ongoing obligations to citizens and creditors, \$5,450,356 is restricted for specific purposes (restricted net position) and \$90,332,252 is the net investment in capital assets, including all infrastructure.
- > The City of Fitchburg's total net position increased by \$3,182,105 over the previous year. Net position relating to Governmental Activities decreased by \$1,175,915 while net position relating to Business-type Activities increased by \$4,358,020.
- > As of December 31, 2012, the city's governmental funds reported combined fund balances of \$19,302,363, an increase of \$3,387,050 from 2011.
- > Unassigned fund balance for the general fund was \$4,630,165 or 28.7 percent of 2012 general fund expenditures.
- > The 3 percent debt limit set by local ordinance as of December 31, 2012 was \$73,413,972. Total general obligation debt outstanding at the end of the year was \$43,760,568 (59.6 percent of the allowable limit).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- > The first two statements are government-wide financial statements that provide both long-term and short-term information about the city's overall financial status.
- > The remaining statements are fund financial statements that focus on individual parts of city government, reporting the city's operations in more detail than the government-wide statements.

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, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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 and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the city's net position and how they have changed. Net Position – the difference between the city's assets and liabilities – is one way to measure the city's financial health, or position. Over time, increases or decreases in the city's net 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, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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, and the TID No. 4 fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The city adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

An analysis of the city's financial position begins with a review of the Statement of Net 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 \$101,805,754 at the close of 2012, an increase of \$3,182,105 or 3.2 percent.

CITY OF FITCHBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ended December 31, 2012

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

Infrastructure assets of the governmental activities are included within this report. General capital assets (e.g., land, construction in progress, land improvements, buildings, machinery, infrastructure, and equipment) for the governmental activities of the city (less any outstanding debt used to acquire those assets) equals \$45,915,944 or 45.1 percent of total net position. When net positions relating to business-type activities are included, 88.7 percent of total city net positions are represented by capital assets. The city uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the city's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the city's total net position (\$5,450,356 or 5.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$6,023,146 or 5.9 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, both for the city as a whole, as well as for its separate governmental and business-type activities.

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

**Table 1
Condensed Statements of Net Position**

	Governmental Activities	Business-type Activities	2012 Totals	2011 Totals
Current and other assets	\$ 43,570,056	\$ 3,867,253	\$ 47,437,309	\$ 42,388,106
Capital assets	76,250,059	48,669,904	124,919,963	111,386,257
Total Assets	<u>119,820,115</u>	<u>52,537,157</u>	<u>172,357,272</u>	<u>153,774,363</u>
Long-term liabilities outstanding	44,919,127	745,536	45,664,663	31,323,646
Other liabilities	24,373,597	513,258	24,886,855	23,827,068
Total Liabilities	<u>69,292,724</u>	<u>1,258,794</u>	<u>70,551,518</u>	<u>55,150,714</u>
Net Position				
Net investment in capital assets	45,915,944	48,119,904	90,332,252	86,878,170
Restricted	5,450,356	-	5,450,356	5,160,984
Unrestricted (deficit)	<u>(809,909)</u>	<u>3,158,459</u>	<u>6,023,146</u>	<u>6,584,495</u>
Total Net Position	<u>\$ 50,527,391</u>	<u>\$ 51,278,363</u>	<u>\$ 101,805,754</u>	<u>\$ 98,623,649</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, 2012

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

GOVERNMENTAL ACTIVITIES

Governmental activities decreased the city's net position by \$1,175,915. This decrease is primarily a result of the following:

A net transfer of \$2,571,897 to Business-Type activities for plant paid for by TID No. 4 and contributed to the utilities.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the city's net position by \$4,358,020, which is attributable to recognition of new infrastructure resulting from a net transfer of \$2,571,897 from Governmental Activities and contributions from developers.

**Table 2
Condensed Statement of Activities**

	Governmental Activities	Business-type Activities	2012 Totals	2011 Totals
Revenues:				
Program Revenues				
Charges for services	\$ 2,035,223	\$ 5,417,178	\$ 7,452,401	\$ 6,805,583
Operating grants and contributions	1,776,574	-	1,776,574	1,694,184
Capital grants and contributions	4,261,364	1,229,477	5,490,841	1,810,636
General Revenues				
Property taxes	20,455,378	-	20,455,378	19,688,989
Other taxes	28,763	-	28,763	42,975
Intergovernmental	1,869,257	-	1,869,257	1,352,511
Other revenues	1,084,810	13,340	1,098,150	1,157,104
Total Revenues	31,511,369	6,659,995	38,171,364	32,551,982
Expenses:				
General government	3,712,572	-	3,712,572	4,171,270
Public safety	9,934,613	-	9,934,613	9,848,882
Health and social services	405,611	-	405,611	392,272
Public works	6,696,726	-	6,696,726	4,123,594
Leisure activities	3,766,584	-	3,766,584	5,034,454
Conservation and development	5,091,478	-	5,091,478	3,786,905
Interest and fiscal charges	1,024,447	-	1,024,447	882,357
Water and sewer utilities	-	3,538,650	3,538,650	3,342,005
Storm water utility	-	818,578	818,578	843,985
Total Expenses	30,632,031	4,357,228	34,989,259	32,425,724
Increase (decrease) in net position before transfers	879,338	2,302,767	3,182,105	126,258
Transfers	(2,055,253)	2,055,253	-	-
Change in Net Position	(1,175,915)	4,358,020	3,182,105	126,258
Net Position – Beginning of Year	51,703,306	46,920,343	98,623,649	98,497,391
Net Position – End of Year	\$ 50,527,391	\$ 51,278,363	\$ 101,805,754	\$ 98,623,649

CITY OF FITCHBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ended December 31, 2012

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

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.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

GOVERNMENTAL FUNDS

The focus of the City of Fitchburg's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the city's financing requirements. In particular, 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, 2012, the city's governmental funds reported combined fund balances of \$19,302,363. Approximately 23.8 percent of this amount, \$4,590,895 constitutes unassigned fund balance, which is available to meet the city's current and future needs. The remaining \$14,711,468 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 \$5,617,157, an increase of \$392,118 or 7.5%.

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 2012, unassigned fund balance is \$4,630,165 and the 2012 general fund revenues were \$15,946,046, resulting in an unassigned fund balance of 29.0 percent.

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 \$544,964 which is a decrease of 24.3 percent over the prior year, is restricted for future debt service. The decrease is due to a one time application of fund balance for special assessment installment collections that will be received in subsequent years.

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 \$7,402,931 is an increase of \$5,085,728 or 219.48% over the previous year. The increase is due to unexpended bond issue proceeds for assessable road projects, projects related to the DaneCom Radio Replacement initiative, and preliminary work on the Maintenance Facility project which were not completed by year end.

CITY OF FITCHBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
For the Year Ended December 31, 2012

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

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 \$2,473,640 is restricted for TID activities.

Nonmajor Governmental Funds

Fund balance of nonmajor governmental funds is \$3,263,671, which is restricted or committed for future projects and expenditures. This balance includes a negative fund balance of \$23,796 for TID No. 8, due to the district being new and having a small amount of implementation/administration costs that have not been borrowed for. Funds have been advanced by the general fund with a charge for interest.

Proprietary Funds

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2012 adopted General Fund budget was not amended in total during the year. The total original appropriations were \$16,249,245 and final appropriations were \$16,249,245. Actual expenditures and other financing uses were \$16,133,915 resulting in a favorable variance of \$115,330.

Total revenues and other sources were \$16,526,033, \$276,788 more than the final budget.

The overall operating result of the general fund was a gain of \$392,118 which was due to unbudgeted revenues, and expenditures under budget in the Public Works and Zoning Departments.

CITY OF FITCHBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ended December 31, 2012

CAPITAL ASSETS

At the end of 2012, the city had invested a total of \$124,919,963 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	2012 Totals	2011 Totals
Land and other assets not being depreciated	\$ 16,683,595	\$ 4,568,289	\$ 21,251,884	\$ 16,296,565
Land improvements	412,878	-	412,878	412,878
Building and improvements	25,722,236	2,728,058	28,450,294	27,873,916
Machinery and equipment	10,865,590	2,790,781	13,656,371	13,107,801
Roads, paths and sidewalks	45,613,903	-	45,613,903	38,444,913
Utility plant	-	54,987,371	54,987,371	51,605,668
Total Capital Assets	99,298,202	65,074,499	164,372,701	147,741,741
Less: Accumulated Depreciation	(23,048,143)	(16,404,595)	(39,452,738)	(36,355,484)
Net Capital Assets	<u>\$ 76,250,059</u>	<u>\$ 48,669,904</u>	<u>\$ 124,919,963</u>	<u>\$ 111,386,257</u>

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

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

GOVERNMENTAL ACTIVITIES

Net capital asset additions from governmental activities were \$9,956,125

- > Machinery, equipment, and furniture additions included police and fire safety equipment, including purchases of radios for the DaneCom project. The significant building project in 2012 was the completion of the community center remodel. The majority of capital asset additions were related to road and road related projects, and the Highway 14 interchange.

BUSINESS -TYPE ACTIVITIES

- > The net water utility capital asset additions were \$1,096,396
- > The net sewer system capital asset additions were \$928,755.
- > The net storm water capital asset additions were \$3,577,851.
- > Water and sewer work in process at year-end include Rolfsmeyer Road Sanitary, future Glacier Valley Improvements, King James Booster Station Improvements and AMI.
- > The storm water utility work in process includes the preliminary assessment of Area H, Tower Hill Greenway, Nine Springs Master Plan, and Red Arrow Pond.
- > There were 20 water services, and no sanitary sewer services added during 2012.
- > There were 11,161 feet of water main added in 2012, so total footage is increased to 505,531 feet, which equates to just over 95.7 miles of water main.

CITY OF FITCHBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED For the Year Ended December 31, 2012

LONG-TERM DEBT

At December 31, 2012, the city had \$43,760,568, including utility debt, of long-term bonds and loans outstanding. All of this debt relates to general obligation issues.

Total long-term bonds and loans outstanding at December 31, 2012 increased by \$14,163,213 due to borrowing for capital costs including completion of an addition to the community center, road and road related projects, radio equipment and interchange costs at Highway 14 for the second TID No. 4 amendment.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed five percent of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2012 was \$122,356,620. Total general obligation debt outstanding at year-end was \$43,760,568. Therefore, the city was at 35.8 percent of the legal debt limit. The city has chosen to further restrict its borrowing, not to exceed 3 percent of the equalized value of taxable property. According to the 3 percent limit, at the end of 2012, the city was at 59.6 percent of that debt limit.

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

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

All currently known facts and economic conditions were considered in preparing the 2012 city budget. During 2007, the city issued two municipal revenue obligations as part of development agreements related to specific portions of the development in TID No. 4. The obligations do not constitute a charge upon any funds of the city. In the event that future tax increments are not sufficient to pay off the obligations, the obligations terminate with no further liability to the city. Since the amount of future payments is contingent on the collection of future TID increments, these obligations are not reported as liabilities in our financial statements. During 2012 scheduled payments were able to be made on the development agreements with the exception of a partial principal payment on TID No. 4. A similar development agreement related to TID No. 6 was approved during 2009, with payments made each year since then. During 2009, TID No. 8 had a base value certified. No projects for this TID were started during 2009, 2010, 2011 or 2012.

During 2011, the city got 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.

REQUESTS FOR INFORMATION

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

CITY OF FITCHBURG

STATEMENT OF NET POSITION As of December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and investments	\$ 18,790,221	\$ 4,263,138	\$ 23,053,359	\$ 591,089
Receivables (net)				
Taxes receivable	21,683,778	-	21,683,778	-
Delinquent personal property taxes	19,185	-	19,185	-
Accounts	565,836	1,263,935	1,829,771	59,693
Accrued interest	-	981	981	-
Special assessments	62,148	88,492	150,640	-
Delinquent special assessments	10,154	-	10,154	-
Land contract	18,277	-	18,277	-
Due from other governmental units	6,583	-	6,583	-
Internal balances	1,820,610	(1,820,610)	-	-
Inventories	-	39,205	39,205	-
Prepaid items	170,177	-	170,177	2,206
Other assets	-	32,112	32,112	-
Investment in joint venture	287,170	-	287,170	-
Restricted assets				
Cash and investments	135,917	-	135,917	-
Capital assets				
Land	16,018,264	4,221,991	20,240,255	-
Intangible plant - land	-	55,156	55,156	-
Construction in progress	665,331	291,142	956,473	-
Other capital assets, net of depreciation	<u>59,566,464</u>	<u>44,101,615</u>	<u>103,668,079</u>	<u>-</u>
Total Assets	<u>119,820,115</u>	<u>52,537,157</u>	<u>172,357,272</u>	<u>652,988</u>
LIABILITIES				
Accounts payable	1,817,041	496,717	2,313,758	32,090
Accrued liabilities	861,790	16,541	878,331	-
Due to other governmental units	14,763	-	14,763	-
Deposits	21,503	-	21,503	-
Unearned revenue	21,658,500	-	21,658,500	-
Noncurrent liabilities				
Due within one year	3,538,965	64,355	3,603,320	-
Due in more than one year	<u>41,380,162</u>	<u>681,181</u>	<u>42,061,343</u>	<u>-</u>
Total Liabilities	<u>69,292,724</u>	<u>1,258,794</u>	<u>70,551,518</u>	<u>32,090</u>
NET POSITION				
Net investment in capital assets	45,915,944	48,119,904	90,332,252	-
Restricted for				
Debt service	71,390	-	71,390	-
Park and recreational impact fees	711,536	-	711,536	-
Fire impact fees	135,917	-	135,917	-
Library	148,510	-	148,510	-
Library project	190,436	-	190,436	-
TID activities	4,170,332	-	4,170,332	-
Park projects	22,235	-	22,235	-
Room tax	-	-	-	178,490
Unrestricted (deficit)	<u>(809,909)</u>	<u>3,158,459</u>	<u>6,023,146</u>	<u>442,408</u>
TOTAL NET POSITION	<u>\$ 50,556,391</u>	<u>\$ 51,278,363</u>	<u>\$ 101,805,754</u>	<u>\$ 620,898</u>

See accompanying notes to financial statements.

CITY OF FITCHBURG

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 3,712,572	\$ 546,264	\$ 90,863	\$ -
Public safety	9,934,613	428,565	132,842	138,935
Public works	6,696,726	771,541	914,254	3,536,014
Health and human services	405,611	-	-	-
Culture, education and recreation	3,766,584	248,933	460,910	586,415
Conservation and development	5,091,478	39,920	-	-
Interest and fiscal charges	<u>1,024,447</u>	<u>-</u>	<u>177,705</u>	<u>-</u>
Total Governmental Activities	<u>30,632,031</u>	<u>2,035,223</u>	<u>1,776,574</u>	<u>4,261,364</u>
Business-type Activities				
Utility District No. 1	3,538,650	4,436,598	-	694,290
Stormwater Utility	<u>818,578</u>	<u>980,580</u>	<u>-</u>	<u>535,187</u>
Total Business-type Activities	<u>4,357,228</u>	<u>5,417,178</u>	<u>-</u>	<u>1,229,477</u>
Total Primary Government	<u>\$ 34,989,259</u>	<u>\$ 7,452,401</u>	<u>\$ 1,776,574</u>	<u>\$ 5,490,841</u>
Component Unit				
Community development authority	<u>\$ 292,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

Taxes

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Property taxes, levied for capital assets
- Property taxes, levied for TIF districts
- Property taxes, levied for library purposes
- Other taxes

Intergovernmental revenues not restricted to specific programs

Public gifts and grants

Investment income

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in net 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
\$ (3,075,445)	\$ -	\$ (3,075,445)	\$ -
(9,234,271)	-	(9,234,271)	-
(1,474,917)	-	(1,474,917)	-
(405,611)	-	(405,611)	-
(2,470,326)	-	(2,470,326)	-
(5,051,558)	-	(5,051,558)	-
<u>(846,742)</u>	<u>-</u>	<u>(846,742)</u>	<u>-</u>
<u>(22,558,870)</u>	<u>-</u>	<u>(22,558,870)</u>	<u>-</u>
-	1,592,238	1,592,238	-
-	<u>697,189</u>	<u>697,189</u>	-
-	<u>2,289,427</u>	<u>2,289,427</u>	-
<u>(22,558,870)</u>	<u>2,289,427</u>	<u>(20,269,443)</u>	-
-	-	-	(292,106)
12,263,641	-	12,263,641	-
2,757,830	-	2,757,830	-
973,651	-	973,651	-
2,955,910	-	2,955,910	-
1,504,346	-	1,504,346	-
28,763	-	28,763	248,160
1,869,257	-	1,869,257	-
101,284	-	101,284	-
249,804	13,340	263,144	4,619
733,722	-	733,722	5,499
<u>(2,055,253)</u>	<u>2,055,253</u>	<u>-</u>	<u>-</u>
<u>21,382,955</u>	<u>2,068,593</u>	<u>23,451,548</u>	<u>258,278</u>
(1,175,915)	4,358,020	3,182,105	(33,828)
<u>51,703,306</u>	<u>46,920,343</u>	<u>98,623,649</u>	<u>654,726</u>
<u>\$ 50,527,391</u>	<u>\$ 51,278,363</u>	<u>\$ 101,805,754</u>	<u>\$ 620,898</u>

See accompanying notes to financial statements.

CITY OF FITCHBURG

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2012

	General	General Debt Service	General Capital Projects	TID No. 4
ASSETS				
Cash and investments	\$ 4,809,061	\$ 544,964	\$ 6,605,818	\$ 3,547,679
Receivables				
Taxes	12,533,589	2,855,134	620,500	2,004,109
Delinquent personal property taxes	19,185	-	-	-
Accounts	509,778	-	-	-
Special assessments	-	62,148	-	-
Delinquent special assessments	10,154	-	-	-
Land contract	18,277	-	-	-
Due from other governments	6,583	-	-	-
Due from other funds	598,245	-	-	-
Advances to other funds	108,623	-	1,150,000	-
Prepaid items	167,043	-	-	-
Restricted assets	-	-	135,917	-
	<u>\$ 18,780,538</u>	<u>\$ 3,462,246</u>	<u>\$ 8,512,235</u>	<u>\$ 5,551,788</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 235,349	\$ -	\$ 488,804	\$ 1,074,039
Accrued liabilities	365,103	-	-	-
Due to other funds	-	-	-	-
Due to other governments	14,763	-	-	-
Deposits	21,503	-	-	-
Deferred tax roll revenues	12,526,663	2,855,134	620,500	2,004,109
Deferred special assessment revenues	-	62,148	-	-
Advances from other funds	-	-	-	-
Total Liabilities	<u>13,163,381</u>	<u>2,917,282</u>	<u>1,109,304</u>	<u>3,078,148</u>
Fund Balances				
Nonspendable	305,005	-	-	-
Restricted	-	544,964	2,668,287	2,473,640
Committed	-	-	-	-
Assigned	681,987	-	4,734,644	-
Unassigned (deficit)	4,630,165	-	-	-
Total Fund Balances	<u>5,617,157</u>	<u>544,964</u>	<u>7,402,931</u>	<u>2,473,640</u>
	<u>\$ 18,780,538</u>	<u>\$ 3,462,246</u>	<u>\$ 8,512,235</u>	<u>\$ 5,551,788</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 3,282,699	\$ 18,790,221
3,670,446	21,683,778
-	19,185
56,058	565,836
-	62,148
-	10,154
-	18,277
-	6,583
-	598,245
38,342	1,296,965
3,134	170,177
-	135,917
<u>\$ 7,050,679</u>	<u>\$ 43,357,486</u>

\$ 18,849	\$ 1,817,041
23,113	388,216
36,258	36,258
-	14,763
-	21,503
3,670,446	21,676,852
-	62,148
38,342	38,342
<u>3,787,008</u>	<u>24,055,123</u>

3,134	308,139
2,556,738	8,243,629
743,069	743,069
-	5,416,631
(39,270)	4,590,895
<u>3,263,671</u>	<u>19,302,363</u>

<u>\$ 7,050,679</u>	<u>\$ 43,357,486</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, 2012

Total Fund Balances - Governmental Funds	\$ 19,302,363
--	---------------

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. See Note II. A.	76,250,059
--	------------

Some receivables that are not currently available are reported as deferred revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. See Note IV.B.	80,500
--	--------

The city's equity interest in joint ventures is reported on the statement of net position.	287,170
--	---------

Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II. A.	<u>(45,392,701)</u>
--	---------------------

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 50,527,391</u>
--	-----------------------------

CITY OF FITCHBURG

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

For the Year Ended December 31, 2012

	General	General Debt Service	General Capital Projects	TID No. 4
REVENUES				
Taxes	\$ 12,304,013	\$ 2,757,830	\$ 973,651	\$ 1,600,474
Intergovernmental	1,703,113	177,705	1,136,071	478,206
Licenses and permits	553,961	-	-	-
Fines, forfeitures and penalties	314,120	-	-	-
Public charges for services	229,203	-	-	-
Special assessments	7,938	34,739	-	-
Investment income	170,242	6,340	100,891	-
Intergovernmental charges for services	280,251	-	-	-
Miscellaneous	383,205	53,552	761,063	5,280
Total Revenues	<u>15,946,046</u>	<u>3,030,166</u>	<u>2,971,676</u>	<u>2,083,960</u>
EXPENDITURES				
Current				
General government	3,202,117	-	-	-
Public safety	9,251,119	-	-	-
Health and human services	380,598	-	-	-
Public works	1,802,553	-	-	-
Culture, recreation and education	1,041,236	-	-	-
Conservation and development	456,292	-	-	-
Capital Outlay	-	-	4,148,088	14,862,164
Debt Service				
Principal	-	7,856,786	-	-
Interest and fiscal charges	-	1,135,857	94,458	185,847
Total Expenditures	<u>16,133,915</u>	<u>8,992,643</u>	<u>4,242,546</u>	<u>15,048,011</u>
Excess (deficiency) of revenues over expenditures	<u>(187,869)</u>	<u>(5,962,477)</u>	<u>(1,270,870)</u>	<u>(12,964,051)</u>
OTHER FINANCING SOURCES (USES)				
Debt issued	-	5,401,659	6,103,341	10,540,000
Premium on debt issued	-	96,995	152,990	212,541
Transfers in	579,987	288,471	200,610	-
Transfers out	-	-	(100,343)	(230,958)
Total Other Financing Sources (Uses)	<u>579,987</u>	<u>5,787,125</u>	<u>6,356,598</u>	<u>10,521,583</u>
Net Change in Fund Balances	392,118	(175,352)	5,085,728	(2,442,468)
FUND BALANCES - Beginning of Year	<u>5,225,039</u>	<u>720,316</u>	<u>2,317,203</u>	<u>4,916,108</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,617,157</u>	<u>\$ 544,964</u>	<u>\$ 7,402,931</u>	<u>\$ 2,473,640</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 2,859,782	\$ 20,495,750
546,655	4,041,750
267,404	821,365
-	314,120
826,223	1,055,426
-	42,677
325	277,798
-	280,251
<u>57,071</u>	<u>1,260,171</u>
<u>4,557,460</u>	<u>28,589,308</u>
-	3,202,117
49,658	9,300,777
-	380,598
864,271	2,666,824
2,254,700	3,295,936
-	456,292
640,684	19,650,936
-	7,856,786
-	<u>1,416,162</u>
<u>3,809,313</u>	<u>48,226,428</u>
<u>748,147</u>	<u>(19,637,120)</u>
-	22,045,000
-	462,526
-	1,069,068
<u>(221,123)</u>	<u>(552,424)</u>
<u>(221,123)</u>	<u>23,024,170</u>
527,024	3,387,050
<u>2,736,647</u>	<u>15,915,313</u>
<u>\$ 3,263,671</u>	<u>\$ 19,302,363</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, 2012

Net change in fund balances - total governmental funds	\$ 3,387,050
--	--------------

Amounts reported for governmental activities in the statement of net position 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	19,650,936
Some items reported as capital outlay were not capitalized	(10,771,224)
Depreciation is reported in the government-wide financial statements	(1,910,553)
Net book value of assets retired	(21,951)

Contributed capital assets are reported as revenues in the government-wide financial statements.	3,008,917
--	-----------

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.	(71,520)
---	----------

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.	
Debt issued	(22,045,000)
Principal repaid	7,856,787

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	(143,667)
Accrued interest on debt	(70,812)

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>(44,878)</u>
---	-----------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,175,915)</u>
--	------------------------------

CITY OF FITCHBURG

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2012

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Utility District</u>	<u>Stormwater</u>	<u>Totals</u>
	<u>No. 1</u>	<u>Utility</u>	
ASSETS			
Current Assets			
Cash and investments	\$ 3,511,680	\$ 751,458	\$ 4,263,138
Receivables			
Accounts	1,063,845	200,090	1,263,935
Interest	981	-	981
Inventories	39,205	-	39,205
Advances to other funds	55,000	-	55,000
Total Current Assets	<u>4,670,711</u>	<u>951,548</u>	<u>5,622,259</u>
Noncurrent Assets			
Capital Assets			
Land and land rights	470,003	3,751,988	4,221,991
Construction in progress	244,542	46,600	291,142
Intangible plant	242,710	9,503	252,213
Property and equipment	44,608,422	15,700,731	60,309,153
Less: Accumulated depreciation	(10,947,868)	(5,456,727)	(16,404,595)
Other Assets			
Other long term receivables	32,112	-	32,112
Advance to other funds	178,750	-	178,750
Special assessments receivable	65,962	22,530	88,492
Total Noncurrent Assets	<u>34,894,633</u>	<u>14,074,625</u>	<u>48,969,258</u>
 Total Assets	 <u>39,565,344</u>	 <u>15,026,173</u>	 <u>54,591,517</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Utility District	Stormwater	Totals
	No. 1	Utility	
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 458,528	\$ 5,389	\$ 463,917
Accrued wages	12,294	3,265	15,559
Accrued interest	-	982	982
Due to other funds	561,987	-	561,987
Compensated absences	11,425	2,930	14,355
Current portion of advances	-	55,000	55,000
General obligation bonds payable	-	<u>50,000</u>	<u>50,000</u>
Total Current Liabilities	<u>1,044,234</u>	<u>117,566</u>	<u>1,161,800</u>
Noncurrent Liabilities			
Long-Term Debt			
General obligation bonds payable	-	500,000	500,000
Advances from other funds	-	1,437,373	1,437,373
Compensated absences	146,507	34,674	181,181
Other long term payables	<u>32,800</u>	<u>-</u>	<u>32,800</u>
Total Noncurrent Liabilities	<u>179,307</u>	<u>1,972,047</u>	<u>2,151,354</u>
Total Liabilities	<u>1,223,541</u>	<u>2,089,613</u>	<u>3,313,154</u>
NET POSITION			
Net investment in capital assets	34,617,809	13,502,095	48,119,904
Unrestricted (deficit)	<u>3,723,994</u>	<u>(565,535)</u>	<u>3,158,459</u>
TOTAL NET POSITION	<u>\$ 38,341,803</u>	<u>\$ 12,936,560</u>	<u>\$ 51,278,363</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, 2012

	Business-type Activities - Enterprise Funds		
	Utility District No. 1	Stormwater Utility	Totals
OPERATING REVENUES	<u>\$ 4,436,598</u>	<u>\$ 980,580</u>	<u>\$ 5,417,178</u>
OPERATING EXPENSES			
Operation and maintenance	2,748,875	357,654	3,106,529
Depreciation	<u>789,775</u>	<u>432,985</u>	<u>1,222,760</u>
Total Operating Expenses	<u>3,538,650</u>	<u>790,639</u>	<u>4,329,289</u>
Operating Income	<u>897,948</u>	<u>189,941</u>	<u>1,087,889</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	11,302	2,038	13,340
Interest expense	<u>-</u>	<u>(27,939)</u>	<u>(27,939)</u>
Total Nonoperating Revenues (Expenses)	<u>11,302</u>	<u>(25,901)</u>	<u>(14,599)</u>
Income Before Contributions and Transfers	<u>909,250</u>	<u>164,040</u>	<u>1,073,290</u>
CONTRIBUTIONS AND TRANSFERS			
Capital contributions	694,290	535,187	1,229,477
Capital contributions - municipality	1,318,709	1,253,188	2,571,897
Transfers in	45,343	-	45,343
Transfers out	<u>(561,987)</u>	<u>-</u>	<u>(561,987)</u>
Total Contributions and Transfers	<u>1,496,355</u>	<u>1,788,375</u>	<u>3,284,730</u>
Change in Net Position	2,405,605	1,952,415	4,358,020
NET POSITION - Beginning of Year	<u>35,936,198</u>	<u>10,984,145</u>	<u>46,920,343</u>
NET POSITION - END OF YEAR	<u>\$ 38,341,803</u>	<u>\$ 12,936,560</u>	<u>\$ 51,278,363</u>

See accompanying notes to financial statements.

CITY OF FITCHBURG

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds		
	Utility District No. 1	Stormwater Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 4,389,443	\$ 984,078	\$ 5,373,521
Paid to suppliers for goods and services	(2,470,496)	(202,732)	(2,673,228)
Paid to employees for services	(195,776)	(149,222)	(344,998)
Net Cash Flows From Operating Activities	<u>1,723,171</u>	<u>632,124</u>	<u>2,355,295</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	11,578	2,038	13,616
Net Cash Flows From Investing Activities	<u>11,578</u>	<u>2,038</u>	<u>13,616</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Paid to municipality for tax equivalent	(543,730)	-	(543,730)
Repayment of advances to other funds	55,000	-	55,000
Advance from water	-	(55,000)	(55,000)
Transfers in	45,343	-	45,343
Net Cash Flows From Noncapital Financing Activities	<u>(443,387)</u>	<u>(55,000)</u>	<u>(498,387)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	-	(25,000)	(25,000)
Interest paid	-	(28,170)	(28,170)
Special assessments received	212,749	10,012	222,761
Acquisition and construction of capital assets	(1,304,180)	(197,040)	(1,501,220)
Capital contributions received	355,606	41,927	397,533
Net Cash Flows From Capital and Related Financing Activities	<u>(735,825)</u>	<u>(198,271)</u>	<u>(934,096)</u>
Net Change in Cash and Cash Equivalents	555,537	380,891	936,428
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,956,143</u>	<u>370,567</u>	<u>3,326,710</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,511,680</u>	<u>\$ 751,458</u>	<u>\$ 4,263,138</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>	
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 897,948	\$ 189,941	\$ 1,087,889
Adjustments to Reconcile Operating Income to Net Cash			
Flows From Operating Activities			
Depreciation	789,775	432,985	1,222,760
Depreciation charged to other funds	36,159	-	36,159
Changes in assets and liabilities			
Accounts receivable	(83,644)	(10,924)	(94,568)
Other accounts receivable	-	14,422	14,422
Inventories	(342)	-	(342)
Accounts payable	54,246	(2,627)	51,619
Compensated absences	26,522	7,616	34,138
Accrued wages	-	711	711
Other current liabilities	<u>2,507</u>	<u>-</u>	<u>2,507</u>
 NET CASH FLOWS FROM OPERATING ACTIVITIES	 <u>\$ 1,723,171</u>	 <u>\$ 632,124</u>	 <u>\$ 2,355,295</u>
 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
City and developer financed additions to plant	<u>\$ 1,657,393</u>	<u>\$ 1,788,375</u>	

See accompanying notes to financial statements.

CITY OF FITCHBURG

STATEMENT OF ASSETS AND LIABILITIES AGENCY FUND As of December 31, 2012

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 26,186,572
Tax roll receivable	<u>13,292,341</u>
TOTAL ASSETS	<u>\$ 39,478,913</u>
LIABILITIES	
Due to other taxing units	<u>\$ 39,478,913</u>
TOTAL LIABILITIES	<u>\$ 39,478,913</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, 2012

NOTE	Page
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, 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. Claims and Judgments	28
9. Equity Classifications	28
10. Basis for Existing Rates	30
II Reconciliation of Government-Wide and Fund Financial Statements	31
A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position	31
III Stewardship, Compliance, and Accountability	31
A. Budgetary Information	31
B. Excess Expenditures Over Appropriations	32
C. Deficit Balances	32
D. Limitations on the City's Tax Levy	32
IV Detailed Notes on All Funds	33
A. Deposits and Investments	33
B. Receivables	36
C. Restricted Assets	36
D. Capital Assets	37
E. Interfund Receivables/Payables, Advances and Transfers	41
F. Long-Term Obligations	44
G. Lease Disclosures	46
H. Net Position/Fund Balances	47
I. Component Unit	49
V Other Information	50
A. Employees' Retirement System	50
B. Risk Management	51
C. Commitments and Contingencies	51
D. Joint Ventures	53
E. Effect of New Accounting Standards on Current-Period Financial Statements	54

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

Discretely Presented Component Unit

Housing and Community Development Authority

The government-wide financial statements include the Housing and Community Development Authority ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the mayor of Fitchburg. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the CDA, and also create a potential financial benefit to or burden on the city. See Note IV.I. 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, 2012. The CDA does not issue separate financial statements.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In June 2011, the GASB issued statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements, which are distinct from assets and liabilities.

The city made the decision to implement this standard effective January 1, 2012.

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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 and proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The city reports the following major governmental funds:

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

The city reports the following major enterprise funds:

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

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

Fund Financial Statements (cont.)

The city reports the following nonmajor governmental funds:

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

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

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

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

In addition, the city reports the following fund type:

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

Tax Collection Fund

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

Government-Wide Financial Statements

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues. At December 31, 2012, there were \$660,116 of unrecorded deferred assessments which are not recorded as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

Fund Financial Statements (cont.)

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

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

The 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, 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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

1. Deposits and Investments (cont.)

- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

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

No policy exists for the following risks:

Credit risk
Interest rate risk

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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

1. Deposits and Investments (cont.)

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, 2012, 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, 2012, the fair value of the Foundation's assets was substantially equal to the city's share as reported in Note IV. A.

See Note IV. A. for further information.

2. Receivables

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

Property tax calendar - 2012 tax roll:

Lien date and levy date	December 2012
Tax bills mailed	December 2012
Payment in full, or	January 31, 2013
First installment due	January 31, 2013
Second installment due	July 31, 2013
Personal property taxes in full	January 31, 2013
Tax sale - 2012 delinquent real estate taxes	October 2015

Accounts receivable have been shown net of an allowance for uncollectible accounts of \$1,872,153. 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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

2. Receivables (cont.)

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.

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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net 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.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

6. *Compensated Absences* (cont.)

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 \$27,638. The number of participants currently eligible to receive benefits is three. The total amount outstanding at year end to be paid in the future is \$31,978 and is included in the government-wide statement of net position.

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2012, are determined on the basis of current salary rates and include salary related payments.

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

The city has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the city. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$280,000, made up of one issue.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

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

7. Long-Term Obligations/Conduit Debt (cont.)

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 \$74,096,686, made up of two issues.

8. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. Refer to Note V. C. on commitments and contingencies.

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, 2012

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

D. ASSETS, LIABILITIES, 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	\$ 45,915,944	\$ 48,119,904	\$ (3,703,596)	\$ 90,332,252
Unrestricted	(838,909)	3,158,459	3,703,596	6,023,146

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

Fund Statements

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

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the city. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the city that originally created the commitment.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

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

9. Equity Classifications (cont.)

Fund Statements (cont.)

- 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.
- 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. That policy is to maintain its general fund unrestricted fund balance at a minimum of 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 \$4,630,165, or 28%.

See Note IV. H. 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

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

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

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

Land	\$	16,018,264
Construction in progress		665,331
Other capital assets, net of depreciation		<u>59,566,464</u>
Combined Adjustment for Capital Assets	\$	<u><u>76,250,059</u></u>

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

Bonds and notes payable	\$	43,210,568
Compensated absences		1,708,559
Accrued interest		<u>473,574</u>
Combined Adjustment for Long-Term Liabilities	\$	<u><u>45,392,701</u></u>

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

A. BUDGETARY INFORMATION (cont.)

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.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
General debt service	\$ 3,434,190	\$ 8,992,643	\$ 5,558,453
TID No. 4	3,236,398	14,290,848	11,054,450

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, 2012, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
Cemetery fund	\$ 3,012	Expenditures in excess of revenues
Municipal building	12,462	Expenditures in excess of revenues
TID No. 8	23,796	Expenditures in excess of revenues

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

D. LIMITATIONS ON THE CITY'S TAX LEVY

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 37,033,512	\$ 35,651,153	Custodial credit
US agencies	1,703,715	1,703,715	Credit, custodial credit, concentration of credit, and interest rate
LGIP	11,016,373	11,016,373	Credit
Madison Community Foundation	212,671	212,671	Interest rate and credit
Petty cash	666	-	N/A
Total Deposits and Investments	\$ 49,966,937	\$ 48,583,912	

Reconciliation to financial statements

Per statement of net position

Unrestricted cash and investments - City	\$ 23,053,359
Restricted cash and investments - City	135,917
Cash and investments - Component unit	591,089

Per statement of assets and liabilities -

agency funds	26,186,572
--------------	------------

Total Deposits and Investments	\$ 49,966,937
---------------------------------------	----------------------

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest-bearing transaction accounts through December 31, 2012. On January 1, 2013, the temporary unlimited coverage for noninterest bearing transaction accounts expired.

Therefore, demand deposit accounts (interest-bearing and noninterest-bearing) are insured for a total of \$250,000 beginning January 1, 2013. 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 relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

A. DEPOSITS AND INVESTMENTS (cont.)

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. Additionally, through Lloyds of London, accounts have additional securities coverage of \$99.5 million per customer, subject to a \$500 million aggregate firm limit. \$2,153,991 of the city's investments are covered by SIPC and Lloyds of London.

The city maintains collateral agreements with its banks. At December 31, 2012, the banks had pledged various government securities in the amount of \$4,543,810 to secure the city's deposits.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the city's deposits may not be returned to the city.

As of December 31, 2012, \$25,202,847 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 25,202,847</u>
Total	<u><u>\$ 25,202,847</u></u>

Investments

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

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

Credit Risk

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

As of December 31, 2012, the city's investments were rated as follows:

<u>Investment Type</u>	<u>Moody's Investors Services</u>
FHLMC	AAA
FHLB	AAA

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk (cont.)

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

LGIP

Madison Community Foundation

Concentration of Credit Risk

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

At December 31, 2012, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
FHLMC	US Agency	9.00%

Interest Rate Risk

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

As of December 31, 2012, the city's investments were as follows:

Investment	Maturity Date	Call Date	Fair Value
FHLMC	03/06/2015	03/06/13	\$ 257,476
FHLMC	08/13/2015	02/13/13	164,241
FHLMC	02/15/2015	02/15/13	399,296
FHLMC	03/21/2015	03/32/13	336,031
FHLB	11/09/2017	05/09/13	247,355
FHLB	12/19/2016	06/19/13	299,316
Total			<u>\$ 1,703,715</u>

The average maturity for the \$212,671 held in the Madison Community Foundation was not available.

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year, except for \$10,154 of delinquent personal property taxes and \$19,185 of delinquent special assessments.

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Totals</u>
Property taxes receivable for subsequent year	\$ -	\$ 21,658,500	\$ 21,658,500
Special assessments not yet due	62,148	-	62,148
Land contract	18,277	-	18,277
Miscellaneous Income	75	-	75
 Total Deferred/Unearned Revenue for Governmental Funds	 \$ 80,500	 \$ 21,658,500	 \$ 21,739,000

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, 2012:

	<u>Restricted Assets</u>
Impact fee account	\$ 135,917

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 12,680,615	\$ 3,344,143	\$ 6,494	\$ 16,018,264
Construction in progress	<u>139,381</u>	<u>663,531</u>	<u>137,581</u>	<u>665,331</u>
Total Capital Assets Not Being Depreciated	<u>12,819,996</u>	<u>4,007,674</u>	<u>144,075</u>	<u>16,683,595</u>
Capital assets being depreciated				
Land improvements	412,878	-	-	412,878
Buildings and improvements	25,437,048	285,188	-	25,722,236
Machinery and equipment	10,356,774	545,416	36,600	10,865,590
Cycle Track	-	215,637	-	215,637
Street Lights	-	444,170	-	444,170
Streets	33,924,037	4,862,919	18,942	38,768,014
Sidewalks	2,815,937	327,877	-	3,143,814
Bikepath	524,648	46,339	-	570,987
Bridge	<u>1,180,291</u>	<u>1,290,990</u>	<u>-</u>	<u>2,471,281</u>
Total Capital Assets Being Depreciated	<u>74,651,613</u>	<u>8,018,536</u>	<u>55,542</u>	<u>82,614,607</u>
Total Capital Assets	<u>87,471,609</u>	<u>12,026,210</u>	<u>199,617</u>	<u>99,298,202</u>
Less: Accumulated depreciation for				
Land improvements	(348,312)	(3,118)	-	(351,430)
Buildings and improvements	(7,337,279)	(507,908)	-	(7,845,187)
Machinery and equipment	(5,083,269)	(719,971)	36,600	(5,766,640)
Cycle Track	-	(1,725)	-	(1,725)
Street Lights	-	(8,883)	-	(8,883)
Streets	(7,735,715)	(581,690)	3,485	(8,313,920)
Sidewalks	(462,435)	(47,678)	-	(510,113)
Bikepath	(179,190)	(20,105)	-	(199,295)
Bridge	<u>(31,475)</u>	<u>(19,475)</u>	<u>-</u>	<u>(50,950)</u>
Total Accumulated Depreciation	<u>(21,177,675)</u>	<u>(1,910,553)</u>	<u>40,085</u>	<u>(23,048,143)</u>
Net Capital Assets Being Depreciated	<u>53,473,938</u>	<u>6,107,983</u>	<u>15,457</u>	<u>59,566,464</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 66,293,934</u>	<u>\$ 10,115,657</u>	<u>\$ 159,532</u>	<u>\$ 76,250,059</u>

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 483,069
Public safety	323,494
Public works, which includes the depreciation of infrastructure	692,392
Culture, education and recreation	<u>411,598</u>
Total Governmental Activities Depreciation Expense	<u><u>\$ 1,910,553</u></u>

Business-type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 359,093	\$ -	\$ -	\$ 359,093
Intangible plant - land	-	30,829	-	30,829
Construction in progress	<u>40,887</u>	<u>203,655</u>	-	<u>244,542</u>
Total Capital Assets Not Being Depreciated	<u>399,980</u>	<u>234,484</u>	-	<u>634,464</u>
Capital assets being depreciated				
Buildings and improvements	1,177,022	-	-	1,177,022
Machinery and equipment	2,033,314	23,885	3,000	2,054,199
Infrastructure	<u>24,544,814</u>	<u>1,469,490</u>	<u>28,080</u>	<u>25,986,224</u>
Total Capital Assets Being Depreciated	<u>27,755,150</u>	<u>1,493,375</u>	<u>31,080</u>	<u>29,217,445</u>
Total Capital Assets	<u>28,155,130</u>	<u>1,727,859</u>	<u>31,080</u>	<u>29,851,909</u>
Less: Accumulated depreciation for				
Buildings and improvements	(360,287)	(37,665)	-	(397,952)
Machinery and equipment	(1,342,942)	(112,442)	3,000	(1,452,384)
Infrastructure	<u>(5,411,092)</u>	<u>(481,356)</u>	<u>28,080</u>	<u>(5,864,368)</u>
Total Accumulated Depreciation	<u>(7,114,321)</u>	<u>(631,463)</u>	<u>31,080</u>	<u>(7,714,704)</u>
Net Capital Assets Being Depreciated	<u>20,640,829</u>	<u>861,912</u>	-	<u>21,502,741</u>
Net Water Capital Assets	<u><u>\$ 21,040,809</u></u>	<u><u>\$ 1,096,396</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,137,205</u></u>

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Sewer</u>				
Capital assets not being depreciated				
Land and land rights	\$ 110,910	\$ -	\$ -	\$ 110,910
Intangible plant - land	-	14,824	-	14,824
Total Capital Assets Not Being Depreciated	<u>110,910</u>	<u>14,824</u>	<u>-</u>	<u>125,734</u>
Capital assets being depreciated				
Machinery and equipment	492,470	18,869	-	511,339
Infrastructure	13,791,158	1,089,533	1,053	14,879,638
Intangible	<u>197,057</u>	<u>-</u>	<u>-</u>	<u>197,057</u>
Total Capital Assets Being Depreciated	<u>14,480,685</u>	<u>1,108,402</u>	<u>1,053</u>	<u>15,588,034</u>
Total Capital Assets	<u>14,591,595</u>	<u>1,123,226</u>	<u>1,053</u>	<u>15,713,768</u>
Less: Accumulated depreciation for				
Machinery and equipment	(462,498)	(5,824)	-	(468,322)
Infrastructure	(2,448,382)	(185,691)	1,053	(2,633,020)
Intangible	<u>(128,866)</u>	<u>(2,956)</u>	<u>-</u>	<u>(131,822)</u>
Total Accumulated Depreciation	<u>(3,039,746)</u>	<u>(194,471)</u>	<u>1,053</u>	<u>(3,233,164)</u>
Net Capital Assets Being Depreciated	<u>11,440,939</u>	<u>913,931</u>	<u>-</u>	<u>12,354,870</u>
Net Sewer Capital Assets	<u>\$ 11,551,849</u>	<u>\$ 928,755</u>	<u>\$ -</u>	<u>\$ 12,480,604</u>

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE IV - 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				
Land and land rights	\$ 2,936,083	\$ 815,905	\$ -	\$ 3,751,988
Intangible plant - land	-	9,503	-	9,503
Construction in progress	<u>29,596</u>	<u>17,004</u>	-	<u>46,600</u>
Total Capital Assets Not Being Depreciated	<u>2,965,679</u>	<u>842,412</u>	-	<u>3,808,091</u>
Capital assets being depreciated				
Buildings and improvements	1,259,846	291,190	-	1,551,036
Machinery and equipment	225,243	-	-	225,243
Infrastructure	<u>13,072,639</u>	<u>851,813</u>	-	<u>13,924,452</u>
Total Capital Assets Being Depreciated	<u>14,557,728</u>	<u>1,143,003</u>	-	<u>15,700,731</u>
Total Capital Assets	<u>17,523,407</u>	<u>1,985,415</u>	-	<u>19,508,822</u>
Less: Accumulated depreciation for				
Buildings and improvements	(291,056)	(28,109)	-	(319,165)
Machinery and equipment	(131,575)	(23,016)	-	(154,591)
Infrastructure	<u>(4,601,111)</u>	<u>(381,860)</u>	-	<u>(4,982,971)</u>
Total Accumulated Depreciation	<u>(5,023,742)</u>	<u>(432,985)</u>	-	<u>(5,456,727)</u>
Net Capital Assets Being Depreciated	<u>9,533,986</u>	<u>710,018</u>	-	<u>10,244,004</u>
Net Stormwater Capital Assets	<u>\$ 12,499,665</u>	<u>\$ 1,552,430</u>	<u>\$ -</u>	<u>\$ 14,052,095</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 45,092,323</u>	<u>\$ 3,577,581</u>	<u>\$ -</u>	<u>\$ 48,669,904</u>

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 595,304
Sewer	194,471
Storm	<u>432,985</u>
 Total Business-type Activities Depreciation Expense	 <u>\$ 1,222,760</u>

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

D. CAPITAL ASSETS (cont.)

Depreciation expense is different from additions because of joint metering, salvage cost of removal, internal allocations, and cost 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	TID No. 8	\$ 23,796	\$ 23,796
General fund	Municipal building	12,462	12,462
General fund	Utility District No. 1	561,987	-
Total - Fund Financial Statements		598,245	
Less: Fund eliminations		(36,258)	
Add: Interfund advances		1,258,623	
Total Internal Balances - Government-Wide Statement of Net Position		\$ 1,820,610	

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

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

Advances

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

Advances (cont.)

Utility District No. 1 fund is advancing funds to the Stormwater Utility. The purpose of the advance is for capital project related activities for the Stormwater Utility. Utility District No. 1 is charging interest on the advance based on the outstanding advance balance at an annual rate of 2%. A repayment schedule has been established and requires the Stormwater Utility to make quarterly principal payments of \$13,750 until the advance is paid.

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

The general fund is advancing funds to the Stormwater Utility. The purpose of the advance is for capital project related activities for the Stormwater Utility. No repayment schedule has been established.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
Park dedication fund	Cemetery	\$ 38,342	\$ 38,342
Utility District No. 1	Stormwater Utility	233,750	178,750
General capital projects fund	Stormwater Utility	1,150,000	1,150,000
General fund	Stormwater Utility	108,623	108,623
Total - Fund Financial Statements		1,530,715	
Less: Fund eliminations		(272,092)	
Total - Interfund Advances		\$ 1,258,623	

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

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

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General fund	Recycling and refuse	\$ 18,000	Reimbursement for work done by the highway department
General fund	Utility District No. 1	561,987	Tax-equivalent
Debt service fund	Capital projects fund	55,000	Fire impact fees
Debt service fund	TID No. 4	230,958	Debt repayment on developer incentive - trust fund
Debt service fund	Recycling and refuse	2,513	Share of rent for space in city hall
Capital projects fund	Park dedication	200,610	Capital projects
Utility District No. 1	Capital projects fund	<u>45,343</u>	Capital contributions
Total - Fund Financial Statements		1,114,411	
Less: Fund eliminations		(507,081)	
Less: Government-wide eliminations		(90,686)	
Less: Capital asset contributions from governmental activities to business-type activities		<u>(2,571,897)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ (2,055,253)</u>	

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

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 29,022,355	\$ 22,045,000	\$ 7,856,787	\$ 43,210,568	\$ 3,318,234
Sub-totals	29,022,355	22,045,000	7,856,787	43,210,568	3,318,234
Other Liabilities					
Vested compensated absences	1,564,892	372,868	229,201	1,708,559	220,731
Total Governmental Activities Long-Term Liabilities	\$ 30,587,247	\$ 22,417,868	\$ 8,085,988	\$ 44,919,127	\$ 3,538,965
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 575,000	\$ -	\$ 25,000	\$ 550,000	\$ 50,000
Other Liabilities					
Vested compensated absences	161,399	45,680	11,543	195,536	14,355
Total Business-type Activities Long-Term Liabilities	\$ 736,399	\$ 45,680	\$ 36,543	\$ 745,536	\$ 64,355

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, 2012, was \$122,356,620. Total general obligation debt outstanding at year end was \$43,760,568.

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, 2012

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Governmental Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2012</u>
2005 general obligation promissory note	8/1/05	8/1/15	2.80 - 3.70%	\$ 1,135,000	\$ 375,000
2005 general obligation refunding bonds	8/1/05	8/1/17	3.00 - 3.75%	5,888,920	3,380,000
2005 State Trust Fund Loan	8/26/05	3/15/15	4.00%	395,000	150,568
2007 general obligation promissory note	9/13/07	8/1/17	3.70-4.00%	860,000	370,000
2009 general obligation promissory note	9/16/09	9/1/19	2.00-3.125%	5,295,000	3,770,000
2010 taxable general obligation promissory note	11/18/10	11/1/20	0.65-3.60%	2,550,000	2,080,000
2010 taxable general obligation library bonds	11/18/10	11/1/30	0.70-5.25%	4,995,000	4,625,000
2011 general obligation promissory notes	12/13/11	12/1/21	2.00-2.10%	1,190,000	1,020,000
2011 general obligation bonds	12/13/11	12/1/27	2.00-2.850%	5,395,000	5,395,000
2012 general obligation promissory note	3/21/12	3/1/22	1.00-2.00%	6,195,000	6,195,000
2012 general obligation corporate purpose bonds	3/21/12	3/1/29	2.00-3.00%	15,350,000	15,350,000
2012 taxable general obligation refunding bonds	3/21/12	3/1/17	0.40-1.30%	500,000	<u>500,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 43,210,568</u>

Business-type Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2012</u>
2007 general obligation promissory note	9/13/07	8/1/17	3.70-4.00%	\$ 625,000	\$ <u>550,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 550,000</u>

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2013	\$ 3,318,234	\$ 624,475	\$ 50,000	\$ 21,613
2014	3,520,164	573,100	100,000	19,688
2015	3,657,170	518,424	125,000	15,813
2016	3,675,000	459,140	125,000	10,938
2017	3,680,000	399,017	150,000	6,000
2018-2022	12,795,000	1,322,651	-	-
2023-2027	10,790,000	692,992	-	-
2028-2030	<u>1,775,000</u>	<u>105,765</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 43,210,568</u>	<u>\$ 4,695,564</u>	<u>\$ 550,000</u>	<u>\$ 74,052</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.

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

Current Refunding

On March 21, 2012, the city issued \$15,850,000 in general obligation bonds with an average interest rate of 1.70%, a portion of which was used to current refund \$5,290,163 of outstanding state trust fund loans with an average interest rate of 5.00%. The net proceeds of \$5,304,475 were used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the refunded bonds and notes prior to the current refunding was \$8,068,750 from 2013 through 2029. The cash flow requirements on the refunding bonds are \$6,492,318 from 2013 through 2029. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$416,937.

G. LEASE DISCLOSURES

The city has no material leases as lessee or lessor.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2012, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 16,018,264
Construction in progress	665,331
Other capital assets, net of accumulated depreciation	59,566,464
Less: Long-term debt outstanding	(43,210,568)
Plus: Unspent capital related debt proceeds	2,319,699
Plus: Noncapital debt proceeds	<u>10,556,754</u>
Total Net Investment in Capital Assets	<u>\$ 45,915,944</u>

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2012, include the following:

	General Fund	General Debt Service	General Capital Projects	TID No. 4	Nonmajor Funds	Totals
Fund Balances						
Nonspendable:						
Delinquent personal property taxes	\$ 19,185	\$ -	\$ -	\$ -	\$ -	\$ 19,185
Delinquent special assessments	10,154	-	-	-	-	10,154
Advances to other funds	108,623	-	-	-	-	108,623
Prepaid items	167,043	-	-	-	3,134	170,177
Restricted for:						
Park and recreational improvement fees	-	-	-	-	711,536	711,536
Fire impact fees	-	-	135,917	-	-	135,917
Library	-	-	-	-	148,510	148,510
Library project	-	-	190,436	-	-	190,436
TID activities	-	-	-	2,473,640	1,696,692	4,170,332
Debt service	-	544,694	-	-	-	544,694
Park projects	-	-	22,235	-	-	22,235
Capital projects	-	-	2,319,699	-	-	2,319,699
Committed to:						
Drug enforcement and training	-	-	-	-	21,454	21,454
Recycling and refuse	-	-	-	-	324,079	324,079
Cable TV	-	-	-	-	397,536	397,536
Assigned to:						
Capital projects	-	-	4,734,644	-	-	4,734,644
Payment in lieu of taxes	561,987	-	-	-	-	561,987
Employee retirement	90,000	-	-	-	-	90,000
Next year's budget	30,000	-	-	-	-	30,000
Unassigned (deficit):	4,630,165	-	-	-	(39,270)	4,590,895
Total Fund Balances	\$ 5,617,157	\$ 544,694	\$ 7,402,931	\$ 2,473,640	\$ 3,263,671	\$19,302,093

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	
Land	\$ 4,221,991
Intangible plant	252,213
Construction in progress	291,142
Other capital assets, net of accumulated depreciation	43,904,558
Less: Long-term debt outstanding	<u>(550,000)</u>
Total Net Investment in Capital Assets	<u>48,119,904</u>
Unrestricted	<u>3,158,459</u>
Total Business-type Activities Net Position	<u>\$ 51,278,363</u>

I. COMPONENT UNIT

HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

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

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

a. Basis of Accounting/Measurement Focus

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

b. Deposits and Investments

At year end, the carrying amount of the CDA's deposits was \$591,089 and is part of the city's commingled cash. See Note IV. A.

c. Loans Receivable

In 1999, the city established a revolving loan fund by providing \$375,000 of development incentive money to the CDA. At December 31, 2012, the CDA's loans receivable balance was \$123,319 and its allowance for doubtful accounts was \$123,319, leaving a net receivable balance of \$0-.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE V - OTHER INFORMATION

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, and 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.

Prior to June 29, 2011, covered employees in the General category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to the fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was change to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective contributions 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, 2012 are:

	<u>Employee</u>	<u>Employer</u>
General	5.8%	5.9%
Executives and Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.0%
Protective without Social Security	5.9%	11.3%

The payroll for city employees covered by the WRS for the year ended December 31, 2012 was \$9,789,513; the employer's total payroll was \$9,986,528. The total required contribution for the year ended December 31, 2012 was \$1,402,846 or 14.3% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2011 and 2010 were \$1,305,155 and \$1,163,083, respectively, equal to the required contributions for each year.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment 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.

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

As of December 31, 2012 there was no pension related debt for the city.

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

From time to time, the city is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the city attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the city's financial position or results of operations.

The city has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE V - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

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

The city has active construction projects as of December 31, 2012. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

In 2007, the city issued a municipal revenue obligation as part of a development agreement. The amount of the obligation was \$1,923,108, and is payable to the developer solely from tax increments collected from a specific portion of the development in TIF No. 4. Payments are scheduled through the year 2018, and carry an interest rate of 7%. The obligation does not constitute a charge upon any funds of the city. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the city. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end was \$1,097,463.

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 \$1,662,990.

In 2009, the city issued a municipal revenue obligation as part of a development agreement. The amount of the obligation was \$3,500,000, and is payable to the developers solely from tax increments collected from specific portions of the development in TIF No. 6. Payments are scheduled through the year 2017 and carry an interest rate of 6.5%. The obligation does not constitute a charge upon any funds of the city. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the city. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability on the accompanying financial statements. The balance of the commitment outstanding at year end was \$2,240,811.

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE V - OTHER INFORMATION (cont.)

D. JOINT VENTURES

FitchRona EMS District

The City of Fitchburg, City of Verona and Town of Verona jointly operate the local EMS District, which is called the FitchRona EMS District.

The district adopts its own budget. Net operating costs including debt service are shared by the three communities based on the ratio of equalized values. The department is governed by the 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 2012 of \$431,885. The city believes that the district will continue to provide services in the future at similar rates.

The city's equity interest in the EMS District is equal to its percentage share of participation. The equity interest is reported in the governmental activities column of the government-wide statement of net 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, and City of Verona jointly operate the Multijurisdictional Public Safety Information System Commission. On March 20, 2003, the City of Middleton, City of Fitchburg, and City of Sun Prairie executed an intergovernmental agreement under authority of Section 66.0301 of the Wisconsin Statutes. The City of Verona joined the commission in 2009. The commission adopts its own budget. Net operating costs including debt service are shared by the three communities equally. The department is governed by the Intermunicipal Commission. The commission consists of one representative from each community. The city's share of the joint costs was \$212,234 in 2012. The city believes that the commission will continue to provide services in the future at similar costs. The transactions of the commission are not reflected in these financial statements.

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

Town of Madison Cooperative Plan

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

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

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

CITY OF FITCHBURG

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE V - OTHER INFORMATION (cont.)

D. JOINT VENTURES (cont.)

City of Fitchburg and Village of Oregon Joint Rail Line

The City of Fitchburg and the Village of Oregon jointly own a rail line. On January 27, 1999, the City of Fitchburg and the Village of Oregon executed an intergovernmental agreement under authority of Section 66.0301 of the Wisconsin Statutes. Net operating costs are shared by the two communities equally. The city's share of the joint costs was \$16,490 in 2012. The city believes that the joint rail line will continue to provide services in the future at similar costs. The transactions of the joint rail line are not reflected in these financial statements. The city does not have an equity interest in this joint venture.

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 65, *Items Previously Reported as Assets and Liabilities*; Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*; Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; and Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. 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, 2012

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
TAXES			
General property taxes	\$ 12,350,943	\$ 12,263,641	\$ (87,302)
Mobile home lottery credit and parking fees	3,800	4,257	457
Public accommodation (room) taxes	19,600	22,560	2,960
Interest and penalties on taxes	12,000	13,555	1,555
Total Taxes	<u>12,386,343</u>	<u>12,304,013</u>	<u>(82,330)</u>
INTERGOVERNMENTAL REVENUES			
State shared revenues	472,578	476,906	4,328
Payments for municipal services	61,130	64,497	3,367
State aid - general transportation aids	810,923	810,923	-
State aid - DNR lands	22,225	23,288	1,063
Fire insurance tax (2% fire dues)	77,000	83,506	6,506
State aid - exempt computer aid	150,000	149,120	(880)
Federal aid - land	4,000	2,496	(1,504)
Other police grants	2,000	41,688	39,688
Federal aid - fire	5,000	18,433	13,433
State aid - law enforcement improvement	-	403	403
County aid - senior	36,562	31,853	(4,709)
Total Intergovernmental Revenues	<u>1,641,418</u>	<u>1,703,113</u>	<u>61,695</u>
LICENSES AND PERMITS			
Business and occupational licenses	36,000	36,970	970
Other nonbusiness licenses	9,000	7,054	(1,946)
Building permits	290,000	297,363	7,363
Zoning permits and fees	100,000	199,738	99,738
Other regulatory permits and fees	6,000	12,836	6,836
Total Licenses and Permits	<u>441,000</u>	<u>553,961</u>	<u>112,961</u>
FINES AND FORFEITURES			
Law and ordinance violations	<u>400,000</u>	<u>314,120</u>	<u>(85,880)</u>
PUBLIC CHARGES FOR SERVICES			
General government	11,000	12,516	1,516
Public safety	19,025	27,454	8,429
Engineering	2,000	1,539	(461)
Senior program fees	13,197	14,686	1,489
Recreation programs	137,043	150,724	13,681
Shelter and rental fees	16,000	19,334	3,334
Other public charges for services	7,000	2,950	(4,050)
Total Public Charges for Services	<u>205,265</u>	<u>229,203</u>	<u>23,938</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, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
SPECIAL ASSESSMENTS			
Interest on delinquent special assessments	\$ 4,000	\$ 7,938	\$ 3,938
INVESTMENT INCOME			
Investment income	125,100	170,242	45,142
INTERGOVERNMENTAL CHARGES FOR SERVICES			
Local - emergency services	70,750	103,748	32,998
Administrative charges to utilities	70,000	70,000	-
Administrative charges to library	90,040	90,040	-
Administrative charges to cable	16,463	16,463	-
Total Intergovernmental Charges for Services	<u>247,253</u>	<u>280,251</u>	<u>32,998</u>
MISCELLANEOUS			
Rental of city buildings	15,000	16,240	1,240
Cemetery	-	30	30
WPRA ticket commission	250	324	74
Reimbursement from stormwater	80,000	73,039	(6,961)
Maintenance facility reimbursement from utility	1,500	1,027	(473)
Tower lease	15,876	15,876	-
Transfer from CDA	42,440	42,440	-
EMS rental	3,000	5,195	2,195
Senior advertising sales	2,500	1,849	(651)
Worker's compensation reimbursement	-	24,488	24,488
Insurance recoveries	-	7,684	7,684
Donations	3,000	685	(2,315)
Refund of prior year expenditures	50,000	107,820	57,820
Other miscellaneous	7,000	9,865	2,865
Reimbursement from TIFs	30,000	75,431	45,431
Property sales	300	1,212	912
Total Miscellaneous	<u>250,866</u>	<u>383,205</u>	<u>132,339</u>
Total Revenues	<u>15,701,245</u>	<u>15,946,046</u>	<u>244,801</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, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES			
GENERAL GOVERNMENT			
Mayor and city council	\$ 67,413	\$ 65,786	\$ 1,627
Administrator	359,418	336,707	22,711
Municipal court	160,537	146,344	14,193
Clerk's office	389,106	397,373	(8,267)
Legal counsel	204,370	182,903	21,467
Treasurer's office	263,071	250,261	12,810
Information technology	346,162	321,332	24,830
Assessment of property	391,107	388,742	2,365
Accounting and auditing	37,000	36,621	379
Other buildings - safety	38,375	35,627	2,748
Other buildings - fire	33,875	32,171	1,704
Other buildings - maintenance	45,000	24,631	20,369
Police evidence processing facility	6,000	3,670	2,330
Property and liability insurance	351,786	440,401	(88,615)
Employee bonds	1,265	1,447	(182)
New city hall	320,135	326,465	(6,330)
Office supplies	16,000	15,613	387
Miscellaneous	16,700	103,732	(87,032)
Employee retirement reserve	31,375	16,465	14,910
Professional services	45,000	56,250	(11,250)
Illegal taxes	-	11,961	(11,961)
City hall	500	7,615	(7,115)
Contingency	<u>12,500</u>	<u>-</u>	<u>12,500</u>
Total General Government	<u>3,136,695</u>	<u>3,202,117</u>	<u>(65,422)</u>
PUBLIC SAFETY			
Law enforcement	5,900,836	6,020,590	(119,754)
Fire suppression and prevention	2,289,639	2,167,295	122,344
Joint public safety system	207,869	212,234	(4,365)
Building inspection	403,700	398,860	4,840
EMS district	431,885	431,885	-
Weights and measures	33,800	19,361	14,439
Other public safety	<u>1,928</u>	<u>894</u>	<u>1,034</u>
Total Public Safety	<u>9,269,657</u>	<u>9,251,119</u>	<u>18,538</u>
HEALTH AND SOCIAL SERVICES			
Senior citizens program	<u>382,238</u>	<u>380,598</u>	<u>1,640</u>
PUBLIC WORKS			
Mass transit - bus subsidy	385,000	377,000	8,000
Highway department	<u>1,524,003</u>	<u>1,425,553</u>	<u>98,450</u>
Total Public Works	<u>1,909,003</u>	<u>1,802,553</u>	<u>106,450</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, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
CULTURE, EDUCATION AND RECREATION			
Library	\$ -	\$ 17	\$ (17)
Parks	687,567	690,860	(3,293)
Community center	80,989	67,376	13,613
Recreation programs and events	<u>286,721</u>	<u>282,983</u>	<u>3,738</u>
Total Culture, Education and Recreation	<u>1,055,277</u>	<u>1,041,236</u>	<u>14,041</u>
CONSERVATION AND DEVELOPMENT			
Zoning	303,251	265,939	37,312
Economic and community development	<u>193,124</u>	<u>190,353</u>	<u>2,771</u>
Total Conservation and Development	<u>496,375</u>	<u>456,292</u>	<u>40,083</u>
 Total Expenditures	 <u>16,249,245</u>	 <u>16,133,915</u>	 <u>115,330</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(548,000)</u>	 <u>(187,869)</u>	 <u>360,131</u>
OTHER FINANCING SOURCES			
Transfers in	<u>548,000</u>	<u>579,987</u>	<u>31,987</u>
Total Other Financing Sources	<u>548,000</u>	<u>579,987</u>	<u>31,987</u>
 Net Change in Fund Balance	 -	 392,118	 392,118
 FUND BALANCE - Beginning of Year	 <u>5,225,039</u>	 <u>5,225,039</u>	 <u>-</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$ 5,225,039</u></u>	 <u><u>\$ 5,617,157</u></u>	 <u><u>\$ 392,118</u></u>

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

CITY OF FITCHBURG

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2012

BUDGETARY INFORMATION

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

Excess expenditures over appropriations are as follows:

	<u>Final Budget</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Clerk's office	\$ 389,106	\$ 397,373	\$ 8,267
Property and liability insurance	351,786	440,401	88,615
Employee bonds	1,265	1,447	182
New city hall	320,135	326,465	6,330
Miscellaneous	16,700	103,732	87,032
Professional services	45,000	56,250	11,250
Illegal taxes	-	11,961	11,961
City hall	500	7,615	7,115
Law enforcement	5,900,836	6,020,590	119,754
Joint public safety system	207,869	212,234	4,365
Library	-	17	17
Parks	687,597	690,860	3,263

SUPPLEMENTARY INFORMATION

CITY OF FITCHBURG

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2012

Special Revenue Funds

	<u>Drug Enforcement and Training</u>	<u>Recycling and Refuse Collection</u>	<u>Park Dedication</u>	<u>Cable TV</u>	<u>Cemetery</u>
ASSETS					
Cash and investments	\$ 23,443	\$ 327,269	\$ 673,194	\$ 345,845	\$ 35,330
Taxes receivable	-	764,289	-	-	-
Accounts receivable	-	-	-	56,032	-
Advances to other funds	-	-	38,342	-	-
Prepaid items	<u>440</u>	<u>-</u>	<u>-</u>	<u>2,694</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 23,883</u>	<u>\$ 1,091,558</u>	<u>\$ 711,536</u>	<u>\$ 404,571</u>	<u>\$ 35,330</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 1,989	\$ 129	\$ -	\$ 1,004	\$ -
Accrued liabilities	-	3,061	-	3,337	-
Due to other funds	-	-	-	-	-
Deferred revenues	-	764,289	-	-	-
Advances from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,342</u>
Total Liabilities	<u>1,989</u>	<u>767,479</u>	<u>-</u>	<u>4,341</u>	<u>38,342</u>
Fund Balances					
Nonspendable	440	-	-	2,694	-
Restricted	-	-	711,536	-	-
Committed	21,454	324,079	-	397,536	-
Unassigned (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,012)</u>
Total Fund Balances	<u>21,894</u>	<u>324,079</u>	<u>711,536</u>	<u>400,230</u>	<u>(3,012)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 23,883</u>	<u>\$ 1,091,558</u>	<u>\$ 711,536</u>	<u>\$ 404,571</u>	<u>\$ 35,330</u>

Special Revenue Fund	Capital Projects Funds				Total Nonmajor Governmental Funds
Library Services	Municipal Building	TID No. 6	TID No. 7	TID No. 8	
\$ 177,516	\$ -	\$ 1,623,946	\$ 76,156	\$ -	\$ 3,282,699
1,524,769	-	1,297,664	83,724	-	3,670,446
26	-	-	-	-	56,058
-	-	-	-	-	38,342
-	-	-	-	-	3,134
<u>\$ 1,702,311</u>	<u>\$ -</u>	<u>\$ 2,921,610</u>	<u>\$ 159,880</u>	<u>\$ -</u>	<u>\$ 7,050,679</u>
\$ 12,317	\$ -	\$ 3,410	\$ -	\$ -	\$ 18,849
16,715	-	-	-	-	23,113
-	12,462	-	-	23,796	36,258
1,524,769	-	1,297,664	83,724	-	3,670,446
-	-	-	-	-	38,342
<u>1,553,801</u>	<u>12,462</u>	<u>1,301,074</u>	<u>83,724</u>	<u>23,796</u>	<u>3,787,008</u>
-	-	-	-	-	3,134
148,510	-	1,620,536	76,156	-	2,556,738
-	-	-	-	-	743,069
-	(12,462)	-	-	(23,796)	(39,270)
<u>148,510</u>	<u>(12,462)</u>	<u>1,620,536</u>	<u>76,156</u>	<u>(23,796)</u>	<u>3,263,671</u>
<u>\$ 1,702,311</u>	<u>\$ -</u>	<u>\$ 2,921,610</u>	<u>\$ 159,880</u>	<u>\$ -</u>	<u>\$ 7,050,679</u>

CITY OF FITCHBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Special Revenue Funds				
	Drug Enforcement and Training	Recycling and Refuse Collection	Park Dedication	Cable TV	Cemetery
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	7,245	103,331	-	-	-
Licenses and permits	-	-	-	267,404	-
Public charges for services	-	762,064	36,872	1,396	1,840
Investment income	15	-	39	242	29
Miscellaneous	-	5,325	-	-	-
Total Revenues	7,260	870,720	36,911	269,042	1,869
EXPENDITURES					
Current					
Public safety	49,658	-	-	-	-
Public works	-	864,271	-	-	-
Culture, recreation and education	-	-	-	294,857	-
Capital Outlay	-	-	-	-	-
Debt Service	-	-	-	-	-
Total Expenditures	49,658	864,271	-	294,857	-
Excess (deficiency) of revenues over expenditures	(42,398)	6,449	36,911	(25,815)	1,869
OTHER FINANCING SOURCES (USES)					
Transfers out	-	(20,513)	(200,610)	-	-
Total Other Financing Sources (Uses)	-	(20,513)	(200,610)	-	-
Net Change in Fund Balances	(42,398)	(14,064)	(163,699)	(25,815)	1,869
FUND BALANCES (DEFICIT)					
- Beginning of Year	64,292	338,143	875,235	426,045	(4,881)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 21,894	\$ 324,079	\$ 711,536	\$ 400,230	\$ (3,012)

Special Revenue Fund	Capital Project Funds				Total Nonmajor Governmental Funds
Library Services	Municipal Building	TID No. 6	TID No. 7	TID No. 8	
\$ 1,504,346	\$ -	\$ 1,239,639	\$ 115,797	\$ -	\$ 2,859,782
417,205	-	8,345	10,497	32	546,655
-	-	-	-	-	267,404
24,051	-	-	-	-	826,223
-	-	-	-	-	325
51,746	-	-	-	-	57,071
<u>1,997,348</u>	<u>-</u>	<u>1,247,984</u>	<u>126,294</u>	<u>32</u>	<u>4,557,460</u>
-	-	-	-	-	49,658
-	-	-	-	-	864,271
1,959,843	-	-	-	-	2,254,700
<u>-</u>	<u>-</u>	<u>628,477</u>	<u>8,073</u>	<u>4,134</u>	<u>640,684</u>
<u>1,959,843</u>	<u>-</u>	<u>628,477</u>	<u>8,073</u>	<u>4,134</u>	<u>3,809,313</u>
<u>37,505</u>	<u>-</u>	<u>619,507</u>	<u>118,221</u>	<u>(4,102)</u>	<u>748,147</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(221,123)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(221,123)</u>
37,505	-	619,507	118,221	(4,102)	527,024
<u>111,005</u>	<u>(12,462)</u>	<u>1,001,029</u>	<u>(42,065)</u>	<u>(19,694)</u>	<u>2,736,647</u>
<u>\$ 148,510</u>	<u>\$ (12,462)</u>	<u>\$ 1,620,536</u>	<u>\$ 76,156</u>	<u>\$ (23,796)</u>	<u>\$ 3,263,671</u>

CITY OF FITCHBURG

STATEMENT OF CASH FLOWS COMPONENT UNIT For the Year Ended December 31, 2012

	Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	\$ 261,496
Paid to suppliers for goods and services	<u>(299,465)</u>
Net Cash Flows From Operating Activities	<u>(37,969)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>4,619</u>
Net Cash Flows From Investing Activities	<u>4,619</u>
Net Change in Cash and Cash Equivalents	(33,350)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>624,439</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 591,089</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (43,946)
Nonoperating revenue	5,499
Changes in assets and liabilities	
Accounts receivables	7,837
Prepays	390
Accounts payable	<u>(7,749)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ (37,969)</u></u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
None	