

CITY OF SUN PRAIRIE

Sun Prairie, Wisconsin

FINANCIAL STATEMENTS

December 31, 2010

CITY OF SUN PRAIRIE

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Sun Prairie
Sun Prairie, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sun Prairie, Wisconsin, as of and for the year ended December 31, 2010, which collectively comprise the City of Sun Prairie's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Sun Prairie's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sun Prairie, Wisconsin, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison information, and pension and other postemployment benefits plan information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the City Council
City of Sun Prairie

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sun Prairie's basic financial statements. The combining financial statements and statement of cash flows – component units as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements and statement of cash flows – component units have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Baker Tilly Vichow Krause, LLP

Madison, Wisconsin
July 29, 2011

**CITY OF SUN PRAIRIE
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2010**

The following discussion and analysis is intended to provide readers an overview of the financial activities of the City of Sun Prairie (the City) for the fiscal year ended December 31, 2010. The information should be read in conjunction with the City's financial statements, which begin with the following section.

FINANCIAL HIGHLIGHTS

- Combined net assets increased by 1.8% in 2010 to reach \$181,187,748. The City's investment in capital assets, net of related debt was \$165,555,164 at the end of 2010. An additional \$7,983,230 was held for restricted purposes with \$7,649,354 in unrestricted net assets.
- At the end of 2010, the City's governmental activities reported a negative balance in unrestricted net assets of \$5,756,470. This is primarily due to expenditures for project costs for Tax Increment Financing District (TID) #8 from 2001 to 2010. These costs include significant non-capitalized redevelopment expenditures, which will be recovered through future tax increments.
- The City's general fund unreserved fund balance decreased by \$758,522 during 2010 to \$3,705,651. This was due to an increase of \$444,319 in the amount reserved for noncurrent receivables, an increase of \$128,240 in the amount reserved for prepaids, and an increase of \$121,136 in the amount reserved for the payment in lieu of taxes due from Sun Prairie Utilities. Undesignated fund balance decreased by \$874,811 to \$2,107,816 which was 11.2% of 2010 general fund revenues. This percentage is just below the City's target range of 12 to 18 percent of general fund revenues; however, the amount of fund balance reserves for 2011 is anticipated to decrease due to repayment of amounts to the General Fund from various TIF districts and a decrease in prepaid expenditures.
- The City has experienced a slowdown in growth over the past year. Equalized Value decreased by 5.1% in 2010 after an increase of just 0.4% in 2009. The City adopted a balanced budget for 2011 that does include the use of undesignated fund balance. The total property tax levy for the 2010-2011 tax year decreased by 0.02% to \$19,074,902.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of four sections:

- Management's Discussion and Analysis
- Basic Financial Statements
 - Government-wide Financial Statements
 - Fund Financial Statements
 - Notes to Financial Statements
- Required Supplementary Information
- Supplementary Information

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 and report the City's operations in more detail than the government-wide statements. The 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. In addition to these required elements, this financial report includes combining statements that provide details about the City's non-major governmental funds. The non-major funds are added together and presented in single columns in the basic financial statements.

Government-wide Statements

Government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all government assets and liabilities. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The first of these government-wide statements is the Statement of Net Assets. This is the city-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City should extend to other non-financial factors such as the diversification of the tax base or the condition of City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities, which reports how the City's net assets changed during the current fiscal year. All current revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, culture, recreation and education, and conservation and development. Business-type activities include the City's electric, water, telecommunications, wastewater, and storm water utilities. Fiduciary activities, such as tax collection and the Multijurisdictional Public Safety Information System Commission (MPSISC), are not included in the government-wide statements since these assets are not available to fund City programs.

The government-wide financial statements include the Business Improvement District (BID) and the Community Development Authority (CDA). The BID and CDA are legally separate organizations (component units) that are presented as a discrete column separate from the primary government.

In addition to this City financial report, separate financial reports have been issued for the City's electric, water, telecommunications, and wastewater utilities. These reports provide additional detail on the operation of these entities.

Fund Financial Statements

The fund financial statements provide detailed information about the City's significant funds. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has three kinds of funds:

Governmental Funds – are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. The focus, however, is different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-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 assist in understanding the differences between these two perspectives.

Proprietary Funds – are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has three proprietary funds – the electric, water and telecommunications, wastewater, and storm water utilities. Proprietary fund statements offer short and long-term financial information about activities the City operates like a business.

Fiduciary Funds – are reported in the fiduciary fund statements, but excluded from the government-wide reporting because these assets cannot be used to finance operations. The City is the trustee, or fiduciary agent, for collection of all property taxes within the City for all taxing jurisdictions, including the Sun Prairie and Deforest School Districts, Dane County, State of Wisconsin, and Madison Area Technical College and they are also the fiduciary agent for MPSISC.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

As of December 31, 2010, the City had net assets (assets less liabilities) of \$181,187,748. This includes total assets of \$313,059,840 and total liabilities of \$131,872,092. Capital assets, which include land, buildings, building improvements, machinery and equipment, infrastructure, and construction in progress, account for 80.3% of the City's total assets. This represents both the City's investment in these areas as well as development improvements dedicated to the City. Non-current liabilities account for 79.1% of City liabilities. Most of this amount is comprised of

long-term debt that was incurred to finance capital assets. The following table provides a summary of the City's net assets for 2010 and 2009:

CITY OF SUN PRAIRIE NET ASSETS

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 42,014,183	\$ 40,843,809	\$ 19,624,437	\$ 19,354,388	\$ 61,638,620	\$ 60,198,197
Capital assets	<u>115,048,290</u>	<u>116,888,983</u>	<u>136,372,930</u>	<u>137,045,206</u>	<u>251,421,220</u>	<u>253,934,189</u>
Total assets	<u>157,062,473</u>	<u>157,732,792</u>	<u>155,997,367</u>	<u>156,399,594</u>	<u>313,059,840</u>	<u>314,132,386</u>
Non-current liabilities	81,643,801	76,506,030	22,617,829	22,552,915	104,261,630	99,058,945
Current and other liabilities	<u>24,467,533</u>	<u>32,044,375</u>	<u>3,142,929</u>	<u>5,033,063</u>	<u>27,610,462</u>	<u>37,077,438</u>
Total Liabilities	106,111,334	108,550,405	25,760,758	27,585,978	131,872,092	136,136,383
Net assets:						
Invested in capital assets, net of related debt	51,249,013	49,784,885	115,039,700	115,377,212	165,555,164	164,345,566
Restricted	5,458,596	5,932,372	2,524,634	2,054,767	7,983,230	7,987,139
Unrestricted (deficit)	<u>(5,756,470)</u>	<u>(6,534,870)</u>	<u>12,672,275</u>	<u>11,381,637</u>	<u>7,649,354</u>	<u>5,663,298</u>
Total net assets	<u>\$ 50,951,139</u>	<u>\$ 49,182,387</u>	<u>\$130,236,609</u>	<u>\$128,813,616</u>	<u>\$181,187,748</u>	<u>\$177,996,003</u>

The value of the total net assets of the City's governmental activities was \$50,951,139 at the end of 2010. All of those net assets are either restricted as to the purposes they can be used for or are invested in capital assets (buildings, streets, equipment, and so on). Consequently, unrestricted net assets showed a \$5,759,470 deficit at the end of the year. This deficit does not mean that the City does not have resources available to pay its obligations. Rather, it is the result of having long-term commitments that are greater than currently available resources. Specifically, the City has incurred significant non-capitalized redevelopment expenditures in TID No. 8 for the acquisition, demolition, and remediation of property located in the City's downtown revitalization area. These improvements were financed through long-term borrowing, which will be repaid through future tax increments. As of January 1, 2010, TID No. 8 had an equalized value increment of \$58,488,100. Based on current projections, TID No. 8 is projected to generate sufficient tax increment to pay off its debt obligations.

Change in Net Assets

The City's combined net assets increased by \$3,191,745 from fiscal year 2009 to 2010, an increase of 1.8%. Of this increase, net assets of the City's governmental activities increased by 3.6% or \$1,768,752. The net assets of business-type activities increased by 1.1%, or \$1,422,993.

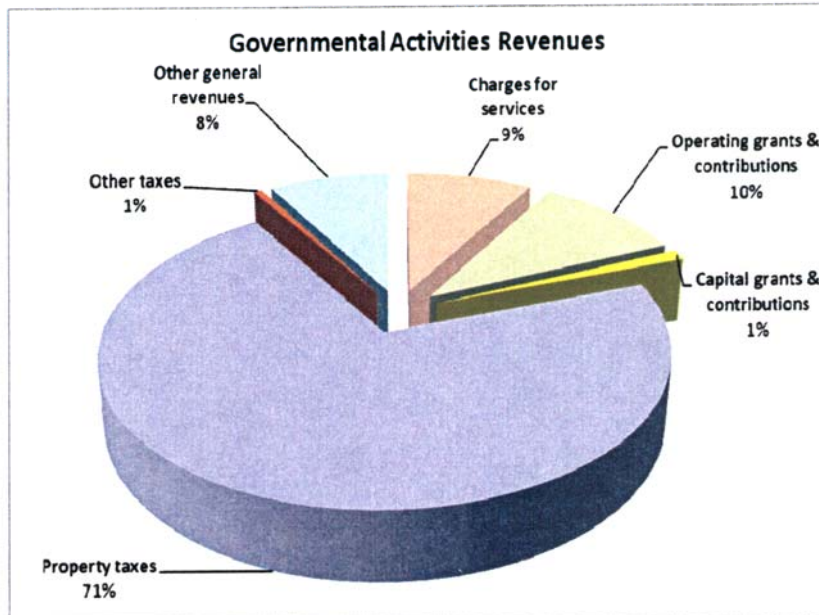
The following table provides a more detailed analysis of the City's change in net assets:

CITY OF SUN PRAIRIE CHANGE IN NET ASSETS

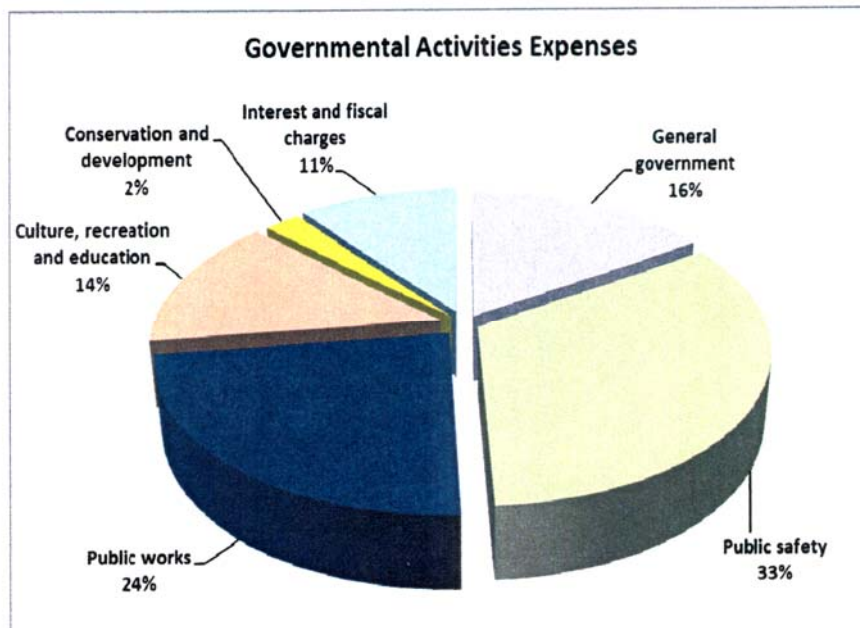
	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for services	\$ 2,558,868	\$ 2,665,261	\$ 30,173,813	\$ 26,601,973	\$ 32,732,681	\$ 29,267,234
Operating grants & contributions	3,043,490	3,021,865	-	-	3,043,490	3,021,865
Capital grants & contributions	323,762	67,200	229,842	535,394	553,604	602,594
General revenues						
Property taxes	21,331,899	21,046,651	-	-	21,331,899	21,046,651
Other taxes	170,333	178,024	-	-	170,333	178,024
Other general revenues	<u>2,483,686</u>	<u>2,918,003</u>	<u>833,133</u>	<u>931,931</u>	<u>3,316,819</u>	<u>3,849,934</u>
Total revenues	29,912,038	29,897,004	31,236,788	28,069,298	61,148,826	57,966,302
Expenses						
General government	4,557,089	4,425,324	-	-	4,557,089	4,425,324
Public safety	9,597,113	9,707,435	-	-	9,597,113	9,707,435
Public works	6,778,695	7,422,914	-	-	6,778,695	7,422,914
Culture, recreation and education	4,057,376	4,064,223	-	-	4,057,376	4,064,223
Conservation and development	663,866	1,140,359	-	-	663,866	1,140,359
Interest and fiscal charges	3,026,544	3,456,848	-	-	3,026,544	3,456,848
Electric Utility	-	-	22,002,501	18,998,624	22,002,501	18,998,624
Water Utility	-	-	2,122,292	1,766,520	2,122,292	1,766,520
Telecommunications Utility	-	-	375,055	268,620	375,055	268,620
Wastewater Utility	-	-	3,356,293	3,774,232	3,356,293	3,774,232
Stormwater Utility	<u>-</u>	<u>-</u>	<u>1,420,257</u>	<u>1,389,778</u>	<u>1,420,257</u>	<u>1,389,778</u>
Total expenses	28,680,683	30,217,103	29,276,398	26,197,774	57,957,081	56,414,877
Increase (decrease) in net assets						
before transfers	1,231,355	(320,099)	1,960,390	1,871,524	3,191,745	1,551,425
Transfers	<u>537,397</u>	<u>(1,703,346)</u>	<u>(537,397)</u>	<u>1,703,346</u>	<u>-</u>	<u>-</u>
Change in net assets	1,768,752	(2,023,445)	1,422,993	3,574,870	3,191,745	1,551,425
Net assets - beginning of the year	<u>49,182,387</u>	<u>51,205,832</u>	<u>128,813,616</u>	<u>125,238,746</u>	<u>177,996,003</u>	<u>176,444,578</u>
Net assets - end of the year	<u>\$ 50,951,139</u>	<u>\$ 49,182,387</u>	<u>130,236,609</u>	<u>\$128,813,616</u>	<u>\$181,187,748</u>	<u>\$177,996,003</u>

Governmental Activities

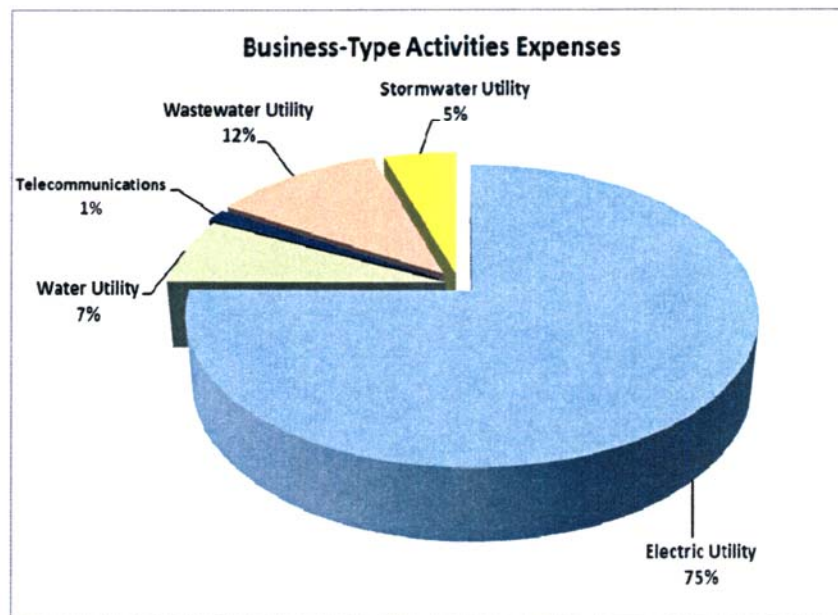
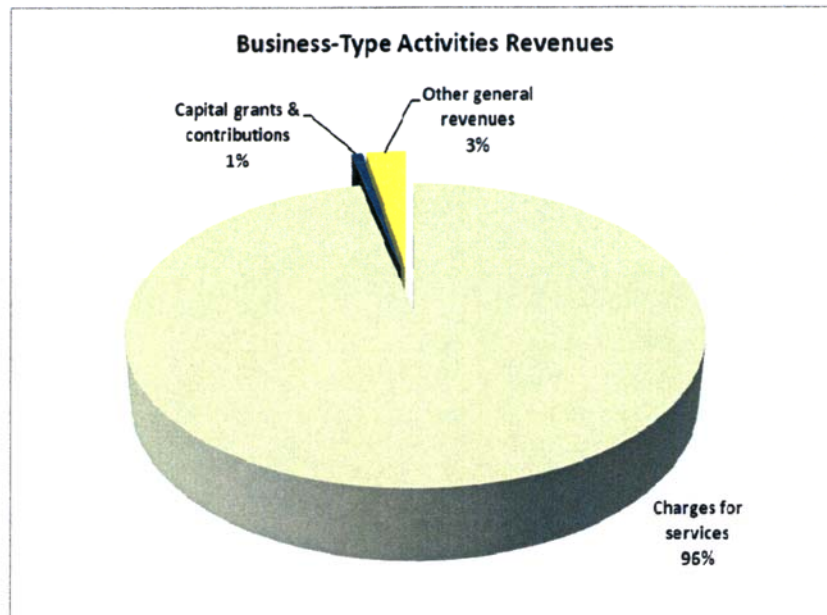
The City of Sun Prairie received a total of \$29,912,038 in governmental activities revenues in 2010. This was an increase of \$15,034 from the prior year. Property taxes remain the largest source of governmental activities revenues representing 71.3% of the total in 2010. Property tax revenue is used to finance the City's general fund, debt service, TIF districts, and refuse and recycling operations.



Total governmental activities expenses were \$28,680,683 in 2010. Public safety, including police, EMS, building inspection, and fire services, accounts for the largest share of City expenses at 33.5%. This is followed by public works with 23.6%, general government with 15.9%, culture, recreation and education with 14.1%, and conservation and development at 2.3%. Interest & fiscal charges make up the remaining 10.6%.



Business-type Activities



Business-type activities include the City's water, electric and telecommunications, wastewater, and storm water utilities. In 2010, revenue in these areas totaled \$31,236,788. Charges for services were the largest revenue source for these operations, representing 96.6% of business-type activity revenues. Capital grants and contributions accounted for 0.7% of revenues with other general revenues representing 2.7%.

Net assets of Sun Prairie's electric, water and telecommunications utility increased by \$1,132,522, which represents a 2.0% increase over 2009. Combined operating revenues for

the utility increased by 14.6%, or \$3,335,578. Non-operating revenues decreased by \$138,158 to \$481,520 primarily due to interest charged to construction in 2010.

Net assets of the Wastewater utility decreased by \$291,728, which represents a 0.8% decrease from 2009. Wastewater utility operating revenues increased by \$301,137 in 2010. Operating expenses of the utility decreased by \$423,332 from 2009.

Net assets of the City's storm water utility increased by \$582,199 during 2010, an increase of 1.6%. This increase is due to the amount of capital contributions in 2010 in the amount of \$876,038. There was a net operating loss for the utility of \$215,226 in 2010 which is similar to the 2009 operating loss of \$203,937.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information regarding near-term inflows, outflows, and spendable resources. Such information can be useful in addressing the City's financing requirements. In particular, the level of unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of 2010, the combined fund balances for the City's governmental funds was \$16,470,018. Of this total, \$10,720,131 was reserved for specific legal requirements and commitments. The balance of unreserved government fund balances was \$5,749,887. These funds are allocated across the following areas:

CITY OF SUN PRAIRIE GOVERNMENTAL FUND BALANCE

	2010	2009
Reserved	\$ 10,720,131	\$ 7,197,619
Unreserved, reported in:		
General fund undesignated	2,107,816	2,982,627
General fund designated	1,597,835	1,481,546
Special revenue funds	1,459,358	1,605,938
Debt service funds	(147,166)	(190,418)
Capital project funds	732,044	1,986,599
Total Unreserved	5,749,887	7,866,292
Total Fund Balance	\$ 16,470,018	\$15,063,911

General Fund: The general fund is the primary operating fund of the City. Total fund balance as of December 31, 2010 was \$6,719,122, of which \$3,013,471 was reserved. Included in this amount is \$383,388 reserved for advances to other funds. Designated fund balance increased from \$1,481,546 to \$1,597,835. Undesignated fund balance decreased by \$873,811 to \$2,108,816 due to increases in fund balance amounts reserved for noncurrent assets, the payment in lieu of taxes due from Sun Prairie Utilities, and prepaids. Undesignated fund balance represents 11.2% of general fund revenues and is just below the City's target range of 12% to 18% to provide sufficient cash flow, stabilization, and emergency reserves. Undesignated fund

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FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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Total Fund Balance	\$ 16,470,018	\$15,063,911

General Fund: The general fund is the primary operating fund of the City. Total fund balance as of December 31, 2010 was \$6,719,122, of which \$3,013,471 was reserved. Included in this amount is \$383,388 reserved for advances to other funds. Designated fund balance increased from \$1,481,546 to \$1,597,835. Undesignated fund balance decreased by \$873,811 to \$2,108,816 due to increases in fund balance amounts reserved for noncurrent assets, the payment in lieu of taxes due from Sun Prairie Utilities, and prepaids. Undesignated fund balance represents 11.2% of general fund revenues and is just below the City's target range of 12% to 18% to provide sufficient cash flow, stabilization, and emergency reserves. Undesignated fund

balance is expected to increase in 2011 due to repayment of amounts to the General Fund from various TIF districts and a decrease in prepaid expenditures.

General Debt Service Fund: The general debt service fund accounts for the accumulation of funds for the payment of long-term debt principal, interest, and related costs. Between 2009 and 2010 debt service expenditures increased by \$682,592. There was also a net increase in fund balance of \$2,846,995 to reach \$3,932,195. This is due to debt proceeds received in 2010 for the early retirement of debt in 2011. Since the annual revenue of this fund is set to meet the current year obligations, the City is not required to maintain a large ongoing fund balance.

General Capital Project Fund: The general capital projects fund is used to account for major capital improvement projects relating to City-owned capital assets. There was a total of \$2,829,006 in expenditures for this fund in 2010. The City issued \$4,740,000 in general obligation bonds in 2010. Of this amount, \$1,506,237 was allocated to the capital projects fund. These funds were be used primarily to finance portions of the Broadway Drive and Blankenheim Lane reconstruction projects.

GENERAL FUND BUDGETARY ANALYSIS

The general fund budget is adopted at the department level of expenditure. Revenues fell short of the budget by \$15,400 while expenditures exceeded the budget by \$257,187. After factoring in other financing sources, there was a net increase in fund balance of \$36,582. These funds were used to increase the City's designated balances for the vested sick leave liability and self-insured retention as well as the City's undesignated fund balance.

Significant revenue variances included a shortfall in licenses and permit of \$140,682, a shortfall in ambulance fees of \$182,276, and a shortfall in investment income of \$138,532. These shortfalls were offset by surpluses in miscellaneous revenues including sales of materials and equipment (\$118,654), insurance dividends (\$89,281), engineering chargebacks (\$34,070) and other revenues (\$34,512).

Total expenditures exceeded the budget by \$257,187 in 2010. Areas that experienced significant variances from the budget amount were:

- Police: \$125,981 over budget due to unanticipated overtime and retiree payouts for six employees that retired during 2010.
- Public Works: \$222,970 over budget due in large part to heavy snowfalls during 2010 creating additional overtime costs, additional salt purchases and greater repairs and maintenance expenses for equipment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the City of Sun Prairie had an investment in capital assets of \$251,421,220, net of accumulated depreciation, for all governmental and business-type activities of the City. This represents a decrease of 1.0% from the end of 2009. In the 2003 financial statements, the City retroactively implemented the infrastructure component of Governmental Accounting Standards Board (GASB) Statement No. 34 for its street and sidewalk networks and in 2006 the City began retroactively reporting its stormwater networks. Retroactive reporting of the City's

bike path network began in 2007. The following table provides a summary of the City's changes in capital assets:

CITY OF SUN PRAIRIE CAPITAL ASSETS

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Land/right-of-ways	\$ 40,564,599	\$ 40,533,715	\$ 8,015,872	\$ 8,015,348	\$ 48,580,471	\$ 48,549,063
Land improvements	3,546,339	3,492,381	-	-	3,546,339	3,492,381
Buildings	27,961,755	27,743,559	-	-	27,961,755	27,743,559
Equipment	12,770,089	13,492,169	-	-	12,770,089	13,492,169
Infrastructure	68,739,024	67,821,307	-	-	68,739,024	67,821,307
Electric system	-	-	33,893,309	32,675,068	33,893,309	32,675,068
Water system	-	-	35,753,605	33,666,312	35,753,605	33,666,312
Telecommunications system	-	-	2,085,113	2,006,906	2,085,113	2,006,906
Wastewater system	-	-	54,840,567	54,800,326	54,840,567	54,800,326
Stormwater system	-	-	35,540,612	34,300,683	35,540,612	34,300,683
Construction in progress	<u>54,208</u>	<u>10,205</u>	<u>227,087</u>	<u>2,063,225</u>	<u>281,295</u>	<u>2,073,430</u>
Total capital assets	153,636,014	153,093,336	170,356,165	167,527,868	323,992,179	320,621,204
Less accumulated depreciation	<u>(38,587,724)</u>	<u>(36,204,353)</u>	<u>(33,983,235)</u>	<u>(30,482,662)</u>	<u>(72,570,959)</u>	<u>(66,687,015)</u>
Capital assets net of depreciation	<u>\$115,048,290</u>	<u>\$ 116,888,983</u>	<u>\$136,372,930</u>	<u>\$137,045,206</u>	<u>\$251,421,220</u>	<u>\$ 253,934,189</u>

Major capital asset improvements within the City's governmental activities include:

- \$1,278,733 for City financed street additions
- \$337,672 for City financed sidewalk projects
- \$621,646 for City financed equipment purchases

In the City's business-type activities, major capital additions (prior to depreciation) include \$1,565,343 for the electric distribution plant, \$2,319,873 for the water transmission and distribution plant, and \$1,288,094 for the storm water utility. These additions include dedications in new developments and contributions to the storm water utility from the City's general capital projects funds.

Additional detail about the changes in capital assets can be found in Note IV.D of the financial statements.

Long Term Debt

The City's outstanding general obligation debt as of December 31, 2010 totaled \$59,440,980. In addition, the City had revenue debt outstanding of \$20,365,488 that is backed by revenues generated from the City's electric, water, and wastewater utilities. There were also outstanding capital leases in the amount of \$22,540,000 that are supported from revenues from the City's tax increment finance districts.

In 2010, the City issued \$4,740,000 in General Obligation Notes. Of this amount, \$1,506,237 was allocated to the general capital project fund to be used primarily for the reconstruction of Broadway Drive and Blankenheim Lane. The notes also included \$40,000 for wastewater utility collection system improvements. The remaining \$3,193,763 of the note proceeds will be used for the early retirement of bonds issued in 2001 and 2003. The principal on the notes will be paid over a ten-year term.

The City's outstanding general obligation bonds are rated Aa3 by Moody's Investors Service. Moody's defines an Aa3 rating as representing "very strong creditworthiness." In a recent rating analysis, Moody's stated that factors contributing to the City's high rating include a "growing and diverse tax base", "sound financial operations", and "an above average" but "manageable" debt burden. Revenue bonds of the City's water and electric utility are rated A1. Debt issued by the Sun Prairie Community Development Authority carries an A2 bond rating.

Wisconsin state statutes limit the amount of general obligation debt that a governmental entity may issue to 5% of its total equalized valuation. Based on the City's 2010 equalized valuation of \$2,475,211,200 the City's statutory debt limit is \$123,760,560. The City was at 48.0% of its legal debt limit as of December 31, 2010.

The following table provides a summary of all outstanding debt and lease obligations:

CITY OF SUN PRAIRIE OUTSTANDING DEBT

		Governmental		Business-Type			
		Activities		Activities		Totals	
		2010	2009	2010	2009	2010	2009
General Obligation bonds and notes		\$ 57,565,980	\$ 58,082,247	\$ 1,875,000	\$ 2,005,000	\$ 59,440,980	\$ 60,087,247
Revenue bonds		-	-	20,365,488	21,750,392	20,365,488	21,750,392
Capital leases		<u>22,540,000</u>	<u>23,665,000</u>	<u>-</u>	<u>-</u>	<u>22,540,000</u>	<u>23,665,000</u>
	Totals	<u>\$ 80,105,980</u>	<u>\$ 81,747,247</u>	<u>\$ 22,240,488</u>	<u>\$ 23,755,392</u>	<u>\$ 102,346,468</u>	<u>\$ 105,502,639</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Sun Prairie is an economically stable community located in northeastern Dane County and shares a border with the City of Madison, which is the state capital. This location has contributed to the City's rapid growth and strong economic position. As of January 1, 2010, the population is estimated at 26,300. This is an increase of 5,931 since 2000. During this period, the City's population has grown by 28.1% making it one of the fastest growing municipalities in the State of Wisconsin. Major development projects in the City include a light industrial business park, redevelopment of the downtown area, a new Westside commercial center, and a mixed-use TIF district that features an emergency medical facility.

From 2000 to 2008, Sun Prairie's tax base experienced average growth of 11.9% per year. In 2008 and 2009, the growth in Sun Prairie slowed to 4.8% and 0.4%, respectively. The City's equalized property valuation decreased by 5.1% during 2010 to reach a total community value of \$2,475,211,200.

Despite a stagnant property values, the local economy remains strong compared to state and national averages. Unemployment in the Madison area is consistently below the state average and national average, while Sun Prairie's adjusted gross income per return continues to average above the state as a whole. The Madison area unemployment rate was 5.9% in 2010, below the state and federal rates of 8.3% and 9.6% respectively.

Beginning with the 2006 budget, the City has been subject to state-imposed property tax limits which restrict the growth of the tax levy to the greater of the percentage of net new construction growth plus the increase in debt service or a state valuation factor. Due to the City's growth and the increase in debt service costs, the allowable 2010 property tax levy was \$25,561,939. The 2010 approved levy is \$6,487,037 below this limit.

The Sun Prairie City Council approved the 2011 budget which authorized general fund expenditures of \$21,212,746. The combined property tax levy was \$19,074,902, which represents a decrease of 0.02% from the prior year. The City's portion of the mill rate remained constant at \$7.98 per \$1,000.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is intended to provide a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. Requests for additional information regarding the City's finances or questions concerning any of the information found in this report should be addressed to the City of Sun Prairie Finance Director at 300 E Main Street, Sun Prairie, Wisconsin 53590. Other information related to the City can be found on the City's website at www.cityofsunprairie.com.

CITY OF SUN PRAIRIE

STATEMENT OF NET ASSETS December 31, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and investments	\$ 12,689,650	\$ 6,240,207	\$ 18,929,857	\$ -
Receivables (net)				
Taxes	22,119,788	-	22,119,788	86,800
Accounts	1,539,044	3,595,008	5,134,052	-
Accrued interest	71,703	7,172	78,875	371,131
Special assessments	492,287	-	492,287	-
Loans	121,803	-	121,803	-
Other	-	401,179	401,179	-
Due from primary government	-	-	-	25,251
Due from other governments	110,480	-	110,480	-
Internal balances	1,102,482	(1,102,482)	-	-
Capital leases receivable from primary government	-	-	-	22,540,000
Prepaid items and inventories	335,301	689,458	1,024,759	2,333
Investment in mutual insurance company	343,740	-	343,740	-
Restricted cash and investments	2,554,542	3,545,927	6,100,469	-
Other assets	533,363	6,247,968	6,781,331	-
Capital assets				
Land	40,564,599	7,999,018	48,563,617	-
Construction in progress	54,208	227,087	281,295	-
Property held for future use	-	16,854	16,854	-
Other capital assets, net of depreciation	74,429,483	128,129,971	202,559,454	-
Total Assets	<u>157,062,473</u>	<u>155,997,367</u>	<u>313,059,840</u>	<u>23,025,515</u>
LIABILITIES				
Accounts payable and accrued expenses	2,209,904	3,073,780	5,283,684	376,516
Deposits	196,001	9,774	205,775	-
Due to component units	25,251	-	25,251	-
Unearned revenue	22,036,377	59,375	22,095,752	86,800
Noncurrent liabilities				
Due within one year	9,983,371	1,628,376	11,611,747	1,240,000
Due in more than one year	71,660,430	20,989,453	92,649,883	21,300,000
Total Liabilities	<u>106,111,334</u>	<u>25,760,758</u>	<u>131,872,092</u>	<u>23,003,316</u>
NET ASSETS				
Invested in capital assets, net of related debt	51,249,013	115,039,700	165,555,164	-
Restricted for				
Debt service	2,385,283	-	2,385,283	-
Park improvement	1,789,018	-	1,789,018	-
Economic development	135,643	-	135,643	-
Impact fees	641,115	-	641,115	-
Grants	118,030	-	118,030	-
Library	70,701	-	70,701	-
Trusts	318,806	-	318,806	-
Bond covenants	-	2,524,634	2,524,634	-
Unrestricted (deficit)	<u>(5,756,470)</u>	<u>12,672,275</u>	<u>7,649,354</u>	<u>22,199</u>
TOTAL NET ASSETS	<u>\$ 50,951,139</u>	<u>\$ 130,236,609</u>	<u>\$ 181,187,748</u>	<u>\$ 22,199</u>

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 4,557,089	\$ 92,509	\$ 33,561	\$ -
Public safety	9,597,113	1,107,838	600,224	-
Public works	6,778,695	500,734	2,003,926	323,762
Culture, recreation and education	4,057,376	815,104	401,079	-
Conservation and development	663,866	42,683	4,700	-
Interest and fiscal charges	3,026,544	-	-	-
Total Governmental Activities	<u>28,680,683</u>	<u>2,558,868</u>	<u>3,043,490</u>	<u>323,762</u>
Business-type Activities				
Electric	22,002,501	22,971,221	-	69,115
Water	2,122,292	2,682,003	-	-
Telecommunications	375,055	489,873	-	-
Wastewater	3,356,293	2,909,750	-	131,395
Stormwater	1,420,257	1,120,966	-	29,332
Total Business-type Activities	<u>29,276,398</u>	<u>30,173,813</u>	<u>-</u>	<u>229,842</u>
Total Primary Government	<u>\$ 57,957,081</u>	<u>\$ 32,732,681</u>	<u>\$ 3,043,490</u>	<u>\$ 553,604</u>
Component Units				
Community Development Authority	\$ 904,057	\$ -	\$ -	\$ -
Business Improvement District	85,624	63,942	-	-
Total Component Units	<u>\$ 989,681</u>	<u>\$ 63,942</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for TIF districts

Other taxes

Intergovernmental revenues not restricted to specific programs

Public gifts and grants

Investment income

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in net assets

NET ASSETS - Beginning of Year

NET ASSETS - END OF YEAR

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Units
\$ (4,431,019)	\$ -	\$ (4,431,019)	\$ -
(7,889,051)	-	(7,889,051)	-
(3,950,273)	-	(3,950,273)	-
(2,841,193)	-	(2,841,193)	-
(616,483)	-	(616,483)	-
(3,026,544)	-	(3,026,544)	-
(22,754,563)	-	(22,754,563)	-
-	1,037,835	1,037,835	-
-	559,711	559,711	-
-	114,818	114,818	-
-	(315,148)	(315,148)	-
-	(269,959)	(269,959)	-
-	1,127,257	1,127,257	-
(22,754,563)	1,127,257	(21,627,306)	-
-	-	-	(904,057)
-	-	-	(21,682)
-	-	-	(925,739)
12,447,883	-	12,447,883	-
6,620,000	-	6,620,000	-
2,264,016	-	2,264,016	-
170,333	-	170,333	-
1,687,575	-	1,687,575	-
54,455	-	54,455	-
137,353	781,259	918,612	904,144
604,303	51,874	656,177	9,718
537,397	(537,397)	-	-
24,523,315	295,736	24,819,051	913,862
1,768,752	1,422,993	3,191,745	(11,877)
49,182,387	128,813,616	177,996,003	34,076
\$ 50,951,139	\$ 130,236,609	\$ 181,187,748	\$ 22,199

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2010

	General Fund	General Debt Service Fund	General Capital Projects Fund
ASSETS			
Cash and investments	\$ 5,457,432	\$ 3,931,035	\$ 1,452,283
Receivables			
Taxes	12,983,743	6,588,679	-
Accounts	376,613	1,160	20,550
Accrued interest	67,220	-	-
Special assessments	99,424	25,247	367,616
Loans	80,566	-	-
Due from other governments	50,447	-	60,033
Due from other funds	1,899,781	-	-
Prepaid items and inventories	335,301	-	-
Investment in mutual insurance company	343,740	-	-
Advances to other funds	383,388	-	-
Restricted cash and investments	-	-	-
TOTAL ASSETS	<u>\$ 22,077,655</u>	<u>\$ 10,546,121</u>	<u>\$ 1,900,482</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 348,783	\$ -	\$ 179,233
Accrued liabilities	503,772	-	-
Deposits	19,168	-	171,833
Due to other governments	284	-	-
Due to other funds	1,254,727	-	-
Due to component units	25,251	-	-
Advances from other funds	-	-	-
Deferred revenues	13,184,289	6,588,679	20,550
Deferred special assessments	22,259	25,247	367,616
Total Liabilities	<u>15,358,533</u>	<u>6,613,926</u>	<u>739,232</u>
Fund Balances			
Reserved			
Encumbrances	37,484	-	4,951
Loans	80,566	-	-
Noncurrent receivables	444,319	-	-
Prepaid items and inventories	335,301	-	-
Investment in mutual insurance company	343,740	-	-
Advances	383,388	-	-
PILOT	1,388,673	-	-
Debt service	-	3,932,195	-
Trust funds	-	-	-
Impact fees	-	-	-
Unreserved, reported in:			
General fund designated	1,597,835	-	-
General fund undesignated	2,107,816	-	-
Special revenue funds undesignated	-	-	-
Debt service funds undesignated (deficit)	-	-	-
Capital projects funds undesignated (deficit)	-	-	1,156,299
Total Fund Balances	<u>6,719,122</u>	<u>3,932,195</u>	<u>1,161,250</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 22,077,655</u>	<u>\$ 10,546,121</u>	<u>\$ 1,900,482</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 1,848,900	\$ 12,689,650
2,547,366	22,119,788
1,140,721	1,539,044
4,483	71,703
-	492,287
41,237	121,803
-	110,480
961,930	2,861,711
-	335,301
-	343,740
-	383,388
<u>2,554,542</u>	<u>2,554,542</u>
<u>\$ 9,099,179</u>	<u>\$ 43,623,437</u>

\$ 51,051	\$ 579,067
6,767	510,539
5,000	196,001
-	284
504,502	1,759,229
-	25,251
383,388	383,388
3,491,020	23,284,538
-	415,122
<u>4,441,728</u>	<u>27,153,419</u>

62,467	104,902
41,237	121,803
-	444,319
-	335,301
-	343,740
-	383,388
-	1,388,673
2,705,889	6,638,084
318,806	318,806
641,115	641,115
-	1,597,835
-	2,107,816
1,459,358	1,459,358
(147,166)	(147,166)
<u>(424,255)</u>	<u>732,044</u>
<u>4,657,451</u>	<u>16,470,018</u>

<u>\$ 9,099,179</u>	<u>\$ 43,623,437</u>
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See accompanying notes to financial statements.

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CITY OF SUN PRAIRIE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS December 31, 2010

Total Fund Balances - Governmental Funds	\$ 16,470,018
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note IV.D.	115,048,290
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Special assessments are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements. See Note IV.B.	415,122
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Some receivables that are not currently available are reported as deferred revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. See Note IV.B.	1,248,161
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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>(82,230,452)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 50,951,139</u>
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CITY OF SUN PRAIRIE

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

For the Year Ended December 31, 2010

	General Fund	General Debt Service Fund	General Capital Projects Fund
REVENUES			
Taxes	\$ 12,605,208	\$ 6,620,000	\$ -
Intergovernmental	3,887,472	-	60,033
Licenses and permits	197,318	-	-
Fines, forfeitures and penalties	180,286	-	-
Public charges for services	1,332,390	-	58,125
Special assessments	21,142	11,122	-
Investment income	71,468	2,790	4,580
Miscellaneous	584,464	35,992	-
Total Revenues	<u>18,879,748</u>	<u>6,669,904</u>	<u>122,738</u>
EXPENDITURES			
Current			
General government	3,861,624	-	-
Public safety	8,516,406	-	-
Public works	4,417,942	-	-
Culture, recreation and education	2,766,119	-	-
Conservation and development	579,182	-	-
Capital Outlay	-	-	2,829,006
Debt Service			
Principal	-	5,064,296	-
Interest and fiscal charges	-	1,952,376	-
Total Expenditures	<u>20,141,273</u>	<u>7,016,672</u>	<u>2,829,006</u>
Excess (deficiency) of revenues over expenditures	<u>(1,261,525)</u>	<u>(346,768)</u>	<u>(2,706,268)</u>
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	-	3,193,763	1,506,237
Debt issuance costs	-	-	(16,851)
Transfers in	1,390,766	-	-
Transfers out	(92,659)	-	-
Total Other Financing Sources (Uses)	<u>1,298,107</u>	<u>3,193,763</u>	<u>1,489,386</u>
Net Change in Fund Balances	36,582	2,846,995	(1,216,882)
FUND BALANCES - Beginning of Year	<u>6,682,540</u>	<u>1,085,200</u>	<u>2,378,132</u>
FUND BALANCES - END OF YEAR	<u>\$ 6,719,122</u>	<u>\$ 3,932,195</u>	<u>\$ 1,161,250</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 2,291,396	\$ 21,516,604
734,638	4,682,143
370,047	567,365
-	180,286
332,424	1,722,939
-	32,264
54,749	133,587
139,179	759,635
<u>3,922,433</u>	<u>29,594,823</u>
-	3,861,624
356,031	8,872,437
414,985	4,832,927
895,559	3,661,678
38,679	617,861
85,798	2,914,804
1,276,971	6,341,267
<u>1,205,564</u>	<u>3,157,940</u>
<u>4,273,587</u>	<u>34,260,538</u>
<u>(351,154)</u>	<u>(4,665,715)</u>
-	4,700,000
-	(16,851)
145,720	1,536,486
<u>(55,154)</u>	<u>(147,813)</u>
<u>90,566</u>	<u>6,071,822</u>
(260,588)	1,406,107
<u>4,918,039</u>	<u>15,063,911</u>
<u>\$ 4,657,451</u>	<u>\$ 16,470,018</u>

See accompanying notes to financial statements.

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CITY OF SUN PRAIRIE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2010

Net change in fund balances - total governmental funds	\$ 1,406,107
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Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net assets the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	2,914,804
Some items reported as operating expenses in the fund financial statements, are capitalized in the government-wide statements.	613,879
Some items reported as capital outlay were transferred to the business-type activities	(851,276)
Depreciation is reported in the government-wide financial statements	(3,967,822)
Net book value of assets retired	(550,278)

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.

Special assessments	367,374
Other receivables	63,510

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

Debt issued	(4,700,000)
Principal repaid	6,341,267

Governmental funds report debt premiums, discounts and issuance costs as other financing sources (uses) or expenditures. However, in the statement of net assets, these are deferred and reported as other assets or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.

Current year discount and issuance costs	52,580
Amortization of discount, premium and issuance costs	(24,861)

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	27,437
Accrued interest on debt	82,034
Other post-employment benefits	(6,003)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>1,768,752</u>
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CITY OF SUN PRAIRIE

STATEMENT OF NET ASSETS PROPRIETARY FUNDS December 31, 2010

	Business-type Activities - Enterprise Funds			
	Electric and Water Utility	Wastewater Utility	Stormwater Utility	Totals
ASSETS				
Current Assets				
Cash and investments	\$ 3,281,209	\$ -	\$ 1,666,856	\$ 4,948,065
Receivables				
Accounts	3,267,046	243,743	84,219	3,595,008
Accrued interest	-	6,874	298	7,172
Other	256,121	37,364	107,694	401,179
Due from other funds	232,629	61,151	-	293,780
Prepaid items	16,291	-	-	16,291
Inventories	673,167	-	-	673,167
Restricted Assets				
Cash and investments	618,324	731,818	-	1,350,142
Total Current Assets	<u>8,344,787</u>	<u>1,080,950</u>	<u>1,859,067</u>	<u>11,284,804</u>
Noncurrent Assets				
Restricted Assets				
Cash and investments	885,104	1,310,681	-	2,195,785
Capital Assets				
Land	186,231	194,278	7,618,509	7,999,018
Construction in progress	55,332	-	171,755	227,087
Property held for future use	16,854	-	-	16,854
Other capital assets	71,732,027	54,840,567	35,540,612	162,113,206
Less: Accumulated depreciation	(18,940,910)	(8,743,187)	(6,299,138)	(33,983,235)
Other Assets				
Cash and investments	-	1,292,142	-	1,292,142
Unamortized debt issuance expenses	87,042	12,814	1,872	101,728
Lift station fees receivable	-	91,766	-	91,766
Special assessments receivable	-	23,379	-	23,379
Other Property and Investments				
Non-utility property	20,000	-	-	20,000
Investment in ATC	6,011,095	-	-	6,011,095
Total Noncurrent Assets	<u>60,052,775</u>	<u>49,022,440</u>	<u>37,033,610</u>	<u>146,108,825</u>
Total Assets	<u>68,397,562</u>	<u>50,103,390</u>	<u>38,892,677</u>	<u>157,393,629</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds			
	Electric and Water Utility	Wastewater Utility	Stormwater Utility	Totals
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 2,169,308	\$ 66,371	\$ 9,474	\$ 2,245,153
Other accrued liabilities	649,496	32,483	10,885	692,864
Deposits	9,774	-	-	9,774
Due to other funds	1,391,211	760	4,291	1,396,262
Current portion of general obligation debt	-	100,000	95,000	195,000
Liabilities Payable From Restricted Assets				
Revenue bonds payable	695,000	736,929	-	1,431,929
Accrued interest	85,631	51,579	-	137,210
Total Current Liabilities	<u>5,000,420</u>	<u>988,122</u>	<u>119,650</u>	<u>6,108,192</u>
Noncurrent Liabilities				
Long-Term Debt				
Revenue bonds payable	6,585,000	12,348,559	-	18,933,559
Unamortized debt premium	62,720	-	-	62,720
General obligation debt	-	855,000	825,000	1,680,000
Other Liabilities				
Compensated absences	231,440	76,853	447	308,740
Unearned revenues	-	-	59,375	59,375
Other accrued liabilities	4,434	-	-	4,434
Total Noncurrent Liabilities	<u>6,883,594</u>	<u>13,280,412</u>	<u>884,822</u>	<u>21,048,828</u>
Total Liabilities	<u>11,884,014</u>	<u>14,268,534</u>	<u>1,004,472</u>	<u>27,157,020</u>
NET ASSETS				
Invested in capital assets, net of related debt	46,662,106	32,263,984	36,113,610	115,039,700
Restricted for				
Bond covenants	533,714	1,990,920	-	2,524,634
Unrestricted	<u>9,317,728</u>	<u>1,579,952</u>	<u>1,774,595</u>	<u>12,672,275</u>
TOTAL NET ASSETS	<u>\$ 56,513,548</u>	<u>\$ 35,834,856</u>	<u>\$ 37,888,205</u>	<u>\$130,236,609</u>

See accompanying notes to financial statements.

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CITY OF SUN PRAIRIE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Year Ended December 31, 2010

	Business-type Activities - Enterprise Funds			
	Electric and Water Utility	Wastewater Utility	Stormwater Utility	Totals
OPERATING REVENUES	<u>\$ 26,143,097</u>	<u>\$ 2,909,750</u>	<u>\$ 1,120,966</u>	<u>\$ 30,173,813</u>
OPERATING EXPENSES				
Operation and maintenance	22,209,538	1,689,646	535,911	24,435,095
Depreciation	<u>1,967,569</u>	<u>1,316,761</u>	<u>800,281</u>	<u>4,084,611</u>
Total Operating Expenses	<u>24,177,107</u>	<u>3,006,407</u>	<u>1,336,192</u>	<u>28,519,706</u>
Operating Income (Loss)	<u>1,965,990</u>	<u>(96,657)</u>	<u>(215,226)</u>	<u>1,654,107</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	755,458	20,349	5,452	781,259
Loss on sale of property	-	-	(39,555)	(39,555)
Interest charged to construction	17,137	-	-	17,137
Interest and amortization expense	(339,878)	(349,886)	(44,510)	(734,274)
Miscellaneous	<u>48,803</u>	<u>3,071</u>	<u>-</u>	<u>51,874</u>
Total Nonoperating Revenues (Expenses)	<u>481,520</u>	<u>(326,466)</u>	<u>(78,613)</u>	<u>76,441</u>
Income (Loss) Before Contributions and Transfers	<u>2,447,510</u>	<u>(423,123)</u>	<u>(293,839)</u>	<u>1,730,548</u>
CONTRIBUTIONS AND TRANSFERS				
Capital contributions	69,115	131,395	29,332	229,842
Capital contributions - municipal	4,570	-	846,706	851,276
Transfers out	<u>(1,388,673)</u>	<u>-</u>	<u>-</u>	<u>(1,388,673)</u>
Total Contributions and Transfers	<u>(1,314,988)</u>	<u>131,395</u>	<u>876,038</u>	<u>(307,555)</u>
Change in Net Assets	1,132,522	(291,728)	582,199	1,422,993
NET ASSETS - Beginning of Year	<u>55,381,026</u>	<u>36,126,584</u>	<u>37,306,006</u>	<u>128,813,616</u>
NET ASSETS - END OF YEAR	<u>\$ 56,513,548</u>	<u>\$ 35,834,856</u>	<u>\$ 37,888,205</u>	<u>\$ 130,236,609</u>

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

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

	Business-type Activities - Enterprise Funds			
	Electric and Water Utility	Wastewater Utility	Stormwater Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from customers	\$ 25,329,424	\$ 2,895,095	\$ 1,137,002	\$ 29,361,521
Received from municipality for services	311,385	-	-	311,385
Paid to suppliers for goods and services	(20,570,167)	(1,160,281)	(397,044)	(22,127,492)
Paid to employees for services	(1,150,452)	(515,535)	(141,284)	(1,807,271)
Net Cash Flows From Operating Activities	<u>3,920,190</u>	<u>1,219,279</u>	<u>598,674</u>	<u>5,738,143</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	522,644	13,475	5,155	541,274
Investment in ATC	(106,005)	-	-	(106,005)
Investments purchased	(970,283)	(500,575)	-	(1,470,858)
Investments sold and matured	<u>727,777</u>	<u>1,023,927</u>	<u>-</u>	<u>1,751,704</u>
Net Cash Flows From Investing Activities	<u>174,133</u>	<u>536,827</u>	<u>5,155</u>	<u>716,115</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Paid to municipality for tax equivalent	(1,217,541)	-	-	(1,217,541)
Net Cash Flows From Noncapital Financing Activities	<u>(1,217,541)</u>	<u>-</u>	<u>-</u>	<u>(1,217,541)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt issued	-	40,000	-	40,000
Debt retired	(665,000)	(804,904)	(85,000)	(1,554,904)
Interest paid	(343,236)	(354,488)	(36,713)	(734,437)
Special assessments received	-	4,934	-	4,934
Acquisition and construction of utility plant	(3,092,107)	(867,419)	(1,094,566)	(5,054,092)
Capital contribution received on prior year receivable	-	-	1,090,583	1,090,583
Contributions received for construction	626,959	131,395	876,038	1,634,392
Proceeds from sale of assets	<u>25,885</u>	<u>-</u>	<u>800</u>	<u>26,685</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(3,447,499)</u>	<u>(1,850,482)</u>	<u>751,142</u>	<u>(4,546,839)</u>
Net Change in Cash and Cash Equivalents	(570,717)	(94,376)	1,354,971	689,878
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>4,200,045</u>	<u>2,928,442</u>	<u>311,885</u>	<u>7,440,372</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 3,629,328</u></u>	<u><u>\$ 2,834,066</u></u>	<u><u>\$ 1,666,856</u></u>	<u><u>\$ 8,130,250</u></u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds			
	Electric and Water Utility	Wastewater Utility	Stormwater Utility	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,965,990	\$ (96,657)	\$ (215,226)	\$ 1,654,107
Nonoperating revenue	48,803	3,071	-	51,874
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities				
Depreciation	1,967,569	1,316,761	800,281	4,084,611
Depreciation charged to clearing and other funds	171,160	-	-	171,160
Changes in assets and liabilities				
Accounts receivable	(527,222)	42,617	34,090	(450,515)
Other accounts receivable	61,609	29,966	(152)	91,423
Due from other funds	(75,308)	(89,549)	-	(164,857)
Other assets	24,129	-	-	24,129
Accounts payable	245,827	6,636	(2,969)	249,494
Other accrued liabilities	-	1,080	-	1,080
Deposits	(4,533)	-	-	(4,533)
Due to other funds	(48,750)	760	(13,612)	(61,602)
Other current liabilities	66,004	-	(2,550)	63,454
Compensated absences	24,912	4,594	(1,188)	28,318
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 3,920,190</u>	<u>\$ 1,219,279</u>	<u>\$ 598,674</u>	<u>\$ 5,738,143</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS				
Cash and investments - statement of net assets	\$ 3,281,209	\$ -	\$ 1,666,856	\$ 4,948,065
Restricted cash and investments - statement of net assets	1,503,428	2,042,499	-	3,545,927
Other assets - cash and investments - statement of net assets	-	1,292,142	-	1,292,142
Total Cash and Investments	4,784,637	3,334,641	1,666,856	9,786,134
Less: Noncash equivalents	(1,155,309)	(500,575)	-	(1,655,884)
CASH AND CASH EQUIVALENTS	<u>\$ 3,629,328</u>	<u>\$ 2,834,066</u>	<u>\$ 1,666,856</u>	<u>\$ 8,130,250</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest charged to construction	\$ 17,137	\$ -	\$ -	
Capital contributions invoiced but not paid	\$ 20,175	\$ -	\$ -	
Dividends reinvested in ATC	\$ 232,814	\$ -	\$ -	

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS December 31, 2010

	Pension Trust Fund	Agency Funds
CURRENT ASSETS		
Cash and investments	\$ -	\$ 28,641,878
Taxes receivable	-	10,704,498
NON-CURRENT ASSETS		
Restricted Assets		
Variable annuity	1,812,573	-
Cash surrender value of life insurance	125,206	-
TOTAL ASSETS	<u>\$ 1,937,779</u>	<u>\$ 39,346,376</u>
LIABILITIES		
Due to other governments	<u>\$ -</u>	<u>\$ 39,346,376</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 1,937,779</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

For the Year Ended December 31, 2010

	Pension Trust Fund
ADDITIONS	
Employer contributions	\$ 295,388
Increase in cash surrender value of insurance	19,650
Investment income	<u>169,716</u>
Total Additions	<u>484,754</u>
DEDUCTIONS	
Benefits and refunds	296,958
Other contractual	<u>26,794</u>
Total Deductions	<u>323,752</u>
CHANGE IN NET ASSETS	161,002
NET ASSETS - Beginning of Year	<u>1,776,777</u>
NET ASSETS - END OF YEAR	<u>\$ 1,937,779</u>

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

STATEMENT OF NET ASSETS COMPONENT UNITS December 31, 2010

	<u>Major</u>	<u>Non-Major</u>	
	Community Development Authority	Business Improvement District	<u>Totals</u>
ASSETS			
Receivables			
Taxes	\$ -	\$ 86,800	\$ 86,800
Accrued interest	371,131	-	371,131
Due from primary government	-	25,251	25,251
Prepaid items	-	2,333	2,333
Capital lease receivable from primary government	22,540,000	-	22,540,000
Total Assets	<u>22,911,131</u>	<u>114,384</u>	<u>23,025,515</u>
LIABILITIES			
Liabilities			
Accounts payable	-	5,385	5,385
Accrued interest payable	371,131	-	371,131
Unearned revenues	-	86,800	86,800
Noncurrent Liabilities			
Due within one year	1,240,000	-	1,240,000
Due in more than one year	21,300,000	-	21,300,000
Total Liabilities	<u>22,911,131</u>	<u>92,185</u>	<u>23,003,316</u>
NET ASSETS			
Unrestricted	<u>-</u>	<u>22,199</u>	<u>22,199</u>
TOTAL NET ASSETS	<u>\$ -</u>	<u>\$ 22,199</u>	<u>\$ 22,199</u>

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS COMPONENT UNITS

For the Year Ended December 31, 2010

	Major Community Development Authority	Non-Major Business Improvement District	Totals
OPERATING REVENUES			
Special assessments	\$ -	\$ 63,942	\$ 63,942
Miscellaneous	-	9,718	9,718
Total Operating Revenues	-	73,660	73,660
OPERATING EXPENSES			
Conservation and development	-	85,624	85,624
Total Operating Expenses	-	85,624	85,624
Operating Loss	-	(11,964)	(11,964)
NONOPERATING REVENUES (EXPENSES)			
Investment income	904,057	87	904,144
Interest and fiscal charges	(904,057)	-	(904,057)
Total Nonoperating Revenues (Expenses)	-	87	87
Change in Net Assets	-	(11,877)	(11,877)
NET ASSETS - Beginning of Year	-	34,076	34,076
NET ASSETS - END OF YEAR	\$ -	\$ 22,199	\$ 22,199

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

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CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Sun Prairie, 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 Sun Prairie. 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. Each 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 Units

Community Development Authority

The government-wide financial statements include the 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 and confirmed by the city council. 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.J. As a component unit, the CDA's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2010. The CDA does not issue separate financial statements.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Units (cont.)

Business Improvement District

The government-wide financial statements include the Business Improvement District ("BID") as a component unit. The BID is a legally separate organization. The board of the BID is appointed by the mayor and confirmed by city council. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the BID, and also create a potential financial benefit to or burden on the city. See Note IV.J. As a component unit, the BID's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2010. Separately issued financial statements of the Business Improvement District may be obtained from the BID's office.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In June 2007, the GASB issued statement No. 51 - *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and reporting requirements for intangible assets to reduce inconsistencies among governments, thereby enhancing the comparability of such assets among state and local governments.

The city made the decision to implement this standard effective January 1, 2010. No restatements were required as part of the implementation and no material changes were needed.

Government-Wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The city does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

Fund Financial Statements

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

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

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the city believes is particularly important to financial statement users may be reported as a major fund.

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

The city reports the following major governmental funds:

- General Fund - accounts for the city's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.
- General Debt Service Fund - accounts for resources accumulated and payments made for principal and interest on long-term debt other than TID or enterprise fund debt.
- General Capital Projects Fund - accounts for resources legally restricted to supporting expenditures for capital improvement projects.

The city reports the following major enterprise funds:

- Electric and Water Utility - accounts for operations of the electric, water and telecommunications system
- Wastewater Utility - accounts for operations of the wastewater system
- Stormwater Utility - accounts for operations of the stormwater system

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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 the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Park Improvement Fund
Wisconsin Development Fund
Transportation Impact Fee Fund
Grant Funds

Cable Access Television Fund
Family Aquatic Center Fund
Library Fund

Debt Service Funds - used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Tax Incremental District (TID) No. 5
Tax Incremental District (TID) No. 6

Capital Projects Funds - used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.

Tax Incremental District (TID) No. 7
Tax Incremental District (TID) No. 8
Tax Incremental District (TID) No. 9
Tax Incremental District (TID) No. 10
Development Projects

Permanent Funds - used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

Ashley Trust Fund
Library Trust Fund

In addition, the city reports the following fund types:

Pension (and other employee benefit) trust fund is used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

Pension Trust Fund

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

Fund Financial Statements (cont.)

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

Tax Collection Fund
MPSISC

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

Government-Wide Financial Statements

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

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board guidance issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's electric and water, wastewater and stormwater utilities 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.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

Fund Financial Statements (cont.)

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues. Delinquent special assessments being held by the county are reported as receivables and deferred revenue.

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

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

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

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board guidance issued after November 30, 1989. The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric and water utility, wastewater utility and 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.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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

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

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

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

Investment of city funds is restricted by Wisconsin state statutes. Available investments are limited to:

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

Investment of most trust funds is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

1. Deposits and Investments (cont.)

The city has adopted an investment policy. That policy contains the following guidelines for allowable investments: obligations of the U.S. Government; obligations of U.S. Government agencies; time deposits (defined as savings accounts or certificates of deposit); and overnight repurchase agreements, whereby the seller will agree to purchase U.S. Government securities, commercial paper with satisfactory or superior rating, LGIP and MBIA through institutions federally insured through FDIC.

Custodial Credit Risk - The city's investment policy states that all deposits and investments of the city shall be secured by pledged collateral in an amount equal to at least 100%, but not more than 105%, of the total investment less the amount covered by FDIC or the State Deposit Guarantee Fund. The policy also states that the city shall not invest more than 50% of its funds in any one institution unless the investments are in U.S. Government securities, obligation of U.S. Government agencies, and LGIP and limits the term on investments to no more than three years.

Credit Risk - The city's investment policy states that the city will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by: limiting investments to the types of securities governed by Wisconsin state statute 66.04(2), pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the city will do business, and by diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Interest Rate Risk - The city's investment policy states that the city will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market value interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with policy.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2010, the fair value of the city's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

1. Deposits and Investments (cont.)

The CLASS investment (Cooperative Liquid Assets Securities System) is an investment pool established by an intergovernmental agreement dated March 1, 1996. CLASS is available for investment by Wisconsin governmental entities except school districts. CLASS is a 2a 7 - like pool, and invests only in investments legally permissible under Wisconsin law, with a weighted average maturity not exceeding 120 days. The value of pool shares is the same as the fair value position in the pool.

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 funds statement of fiduciary net assets.

Property tax calendar - 2010 tax roll:

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

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

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

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

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

2. Receivables (cont.)

The city has received federal and state grant funds for economic development loan programs to various businesses and individuals. The city records a loan receivable when the loan has been made and funds have been disbursed.

It is the city's policy to record revenue when the initial loan is made from the federal and state grant funds. The net amount of the loan receivable balance is offset by a reserve for loans receivable. As loans are repaid, the reserve for loans receivable is reduced and the designated fund balance is increased. When new loans are made from loan repayments, the reserve for loans receivable is increased and the designated fund balance is decreased. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as designated fund balance in the fund financial statements.

3. Inventories and Prepaid Items

Governmental fund inventories, if material, are recorded at cost based on the average cost method using the consumption method of accounting. 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 assets.

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 \$5,000 for general capital assets and \$50,000 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 SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

D. ASSETS, LIABILITIES, AND NET ASSETS 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. \$17,137 of net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

Buildings	10-40 Years
Land Improvements	20 Years
Machinery and Equipment	3-20 Years
Utility System	5-100 Years
Infrastructure	30-50 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. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue. The wastewater utility has cash and investments of \$1,292,142 held for future capital assets by internal policies.

7. Compensated Absences

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

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

7. Compensated Absences (cont.)

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

The city provides postemployment health insurance benefits for all eligible employees. Eligibility is based on retirement and meeting various requirements. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. Employees may convert accumulated sick leave to pay for health care premiums. Upon retirement, vested sick leave and vacation benefits are transferred to a third party to pay health insurance premiums.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2010, are determined on the basis of current salary rates and include salary related payments.

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

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 \$9,000,000, made up of two issues.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

10. Equity Classifications

Government-Wide Statements

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

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

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

	Governmental Activities	Business-type Activities	Adjustment	Total
Invested in capital assets, net of related debt	\$ 51,249,013	\$115,039,700	\$ (733,549)	\$165,555,164
Unrestricted (deficit)	(5,756,470)	12,672,275	733,549	7,649,354

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.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

10. Equity Classifications (cont.)

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balance is that portion of fund balance that is not available for the subsequent year's budget due to legal restrictions or resources which are not available for current spending. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled "designated". The balance of unreserved fund balance is labeled "undesignated", which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

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

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

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

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

Bonds and notes payable	\$	57,565,980
Capital leases		22,540,000
Compensated absences		1,285,866
Accrued interest		1,120,014
Unamortized debt discount, premium and issue costs		(312,365)
Other post-employment benefits		<u>30,957</u>
Combined Adjustment for Long-Term Liabilities	\$	<u>82,230,452</u>

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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, special revenue funds, debt service funds, and capital projects funds. Budgets have not been formally adopted for permanent funds. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

The budgeted amounts presented include any amendments made. The city administrator may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action.

Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were \$51,285. Budgets are adopted at the department level of expenditure.

B. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
General fund	\$ 19,972,586	\$ 20,233,932	\$ 261,346
General debt service fund	6,698,604	7,016,672	318,068
Grant funds	684,514	857,585	173,071
Family aquatic center fund	236,154	289,024	52,870
Library fund	12,000	45,973	33,973
TID No. 9 - capital projects	201,025	201,475	450

The city controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the city's year-end budget to actual report.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2010, the following nonmajor individual funds held a deficit balance:

Fund	Amount	Reason
TID No. 9 - capital projects	\$ 162,867	Excess expenditures over revenues
TID No. 10 - capital projects	10,216	Excess expenditures over revenues
Development projects	11,541	Timing of recording revenue for the chargeback of expenditures

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. Other 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 28 (2009), legislation was passed that limits the city's future tax levies. Generally the city is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the city's equalized value due to new construction or 3% for the 2009 levy collected in 2010 and 3% for the 2010 levy collected in 2011. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit is set to expire after the 2010 levy.

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The city maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and balance sheet as cash and investments. In addition, investments are separately held by several of the city's funds. The deposits and investments of trust funds are held separately from those of other funds.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

A. DEPOSITS AND INVESTMENTS (cont.)

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

	Carrying Value	Statement Balances	Associated Risks
Demand deposits	\$ 12,348,539	\$ 12,517,906	Custodial credit risk
Stock mutual funds	287,170	287,170	N/A
Money market	2,689,029	2,689,029	Custodial credit risk
LGIP	38,170,461	38,170,461	Credit risk, interest rate risk
MBIA CLASS	165,942	165,942	Credit risk
Variable annuity	1,812,573	1,812,573	Credit risk, interest rate risk
Petty cash	11,063	-	N/A
Total Deposits and Investments	<u>\$ 55,484,777</u>	<u>\$ 55,643,081</u>	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 18,929,857		
Restricted cash and investments	6,100,469		
Per statement of net assets- fiduciary funds			
Pension Trust Fund	1,812,573		
Agency Fund	<u>28,641,878</u>		
Total Deposits and Investments	<u>\$ 55,484,777</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited amounts for noninterest bearing accounts.

Bank accounts 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 been considered in computing custodial credit risk.

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

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. Additionally, through Lloyds of London, accounts have additional securities coverage of \$99.5 million per customer, subject to a \$500 million aggregate firm limit. \$287,586 of the city's investments are covered by SIPC.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk

Deposits

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

As of December 31, 2010, \$1,904,542 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>1,904,542</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, 2010, the city's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>	<u>Fitch Ratings</u>	<u>Moody's Investors Services</u>
MBIA CLASS Variable annuity	AAAm A+	A-	A1

The city also held investments in the following external pool which is not rated:

Local Government Investment Pool

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

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

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

Investment Type	Fair Value	Maturity (In Years)	
		Less than 1	N/A*
LGIP	\$ 38,170,461	\$ 38,170,461	\$ -
Variable annuity	<u>1,812,573</u>	<u>157,800</u>	<u>1,654,773</u>
Totals	<u>\$ 39,983,034</u>	<u>\$ 38,328,261</u>	<u>\$ 1,654,773</u>

* Includes variable annuity account holdings with no maturity or call date.

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

B. RECEIVABLES

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

	General Fund	General Debt Service	General Capital Projects	Nonmajor Funds	Totals
Receivables	\$ 13,632,143	\$ 6,615,086	\$ 388,166	\$ 3,733,807	\$ 24,369,202
Less: Allowance for uncollectibles	<u>(24,577)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,577)</u>
Net Total Receivables	<u>\$ 13,607,566</u>	<u>\$ 6,615,086</u>	<u>\$ 388,166</u>	<u>\$ 3,733,807</u>	<u>\$ 24,344,625</u>
Amounts not expected to be collected within one year	<u>\$ 107,590</u>	<u>\$ 25,247</u>	<u>\$ -</u>	<u>\$ 121,803</u>	<u>\$ 254,640</u>

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

B. RECEIVABLES (cont.)

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

	Unavailable	Unearned	Totals
Property taxes receivable for subsequent year	\$ -	\$ 22,036,377	\$ 22,036,377
Special assessments not yet due	415,122	-	415,122
Developer fees	878,414	-	878,414
Ambulance revenue	216,200	-	216,200
Grants	9,629	-	9,629
Accounts receivable - non current	143,918	-	143,918
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 1,663,283</u>	<u>\$ 22,036,377</u>	<u>\$ 23,699,660</u>

For economic development loans, the city is limited by the Wisconsin Department of Commerce to the amount of program income from economic development loans that it may retain and loan to other businesses. Program income includes the principal and interest received from economic development loans repayments. Based upon its current population, the city may generally retain \$750,000.

At December 31, 2010, the city has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

C. RESTRICTED ASSETS

Certain proceeds of the utilities' debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited.

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

- | | | |
|------------|---|--|
| Redemption | - | Used to segregate resources accumulated for debt service payments over the next twelve months. |
| Reserve | - | Used to report resources set aside to make up potential future deficiencies in the redemption account. |

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

C. RESTRICTED ASSETS (cont.)

Equipment Replacement Account

The wastewater utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Debt Coverage

Under terms of the resolutions providing for the issue of utility revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.10 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2010 for the electric and water utility as well as the wastewater utility.

Following is a list of restricted assets at December 31, 2010:

Restricted Assets	
Redemption account	\$ 1,350,142
Reserve account	885,104
Equipment replacement account	1,310,681
Debt service account (See Note IV.J)	<u>2,554,542</u>
Total Restricted Assets	<u>\$ 6,100,469</u>

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land and non-depreciable improvements	\$ 40,533,715	\$ 30,884	\$ -	\$ 40,564,599
Construction in progress	<u>10,205</u>	<u>44,003</u>	<u>-</u>	<u>54,208</u>
Total Capital Assets Not Being Depreciated	<u>40,543,920</u>	<u>74,887</u>	<u>-</u>	<u>40,618,807</u>

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Capital assets being depreciated				
Land improvements	\$ 3,492,381	\$ 72,458	\$ 18,500	\$ 3,546,339
Buildings	27,743,559	218,196	-	27,961,755
Machinery and equipment	13,492,169	621,646	1,343,726	12,770,089
Roads	56,600,666	1,278,733	709,090	57,170,309
Sidewalks	7,606,337	337,672	63,413	7,880,596
Signals	703,913	-	-	703,913
Bike paths	2,910,391	73,815	-	2,984,206
Total Capital Assets Being Depreciated	112,549,416	2,602,520	2,134,729	113,017,207
Total Capital Assets	153,093,336	2,677,407	2,134,729	153,636,014
Less: Accumulated depreciation for				
Land improvements	(1,270,421)	(163,843)	18,500	(1,415,764)
Buildings	(6,743,833)	(725,566)	-	(7,469,399)
Machinery and equipment	(7,225,706)	(1,261,310)	1,296,046	(7,190,970)
Roads	(18,535,724)	(1,501,428)	250,013	(19,787,139)
Sidewalks	(1,148,195)	(155,876)	19,892	(1,284,179)
Signals	(17,598)	(35,196)	-	(52,794)
Bike paths	(1,262,876)	(124,603)	-	(1,387,479)
Total Accumulated Depreciation	(36,204,353)	(3,967,822)	1,584,451	(38,587,724)
Net Capital Assets Being Depreciated	76,345,063	(1,365,302)	550,278	74,429,483
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 116,888,983</u>	<u>\$ (1,290,415)</u>	<u>\$ 550,278</u>	<u>\$ 115,048,290</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 295,551
Public safety	824,721
Public works, which includes the depreciation of roads, sidewalks, signals and bike paths	2,175,549
Culture, recreation and education	659,630
Conservation and development	12,371

Total Governmental Activities Depreciation Expense \$ 3,967,822

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Construction in progress - electric	\$ 484,258	\$ 1,820,537	\$ 2,249,463	\$ 55,332
Construction in progress - water	1,155,129	504,496	1,659,625	-
Construction in progress - telecommunications	45,917	174,848	220,765	-
Construction in progress - stormwater	377,921	28,525	234,691	171,755
Land - electric	120,741	524	-	121,265
Land - water	64,966	-	-	64,966
Land - wastewater	194,278	-	-	194,278
Land - stormwater	7,618,509	-	-	7,618,509
Property held for use	16,854	-	-	16,854
Total Capital Assets Not Being Depreciated	<u>10,078,573</u>	<u>2,528,930</u>	<u>4,364,544</u>	<u>8,242,959</u>
Capital assets being depreciated				
Electric system	32,675,068	1,565,343	347,102	33,893,309
Water system	33,666,312	2,319,873	232,580	35,753,605
Telecommunications	2,006,906	220,862	142,655	2,085,113
Wastewater system	54,800,326	80,541	40,300	54,840,567
Stormwater	34,300,683	1,288,094	48,165	35,540,612
Total Capital Assets Being Depreciated	<u>157,449,295</u>	<u>5,474,713</u>	<u>810,802</u>	<u>162,113,206</u>
Total Capital Assets	<u>167,527,868</u>	<u>8,003,643</u>	<u>5,175,346</u>	<u>170,356,165</u>
Less: Accumulated depreciation for				
Electric system	(10,747,163)	(1,327,241)	338,428	(11,735,976)
Water system	(5,726,540)	(720,670)	250,763	(6,196,447)
Telecommunications	(1,023,028)	(128,114)	142,655	(1,008,487)
Wastewater system	(7,466,627)	(1,316,860)	40,300	(8,743,187)
Stormwater	(5,519,304)	(800,281)	20,447	(6,299,138)
Total Accumulated Depreciation	<u>(30,482,662)</u>	<u>(4,293,166)</u>	<u>792,593</u>	<u>(33,983,235)</u>
Net Capital Assets Being Depreciated	<u>126,966,633</u>	<u>1,181,547</u>	<u>18,209</u>	<u>128,129,971</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 137,045,206</u>	<u>\$ 3,710,477</u>	<u>\$ 4,382,753</u>	<u>\$ 136,372,930</u>

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities

Electric	\$ 1,200,983
Water	664,454
Telecommunications	102,132
Wastewater	1,316,761
Stormwater	<u>800,281</u>

Total Business-type Activities Depreciation Expense	<u>\$ 4,084,611</u>
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Depreciation expense is different from additions because of joint metering, salvage cost of removal, internal allocations, and cost associated with the disposal of assets.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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
General fund	Electric and water utility	\$ 1,391,211
General fund	Stormwater utility	4,291
General fund	TID No. 6 - debt service	44,614
General fund	TID No. 8 - capital projects	444,319
General fund	Development projects	15,346
Electric and water utility	General fund	231,869
Electric and water utility	Wastewater utility	760
Wastewater utility	General fund	61,151
Park improvement fund	General fund	1,770
Wisconsin development fund	General fund	1,040
Transportation impact fee fund	General fund	641,115
Cable access television fund	General fund	254,430
Family aquatic center fund	General fund	19,570
Grant funds	General fund	43,782
Library trust fund	Library fund	223
Total - Fund Financial Statements		3,155,491
Less: Fund eliminations		(2,053,009)
Total Internal Balances - Government-Wide Statement of Net Assets		<u>\$ 1,102,482</u>
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 1,395,502
Business-type Activities	Governmental Activities	(293,020)
Total Government-Wide Financial Statements		<u>\$ 1,102,482</u>

All amounts are due within one year.

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. All balances are payable within one year.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

Interfund Receivables/Payables (cont.)

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

Advances

The general fund is advancing funds to TID No. 6, TID No. 8, TID No. 9 and TID No. 10. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. No repayment schedules have been established.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General fund	TID No. 6 - debt service	\$ 110,305	\$ 110,305
General fund	TID No. 8 - capital projects	100,000	100,000
General fund	TID No. 9 - capital projects	162,867	162,867
General fund	TID No. 10 - capital projects	<u>10,216</u>	<u>10,216</u>
Total - Fund Financial Statements		383,388	
Less: Fund eliminations		<u>(383,388)</u>	
Total - Interfund Advances - Government-Wide Statement of Net Assets		<u>\$ -</u>	

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

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General fund	Electric and water utility	\$ 1,388,673	Payment in lieu of taxes
General fund	Grant funds	2,093	Budget transfer
Grant funds	General fund	92,659	Taxi subsidy and water tower donations to museum
Family aquatic center fund	Park improvement fund	44,645	Budget transfer
Library fund	Library trust fund	8,416	Transfer interest/dividends to special revenue fund
Total - Fund Financial Statements		1,536,486	
Less: Fund eliminations		(147,813)	
Less: Transfer to business-type activities for capital assets funded by the governmental activities		(851,276)	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 537,397</u>	
Fund Transferred To	Fund Transferred From	Amount	
Governmental Activities	Business-type Activities	\$ 1,388,673	
Business-type Activities	Governmental Activities	(851,276)	
Total Government-wide Financial Statements		<u>\$ 537,397</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 SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

F. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 58,082,247	\$ 4,700,000	\$ 5,216,267	\$ 57,565,980	\$ 8,207,810
Add/(Subtract) Deferred Amounts For					
(Discounts)/Premiums	273,087	-	52,089	220,998	41,836
Sub-totals	<u>58,355,334</u>	<u>4,700,000</u>	<u>5,268,356</u>	<u>57,786,978</u>	<u>8,249,646</u>
Other Liabilities					
Vested compensated absences	1,313,303	441,499	468,936	1,285,866	493,725
Capital leases	23,665,000	-	1,125,000	22,540,000	1,240,000
Other post-employment benefits	24,954	6,003	-	30,957	-
Total Other Liabilities	<u>25,003,257</u>	<u>447,502</u>	<u>1,593,936</u>	<u>23,856,823</u>	<u>1,733,725</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 83,358,591</u>	<u>\$ 5,147,502</u>	<u>\$ 6,862,292</u>	<u>\$ 81,643,801</u>	<u>\$ 9,983,371</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 2,005,000	\$ 40,000	\$ 170,000	\$ 1,875,000	\$ 195,000
Revenue bonds	21,750,392	-	1,384,904	20,365,488	1,431,929
Add/(Subtract) Deferred Amounts For					
(Discounts)/Premiums	71,761	-	9,041	62,720	-
Sub-totals	<u>23,827,153</u>	<u>40,000</u>	<u>1,563,945</u>	<u>22,303,208</u>	<u>1,626,929</u>
Other Liabilities					
Vested compensated absences	280,666	201,984	173,910	308,740	-
Other accrued liabilities	-	5,881	-	5,881	1,447
Total Other Liabilities	<u>280,666</u>	<u>207,865</u>	<u>173,910</u>	<u>314,621</u>	<u>1,447</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 24,107,819</u>	<u>\$ 247,865</u>	<u>\$ 1,737,855</u>	<u>\$ 22,617,829</u>	<u>\$ 1,628,376</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2010, was \$123,760,560. Total general obligation debt outstanding at year end was \$59,440,980.

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 SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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, 2010</u>
Refunding bonds	4/1/98	4/1/12	4.375-5.00%	\$ 4,050,000	\$ 615,000
Refunding bonds	7/1/01	2/1/13	4.50-4.65	2,575,000	1,855,000
Notes	7/1/01	2/1/11	4.00-4.50	1,655,000	325,000
Bonds	9/1/02	2/1/12	2.00-4.00	3,680,000	1,285,000
Refunding bonds	8/15/02	4/1/15	2.00-4.20	4,655,000	1,865,000
Promissory notes	7/1/03	2/1/13	2.00-2.90	4,000,000	1,305,000
Bonds	9/1/04	2/1/16	3.00-3.80	9,950,000	6,595,000
Bonds	8/9/05	2/1/20	3.00-4.75	4,710,000	4,455,000
Bonds	8/9/05	2/1/15	3.50-4.00	6,800,000	4,765,000
Refunding bonds	8/9/05	2/1/18	3.50-4.25	5,875,000	5,450,000
State trust fund loan	3/8/06	3/15/15	4.75	250,000	151,776
Notes	9/1/06	2/1/16	4.00	5,335,000	4,210,000
Bonds	9/11/07	4/1/22	3.75-3.90	4,165,000	3,215,000
Notes	10/21/08	4/1/18	4.00-4.125	5,500,000	5,155,000
Notes	3/24/09	4/1/15	3.88	4,200,000	4,200,000
Bonds	7/15/09	4/1/24	2.00-4.25	6,730,000	6,730,000
Notes	12/15/09	12/28/19	-	99,116	89,204
State trust fund loan	12/23/09	3/15/19	4.50	600,000	600,000
Notes	11/9/10	4/1/20	0.60-2.35	4,700,000	4,700,000
Total Governmental Activities - General Obligation Debt					<u>\$ 57,565,980</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, 2010</u>
<u>Wastewater Utility</u>					
Notes	7/15/09	4/1/19	2.00-4.25%	\$ 1,000,000	\$ 915,000
Notes	11/9/10	4/1/17	0.60-1.40	40,000	40,000
<u>Stormwater Utility</u>					
Notes	7/15/09	4/1/19	2.00-4.25	1,005,000	<u>920,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 1,875,000</u>

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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
2011	\$ 8,207,810	\$ 2,043,872	\$ 195,000	\$ 56,905
2012	5,222,366	1,746,563	195,000	52,165
2013	5,346,458	1,547,872	200,000	46,395
2014	6,435,653	1,327,313	210,000	40,435
2015	10,875,041	997,519	210,000	34,055
2016-2020	17,548,652	2,044,633	865,000	63,300
2021-2024	3,930,000	317,414	-	-
Totals	<u>\$ 57,565,980</u>	<u>\$ 10,025,186</u>	<u>\$ 1,875,000</u>	<u>\$ 293,255</u>

Revenue Debt

Business-type activities revenue bonds are payable only from revenues derived from the operation of the electric and water and wastewater utilities.

The electric and water and wastewater utilities have pledged future sales revenues, net of specified operating expenses, to repay \$20 million in sales revenue bonds issued between 1999-2008. Proceeds from the bonds provided financing for the electric and water and wastewater systems. The bonds are payable solely from sales revenues and are payable through 2025. Annual principal and interest payments on the bonds are expected to require 21% of net revenues. The total principal and interest remaining to be paid on the bonds is \$24,583,916. Principal and interest paid for the current year and total customer net revenues were \$2,041,997 and \$4,742,747, respectively.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Revenue debt payable at December 31, 2010, consists of the following:

Business-type Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2010
<u>Electric and Water Utility</u>					
Revenue bonds	4/1/99	4/1/14	4.375-4.875%	\$ 2,200,000	\$ 675,000
Revenue bonds	2/1/03	4/1/18	2.00-4.40	3,500,000	2,165,000
Revenue bonds	6/15/05	4/1/18	4.00	1,725,000	1,065,000
Revenue bonds	11/6/08	10/1/23	4.375-5.125	3,600,000	<u>3,375,000</u>
			Total Electric and Water Utility		<u>7,280,000</u>
<u>Wastewater Utility</u>					
Revenue bonds	6/8/05	5/1/25	2.365	15,844,256	<u>13,085,488</u>
Total Business-type Activities Revenue Debt					<u>\$ 20,365,488</u>

Debt service requirements to maturity are as follows:

Years	Business-type Activities Revenue Debt	
	Principal	Interest
2011	\$ 1,431,929	\$ 610,810
2012	1,479,358	562,817
2013	1,522,198	512,491
2014	1,575,461	459,788
2015	1,479,155	423,418
2016-2020	7,057,037	1,296,302
2021-2025	<u>5,820,350</u>	<u>352,802</u>
Totals	<u>\$ 20,365,488</u>	<u>\$ 4,218,428</u>

Capital Leases

Refer to Note IV. G.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information

Estimated payments of compensated absences and other post-employment benefits are not included in the debt service requirement schedules. The compensated absences and other post-employment benefits liabilities attributable to governmental activities will be liquidated primarily by the general fund.

A statutory mortgage lien upon the utility's system and any additions, improvements and extensions thereto is created by Section 66.066 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The utility's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

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 Tuesday, November 09, 2010, the city issued \$4,740,000 in general obligation notes with an average interest rate of 1.58% to current refund \$3,160,000 of outstanding bonds and notes with an average interest rate of 3.50%.

The cash flow requirements on the refunded bonds and notes prior to the current refunding was \$3,355,900 from 2011 through 2013. The cash flow requirements on the 2010 refunding notes are \$5,395,197 from 2011 through 2020. 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 \$40,240.

As of December 31, 2010, the city held cash that will be used to redeem the outstanding bonds to be refunded. Therefore, at year end, both the cash from the refunding and the outstanding debt on the refunded bonds are still being reported.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

G. LEASE DISCLOSURES

Lessee - Capital Leases

The City of Sun Prairie has entered into agreements with the Community Development Authority of the City of Sun Prairie (CDA) for certain property and improvements in TID No. 6, No. 7, and No. 8. In 2001, 2003, 2005, 2006, and 2009 the CDA issued lease revenue bonds totaling \$7,665,000, \$2,500,000, \$10,965,000, \$3,865,000 and \$6,300,000, respectively. The city expects that TID No. 6, No. 7, and No. 8 revenues will be sufficient to make the lease payments to the CDA.

Years	Governmental Activities		
	Principal	Interest	Totals
2011	\$ 1,240,000	\$ 874,619	\$ 2,114,619
2012	1,170,000	832,904	2,002,904
2013	1,265,000	798,489	2,063,489
2014	1,360,000	758,381	2,118,381
2015	1,430,000	712,454	2,142,454
2016-2020	8,655,000	2,666,928	11,321,928
2021-2025	<u>7,420,000</u>	<u>791,805</u>	<u>8,211,805</u>
Totals	<u>\$ 22,540,000</u>	<u>\$ 7,435,580</u>	<u>\$ 29,975,580</u>

Lessee - Operating Leases

The city has no material operating leases with a remaining noncancellable term exceeding one year.

H. NET ASSETS/FUND BALANCES

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

Governmental Activities

Invested in Capital Assets, Net of Related Debt	
Land	\$ 40,564,599
Construction in progress	54,208
Other capital assets, net of accumulated depreciation	74,429,483
Less: Long-term debt outstanding	(57,565,980)
Less: Capital leases	(22,540,000)
Less: Premium on debt	(220,998)
Plus: Non-capital debt	13,371,945
Plus: Debt discount and issuance costs	533,363
Plus: Unspent capital related debt proceeds	<u>2,622,393</u>
Total Invested in Capital Assets, Net of Related Debt	<u>51,249,013</u>

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

H. NET ASSETS/FUND BALANCES (cont.)

Governmental Activities (cont.)

Restricted	
Debt service	\$ 2,385,283
Park improvement	1,789,018
Economic development	135,643
Impact fees	641,115
Grants	118,030
Library	70,701
Ashley trust	1,000
Library trust	317,806
Total Restricted	<u>5,458,596</u>
Unrestricted (deficit)	<u>(5,756,470)</u>
Total Governmental Activities Net Assets	<u>\$ 50,951,139</u>

Governmental Funds

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

Reserved	
Major Funds	
General Fund	
Encumbrances	\$ 37,484
Loans	80,566
Noncurrent receivables	444,319
Prepaid items and inventories	335,301
Investment in mutual insurance company	343,740
Advances	383,388
PILOT	<u>1,388,673</u>
Total	<u>\$ 3,013,471</u>
General Debt Service Fund	
Debt service	<u>\$ 3,932,195</u>
General Capital Projects Fund	
Encumbrances	<u>\$ 4,951</u>

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

H. NET ASSETS/FUND BALANCES (cont.)

Governmental Funds (cont.)

Reserved (cont.)

Nonmajor Funds

Special Revenue Funds

Park improvement fund - encumbrances	\$ 9,150
Wisconsin development fund - loans	41,237
Transportation impact fee fund - impact fees	641,115
Grant funds - encumbrances	53,317
Sub-Total	<u>744,819</u>

Debt Service Funds

TID No. 5 - debt service	151,347
TID No. 6 - debt service	161,935
Sub-Total	<u>313,282</u>

Capital Project Funds

TID No. 7 - debt service	684,700
TID No. 8 - debt service	1,707,907
Sub-Total	<u>2,392,607</u>

Permanent Funds

Ashley trust	1,000
Library trust	317,806
Sub-Total	<u>318,806</u>

Total Nonmajor Funds	<u>\$ 3,769,514</u>
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Unreserved (designated)

Major Funds

General Fund

Self insurance retention	\$ 200,000
Carryovers	51,285
Youth and family	3,093
EMS	18,898
Library	99,658
Sick accrual	389,731
Plat corrections	5,000
Replacement funds	<u>830,170</u>

Total	<u>\$ 1,597,835</u>
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CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

H. NET ASSETS/FUND BALANCES (cont.)

Governmental Funds (cont.)

Unreserved (undesignated) (deficit)

Major Funds

General fund	\$ 2,107,816
General capital projects fund	<u>1,156,299</u>

Total	<u><u>\$ 3,264,115</u></u>
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Nonmajor Funds

Special Revenue Funds

Park improvement fund	\$ 901,454
Wisconsin development fund	94,406
Grant funds	55,084
Cable access television fund	319,272
Family aquatic center fund	18,441
Library fund	<u>70,701</u>

Total	<u><u>\$ 1,459,358</u></u>
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Debt Service Fund

TID No. 6 (deficit)	<u><u>\$ (147,166)</u></u>
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Capital Projects Funds

TID No. 7	\$ 303,594
TID No. 8 (deficit)	(543,225)
TID No. 9 (deficit)	(162,867)
TID No. 10 (deficit)	(10,216)
Development projects (deficit)	<u>(11,541)</u>

Total	<u><u>\$ (424,255)</u></u>
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CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

H. NET ASSETS/FUND BALANCES (cont.)

Business-type Activities

Invested in capital assets, net of related debt	
Land	\$ 7,999,018
Construction in progress	227,087
Other capital assets, net of depreciation	128,129,971
Less: Long-term debt outstanding	(22,240,488)
Plus: Unamortized debt discount	101,728
Less: Unamortized premium	(62,720)
Plus: Unspent capital related debt proceeds	885,104
Total Invested in Capital Assets, Net of Related Debt	<u>115,039,700</u>
Restricted	
Redemption	1,213,953
Replacement	<u>1,310,681</u>
Total Restricted	<u>2,524,634</u>
Unrestricted	<u>12,672,275</u>
Total Business-type Activities Net Assets	<u>\$ 130,236,609</u>

I. OTHER ASSETS

Other assets of the electric and water, wastewater, and stormwater utilities are comprised of the following:

	Depreciation Rate	Cost
Non-Utility Property		
South Street Property		
Land	N/A	\$ 20,000
House	10%	80,000
Accumulated depreciation		(80,000)
Other		
ATC, LLC investment	N/A	6,011,095
Unamortized debt issuance expense	N/A	101,728
Lift station fees	N/A	91,766
Special assessments receivable	N/A	<u>23,379</u>
Total		<u>\$ 6,247,968</u>

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

J. COMPONENT UNITS

COMMUNITY DEVELOPMENT AUTHORITY

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

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

a. Basis of Accounting/Measurement Focus

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

b. Deposits and Investments

At year end, the carrying amount of the CDA's deposits was \$0.

c. Restricted Assets

Portions of the lease revenue bond proceeds were deposited into debt service redemption accounts and reserve accounts. The reserve accounts are resources set aside to make up potential future debt service deficiencies. These accounts have been established in the tax incremental district funds as follows:

	<u>TID No. 6</u>	<u>TID No. 7</u>	<u>TID No. 8</u>	<u>Total</u>
Reserve account	\$ 161,935	\$ 684,700	\$ 1,707,890	\$ 2,554,525
Debt service redemption account	<u>-</u>	<u>-</u>	<u>17</u>	<u>17</u>
Total Restricted Assets	<u>\$ 161,935</u>	<u>\$ 684,700</u>	<u>\$ 1,707,907</u>	<u>\$ 2,554,542</u>

d. Long-Term Obligations

Lease Revenue Bonds

The CDA has pledged future lease revenues, net of specified operating expenses, to repay \$22.5 million in lease revenue bonds issued in 2000 through 2009. Proceeds from the bonds provided financing for the various projects of the city. The bonds are payable solely from lease revenues and are payable through 2025. Annual principal and interest payments on the bonds are expected to require 100% of net revenues. The total principal and interest remaining to be paid on the bonds is \$29,975,580. Principal and interest paid for the current year and total customer net revenues were \$2,029,057 and \$904,057, respectively.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

J. COMPONENT UNIT (cont.)

COMMUNITY DEVELOPMENT AUTHORITY (cont.)

d. Long-Term Obligations (cont.)

Lease Revenue Bonds (cont.)

The CDA has issued Community Development Lease Revenue Bonds for the purpose of providing financing for the City of Sun Prairie's Tax Increment Financing District No. 6, No. 7, and No. 8. All of the debt proceeds were transferred to TID No. 6, No. 7, and No. 8 for the purpose of financing various TID projects.

The Community Development Authority (CDA) of the City of Sun Prairie (a component unit of the city) is leasing improvements to the city. The lease payments are in the same amount as the CDA's debt payments on the 2000 series A, 2000 series B, 2003 series revenue bonds, 2005 series revenue bonds, 2006 series revenue bonds and 2009 series revenue bonds. Upon final payment of the bonds, title to the leased property will transfer to the city.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
2000 Series A	\$ 725,000	\$ -	\$ 365,000	\$ 360,000	\$ 360,000
2000 Series B	85,000	-	85,000	-	-
2003 Series	2,225,000	-	115,000	2,110,000	120,000
2005 Series	10,515,000	-	350,000	10,165,000	400,000
2006 Series	3,815,000	-	110,000	3,705,000	110,000
2009 Series	6,300,000	-	100,000	6,200,000	250,000
Totals	<u>\$ 23,665,000</u>	<u>\$ -</u>	<u>\$ 1,125,000</u>	<u>\$ 22,540,000</u>	<u>\$ 1,240,000</u>

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance December 31, 2010
2000 Series A	12/15/00	2/1/11	7.40-7.90%	\$ 1,535,000	\$ 360,000
2003 Series	12/22/03	8/1/23	2.10-4.60	2,500,000	2,110,000
2005 Series	3/23/05	8/1/24	2.70-4.40	10,965,000	10,165,000
2006 Series	3/28/06	8/1/25	3.50-4.25	3,865,000	3,705,000
2009 Series	7/14/09	2/1/22	1.20-4.50	6,300,000	6,200,000
Totals					<u>\$ 22,540,000</u>

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

J. COMPONENT UNIT (cont.)

COMMUNITY DEVELOPMENT AUTHORITY (cont.)

d. Long-Term Obligations (cont.)

Lease Revenue Bonds (cont.)

Debt service requirements to maturity are as follows:

	Principal	Interest	Totals
2011	\$ 1,240,000	\$ 874,619	\$ 2,114,619
2012	1,170,000	832,904	2,002,904
2013	1,265,000	798,489	2,063,489
2014	1,360,000	758,381	2,118,381
2015	1,430,000	712,454	2,142,454
2016-2020	8,655,000	2,666,928	11,321,928
2021-2025	7,420,000	791,805	8,211,805
Totals	<u>\$ 22,540,000</u>	<u>\$ 7,435,580</u>	<u>\$ 29,975,580</u>

e. Employee Retirement System

The CDA has no employees.

BUSINESS IMPROVEMENT DISTRICT

This report contains the Business Improvement District (BID), which is included as a component unit. Financial information is presented as a discrete column in the statement of net assets and statement of activities.

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

a. Basis of Accounting/Measurement Focus

The BID 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 BID's deposits was \$0.

c. Employee Retirement System

The BID has no employees.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE V - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Wisconsin Retirement System - Police Employees

All eligible police sworn employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% for Protective Occupations with Social Security, and 3.9% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for city employees covered by the system for the year ended December 31, 2010 was \$3,174,341; the employer's total payroll was \$12,476,759. The total required contribution for the year ended December 31, 2010 was \$523,766 or 16.5% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2009 and 2008 were \$479,067 and \$443,481, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

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

As of December 31, 2010, there was no pension related debt for the city.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

ICMA Defined Contribution Plan – City, Wastewater and Stormwater Utility Employees

Substantially all remaining full-time and regular part-time employees who work a minimum of 25 hours per week for the city, wastewater and stormwater utility are covered under pension plans funded through ICMA Retirement Corporation (IRS Section 401(a) plan). These plans are defined contribution plans. The total pension contribution for 2010 was \$823,318. The total covered payroll for the year ended December 31, 2010 was \$6,623,968. Total contributions for the years ended December 31, 2009 and 2008 were \$831,276 and \$799,145, respectively, equal to the required contributions for each year. Benefits for non-union employees are fully vested after five years and benefits for union employees are fully vested after seven years.

Single Employer Public Employee Retirement Plan – Electric and Water Utility Employees

Plan Description

The utility contributes to the City of Sun Prairie Water and Light Commission Pension Plan (Plan), which is a single-employer public employee defined benefit retirement plan. The utility established the Plan to provide retirement benefits for employees of the utility. The utility, together with employees covered under collective bargaining agreements, has the right at any time and from time to time to amend the Plan. The Plan does not issue a stand-alone financial report and is not included in the report of another entity.

Funding Policy

Employer contributions to the Plan are recognized on the accrual basis and are actuarially determined each year. The difference between the contribution made in 2010 and annual required contribution is due to actual rates of returns on investments lower than the assumed 5.00% rate. The Plan does not permit employees to make contributions.

All full-time employees over the age of 18, and having one year of service, are eligible to participate in the Plan. The normal retirement date is the first day of the month coincident with or following after age 65. Employees are eligible for benefits after age 55 with a minimum service of fifteen years. Benefits vest fully after five years of service after the age of 18 based on the plan year periods. Eligible employees are entitled to an annual retirement benefit in the form of single life annuity with ten years certain in an amount equal to 1.5% of future service times average monthly compensation plus 1% per year of past service times average monthly compensation. The maximum total number of years of service is 47. The past service amount is calculated on the years prior to January 1, 1989. The IRC 415 maximum annual benefit is \$195,000 and benefits are limited to 100% of compensation. Compensation is defined as the highest consecutive three year average salary over all service years up to a maximum annual salary of \$245,000.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Single Employer Public Employee Retirement Plan – Electric and Water Utility Employees (cont.)

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 308,570
Interest on net pension obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual pension cost	308,570
Contributions made	<u>(295,388)</u>
Increase in net pension obligation	13,182
Net Pension Obligation - Beginning of Year	<u>-</u>
Net Pension Obligation - End of Year	<u>\$ 13,182</u>

The annual required contribution for the current year was determined as part of the January 1, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.5% per year. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining liability was fully amortized as of December 31, 2010.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/10	\$ 308,570	95.7%	\$ 13,182
12/31/09	305,863	101.3%	-
12/31/08	256,280	101.5%	1,046

Membership of the plan at January 1, 2009, the date of the latest actuarial valuation, consisted of:

Retirees and beneficiaries receiving benefits	2
Terminated plan members entitled to, but not yet receiving benefits	1
Active plan members	<u>30</u>
Total	<u><u>33</u></u>

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Single Employer Public Employee Retirement Plan – Electric and Water Utility Employees (cont.)

Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2010	\$ 1,776,778	\$ 3,074,169	\$ 1,297,391	57.8 %	\$ 1,725,711	75.2 %
1/1/2009	1,108,728	2,745,497	1,636,769	40.4 %	1,533,027	106.8 %
1/1/2008	1,435,831	2,476,112	1,040,281	58.0 %	1,447,509	71.9 %

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to financial statements, will present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

Actuarial cost method	
Annual pension contribution	Individual aggregate
Actuarial accrued liability	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	1 year
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.0%
Projected salary increases	3.5%
Mortality	(1)

(1) Applicable Mortality Table as defined in Rev. Rul. 2007-67.

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. The city participates in a public entity risk pool called to provide coverage for losses from (general liability and auto risks). However, other risks, such as (torts; theft of, damage to, or destruction of assets; errors and omission; workers compensation; and health care of its employees) are accounted for and financed by the city in the general fund.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE V - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Public Entity Risk Pool

Wisconsin Municipal Insurance Commission (WMIC) Cities and Villages Mutual Insurance Company (CVMIC)

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC, and has numerous cities and villages as members.

The CVMIC is a municipal mutual insurance company established on September 19, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities. The city's share of such losses is less than 1%.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The city does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Financial statements of WMIC and CVMIC are available from: Cities and Village Mutual Insurance Company, 1250 South Sunnyslope Road, Suite 105, Brookfield, WI 53005.

The initial investment in WMIC is refundable upon withdrawal from the commission and has been reported at the original amount of \$343,740 in the general fund

The city pays an annual premium to CVMIC for its general liability insurance, which provides coverage up to \$5,000,000 per occurrence, less the city's retained liability. The city's retained liability is limited to \$37,500 per occurrence and an annual aggregate limit of \$150,000. An actuarially determined estimate has been recorded for this liability, as well as for claims incurred but not reported at December 31, 2010. These amounts were not recorded as they are not material to the government-wide financial statements.

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 SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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.

Long-Term Contracts - WPPI Energy

The electric utility is one of 51 WPPI Energy member municipalities located throughout the State of Wisconsin. On December 1, 1989, each initial WPPI Energy member commenced purchasing electric service from WPPI Energy under a long-term Power Supply Contract for Participating Members (long-term contract). Under the long-term contract, WPPI Energy is obligated to provide and sell, and each member is obligated to take and pay for, the electric power and energy required for the operation of each member's electric utility.

The long-term contract requires all WPPI Energy members to pay for power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover WPPI Energy's revenue requirement including power supply costs, administrative expenses and debt service. WPPI Energy's subsequent year's operating budget and rates are approved annually by its Board of Directors, consisting of representatives from each member. The members have agreed to charge rates to retail customers sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy constitute operating expenses of the utility payable from any operating and maintenance fund established for that system.

In 2002, all WPPI Energy members ratified a 13 year extension to their original 35 year contracts. The new contract expires at midnight on December 31, 2037.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract was \$414 million as of December 31, 2010.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE V - OTHER INFORMATION (cont.)

D. JOINT VENTURES

Multijurisdictional Public Safety Information System Commission (MPSISC)

The City of Sun Prairie, City of Fitchburg, City of Middleton, City of Verona, and the City of Monona jointly operate the Multijurisdictional Public Safety Information System Commission. On March 20, 2003, the City of Sun Prairie, City of Fitchburg and the City of Middleton executed an intergovernmental agreement under authority of Section 66.0301 of the Wisconsin Statutes. The City of Verona and City of Monona joined the joint venture in 2009. The commission adopts its own budget. Net operating costs including debt service are shared by the communities. The department is governed by the Intermunicipal Commission. The commission consists of one representative from each community. The transactions of the commission are not reflected in these financial statements. The city is the fiscal agent for MPSISC.

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

Cooperative Boundary Plan

On January 17, 2007, the City of Sun Prairie, the Town of Burke, the Village of DeForest, and the City of Madison executed an intergovernmental agreement under authority of Section 66.0307 of the Wisconsin Statutes.

The term and implementation phases within the plan recognize and attempt to balance the competing desires of the cities, the village, and the town and the existing town, village, and city property owners and residents. The plan provides for the eventual dissolution of the town after a protected period of up to 29 years, but allows early annexations within several areas to address near-term problems and opportunities.

The plan shall terminate on October 26, 2036, 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 plan can be obtained from the City of Sun Prairie.

E. OTHER POSTEMPLOYMENT BENEFITS

The city's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. This results in an other postemployment benefit (OPEB) for the retirees, commonly referred to as an implicit rate subsidy.

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the city and the union. The city makes the same monthly health insurance contribution on behalf of the retiree as it makes on behalf of all other active employees during that year. Administrative costs of the plan are financed through investment earnings.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE V - OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The city's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the city's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the city's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$	16,823
Interest on net OPEB obligation		1,240
Adjustment to annual required contribution		<u>(1,793)</u>
Annual OPEB cost		16,270
Contributions made		<u>(8,812)</u>
Increase in net OPEB obligation (asset)		7,458
Net OPEB Obligation (Asset) - Beginning of Year		<u>31,003</u>
Net OPEB Obligation (Asset) - End of Year	\$	<u><u>38,461</u></u> *

* The other post-employment benefits liability of \$30,957 is included in the non-current liabilities due in more than one year line in the Governmental Activities column on the Statement of Net Assets. The remaining \$7,504 relates to the Business-type Activities. This amount was not recorded as it is not material to these financial statements.

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2008	\$ 19,451	14%	\$ 16,769
December 31, 2009	20,122	29%	31,003
December 31, 2010	16,270	54%	38,461

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE V - OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The funded status of the plan as of January 1, 2010, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 101,327
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 101,327</u>
Funded ratio (actuarial value of plan assets/AAL)	-%
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan is understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% investment rate of return and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% after 9 years. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2010, was 30 years.

F. SUBSEQUENT EVENTS

The Public Service Commission of Wisconsin approved a PCAC roll-in amendment to the current electric rates effective May 4, 2011.

New wastewater rates were approved by the city council effective July 1, 2011.

CITY OF SUN PRAIRIE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE V - OTHER INFORMATION (cont.)

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SUN PRAIRIE

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
TAXES				
General property taxes	\$ 12,447,875	\$ 12,447,875	\$ 12,447,883	\$ 8
Room taxes	15,000	15,000	11,734	(3,266)
Payments in lieu of taxes	130,000	130,000	127,393	(2,607)
Interest on taxes	2,500	2,500	3,826	1,326
Other taxes	-	-	14,372	14,372
Total Taxes	<u>12,595,375</u>	<u>12,595,375</u>	<u>12,605,208</u>	<u>9,833</u>
INTERGOVERNMENTAL				
Police school liaison	96,282	96,282	118,879	22,597
State shared revenues	769,999	769,999	776,226	6,227
Fire insurance tax (2% fire dues)	75,000	75,000	73,294	(1,706)
State expenditure restraint	768,725	768,725	759,680	(9,045)
State aid - road allotment	1,474,956	1,474,956	1,475,431	475
State aid - connecting streets	53,345	53,345	53,244	(101)
State aid - exempt computer	108,789	108,789	109,296	507
State aid - EMS	3,500	3,500	7,542	4,042
State aid - police	35,000	35,000	65,648	30,648
State aid - recycling	60,000	60,000	60,542	542
County aid - libraries	356,166	356,166	369,310	13,144
Other county aid	-	-	1,500	1,500
Other grants	-	-	16,880	16,880
Total Intergovernmental	<u>3,801,762</u>	<u>3,801,762</u>	<u>3,887,472</u>	<u>85,710</u>
LICENSES AND PERMITS				
Liquor and malt beverage licenses	20,000	20,000	22,610	2,610
Operators' license	8,000	8,000	7,880	(120)
Electrical contractor licenses	5,500	5,500	5,690	190
Cigarette licenses	1,000	1,000	760	(240)
Dog and cat licenses	7,000	7,000	7,899	899
Building permits	80,500	80,500	51,060	(29,440)
Occupancy permits	4,000	4,000	2,200	(1,800)
Plumbing permits	58,500	58,500	28,460	(30,040)
Electrical permits	62,800	62,800	25,502	(37,298)
Heating and air conditioning permits	52,200	52,200	19,009	(33,191)
Street openings	3,500	3,500	3,850	350
Zoning permits and fees	20,000	20,000	8,263	(11,737)
Other licenses	7,000	7,000	7,663	663
Other permits	8,000	8,000	6,472	(1,528)
Total Licenses and Permits	<u>338,000</u>	<u>338,000</u>	<u>197,318</u>	<u>(140,682)</u>

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

CITY OF SUN PRAIRIE

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
FINES, FORFEITURES AND PENALTIES				
Court penalties and costs	\$ 122,500	\$ 122,500	\$ 133,213	\$ 10,713
Parking violations	<u>35,000</u>	<u>35,000</u>	<u>47,073</u>	<u>12,073</u>
Total Fines, Forfeitures and Penalties	<u>157,500</u>	<u>157,500</u>	<u>180,286</u>	<u>22,786</u>
PUBLIC CHARGES FOR SERVICES				
Clerk's fees	35,000	35,000	23,041	(11,959)
General government	-	-	68	68
Police department fees	10,000	10,000	11,730	1,730
Lifeskills program	6,440	6,440	6,580	140
Miscellaneous public works	9,500	9,500	6,852	(2,648)
Ambulance fees	814,000	814,000	631,724	(182,276)
Sewage inspection	2,500	2,500	1,455	(1,045)
Recycling	396,000	396,000	397,007	1,007
Animal pound	1,000	1,000	360	(640)
Engineer review fees	5,000	5,000	129	(4,871)
Swimming areas	-	-	45	45
Miscellaneous building inspection	6,000	6,000	25,794	19,794
Appliance collection	1,000	1,000	954	(46)
Township EMS fees	43,115	43,115	46,393	3,278
Miscellaneous engineering	3,000	3,000	3,697	697
Miscellaneous park fees	13,041	13,041	15,442	2,401
Park advertising fees	3,500	3,500	5,400	1,900
Summer recreation fees	107,460	107,460	112,136	4,676
Winter recreation fees	<u>33,680</u>	<u>33,680</u>	<u>43,583</u>	<u>9,903</u>
Total Public Charges for Services	<u>1,490,236</u>	<u>1,490,236</u>	<u>1,332,390</u>	<u>(157,846)</u>
SPECIAL ASSESSMENTS				
Interest on special assessments	2,500	2,500	3,766	1,266
Delinquent special assessments held by county	<u>12,500</u>	<u>12,500</u>	<u>17,376</u>	<u>4,876</u>
Total Special Assessments	<u>15,000</u>	<u>15,000</u>	<u>21,142</u>	<u>6,142</u>
INVESTMENT INCOME				
Investment income	<u>210,000</u>	<u>210,000</u>	<u>71,468</u>	<u>(138,532)</u>

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

CITY OF SUN PRAIRIE

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

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
MISCELLANEOUS				
Payment from utilities	\$ 173,400	\$ 173,400	\$ 173,344	\$ (56)
Sale of materials and equipment	15,000	15,000	133,654	118,654
Insurance dividends	15,000	15,000	104,281	89,281
Donations	-	-	20,728	20,728
Human resources chargebacks	2,000	2,000	2,000	-
Engineering chargebacks	15,000	15,000	49,070	34,070
Other miscellaneous	66,875	66,875	101,387	34,512
Total Miscellaneous	<u>287,275</u>	<u>287,275</u>	<u>584,464</u>	<u>297,189</u>
 Total Revenues	 <u>18,895,148</u>	 <u>18,895,148</u>	 <u>18,879,748</u>	 <u>(15,400)</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Mayor	27,538	27,538	26,283	1,255
Council	89,543	89,543	87,861	1,682
Municipal court	93,049	93,049	98,907	(5,858)
City attorney	239,670	239,670	275,060	(35,390)
Clerk	243,881	243,881	237,436	6,445
Elections	74,567	74,567	51,068	23,499
Administrator	287,939	287,939	293,669	(5,730)
Human resources	265,508	265,508	264,543	965
Finance	501,763	501,763	457,660	44,103
Building maintenance	478,708	478,708	493,731	(15,023)
Data processing	938,419	938,419	889,534	48,885
Risk management	347,000	347,000	320,416	26,584
Assessment of property	385,372	385,372	365,456	19,916
Total General Government	<u>3,972,957</u>	<u>3,972,957</u>	<u>3,861,624</u>	<u>111,333</u>
PUBLIC SAFETY				
Building inspection	402,814	402,814	430,071	(27,257)
Police	6,282,205	6,282,205	6,408,186	(125,981)
School patrol	94,500	94,500	88,396	6,104
Ambulance	1,298,859	1,298,859	1,302,218	(3,359)
Fire protection	311,607	311,607	287,535	24,072
Total Public Safety	<u>8,389,985</u>	<u>8,389,985</u>	<u>8,516,406</u>	<u>(126,421)</u>
PUBLIC WORKS				
Public works	2,381,450	2,381,450	2,604,420	(222,970)
Recycling	1,197,303	1,197,303	1,235,590	(38,287)
Engineering	572,340	572,340	577,932	(5,592)
Total Public Works	<u>4,151,093</u>	<u>4,151,093</u>	<u>4,417,942</u>	<u>(266,849)</u>

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

CITY OF SUN PRAIRIE

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
CULTURE, RECREATION AND EDUCATION				
Library	\$ 1,559,724	\$ 1,559,724	\$ 1,528,540	\$ 31,184
Museum administration	27,202	27,202	27,862	(660)
Senior citizen program	155,000	155,000	155,000	-
Youth/family commission	2,500	2,500	3,671	(1,171)
Parks and recreation	<u>1,039,536</u>	<u>1,039,536</u>	<u>1,051,046</u>	<u>(11,510)</u>
Total Culture, Recreation and Education	<u>2,783,962</u>	<u>2,783,962</u>	<u>2,766,119</u>	<u>17,843</u>
CONSERVATION AND DEVELOPMENT				
Planning	428,186	428,186	418,662	9,524
Forestry	43,321	43,321	39,071	4,250
Economic development	114,582	114,582	99,549	15,033
Other conservation and development	-	-	21,900	(21,900)
Total Conservation and Development	<u>586,089</u>	<u>586,089</u>	<u>579,182</u>	<u>6,907</u>
Total Expenditures	<u>19,884,086</u>	<u>19,884,086</u>	<u>20,141,273</u>	<u>(257,187)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(988,938)</u>	<u>(988,938)</u>	<u>(1,261,525)</u>	<u>(272,587)</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	20,000	-	-	-
Transfers in	1,280,000	1,250,000	1,390,766	140,766
Transfers out	<u>(81,000)</u>	<u>(88,500)</u>	<u>(92,659)</u>	<u>(4,159)</u>
Total Other Financing Sources (Uses)	<u>1,219,000</u>	<u>1,161,500</u>	<u>1,298,107</u>	<u>136,607</u>
Net Change in Fund Balance	230,062	172,562	36,582	(135,980)
FUND BALANCE - Beginning of Year	<u>6,682,540</u>	<u>6,682,540</u>	<u>6,682,540</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 6,912,602</u>	<u>\$ 6,855,102</u>	<u>\$ 6,719,122</u>	<u>\$ (135,980)</u>

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

CITY OF SUN PRAIRIE

PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN INFORMATION For the Year Ended December 31, 2010

SCHEDULE OF FUNDED STATUS - PENSION TRUST FUND

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age Normal	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2010	\$ 1,776,778	\$ 3,074,169	\$ 1,297,391	58%	\$ 1,725,711	75%
1/1/2009	1,108,728	2,745,497	1,636,769	40%	1,533,027	107%
1/1/2008	1,435,831	2,476,112	1,040,281	58%	1,447,509	72%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION TRUST FUND

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
12/31/2010	308,570	96%
12/31/2009	305,863	101%
12/31/2008	256,280	102%

SCHEDULE OF FUNDED STATUS - OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Frozen Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2010	\$ -	\$ 101,327	\$ 101,327	0.0%	N/A	N/A
12/31/2007	-	145,901	145,901	0.0%	N/A	N/A

The city is required to present the above information for the three most recent actuarial studies. The study completed as of January 1, 2010 was the second study performed for the city.

CITY OF SUN PRAIRIE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION December 31, 2010

BUDGETARY INFORMATION

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

Excess expenditures and other financing uses over appropriations are as follows:

	<u>Final Budget</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Municipal court	\$ 93,049	\$ 98,907	\$ 5,858
City attorney	239,670	275,060	35,390
Administrator	287,939	293,669	5,730
Building maintenance	478,708	493,731	15,023
Building inspection	402,814	430,071	27,257
Police	6,282,205	6,408,186	125,981
Ambulance	1,298,859	1,302,218	3,359
Public works	2,381,450	2,604,420	222,970
Recycling	1,197,303	1,235,590	38,287
Engineering	572,340	577,932	5,592
Museum administration	27,202	27,862	660
Youth/family commission	2,500	3,671	1,171
Parks and recreation	1,039,536	1,051,046	11,510
Other conservation and development	-	21,900	21,900
Transfers out	88,500	92,659	4,159

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SUPPLEMENTARY INFORMATION

CITY OF SUN PRAIRIE

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS December 31, 2010

	Special Revenue Funds			
	Park Improvement Fund	Wisconsin Development Fund	Transportation Impact Fee Fund	Grant Funds
ASSETS				
Cash and investments	\$ 911,086	\$ 93,366	\$ -	\$ -
Receivables				
Taxes	-	-	-	-
Accounts	880,224	-	-	116,929
Accrued interest	4,483	-	-	-
Loans	-	41,237	-	-
Due from other funds	1,770	1,040	641,115	43,782
Restricted cash and investments	-	-	-	-
TOTAL ASSETS	<u>\$ 1,797,563</u>	<u>\$ 135,643</u>	<u>\$ 641,115</u>	<u>\$ 160,711</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3,545	\$ -	\$ -	\$ 42,680
Accrued liabilities	-	-	-	-
Deposits	5,000	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Deferred revenues	878,414	-	-	9,630
Total Liabilities	<u>886,959</u>	<u>-</u>	<u>-</u>	<u>52,310</u>
Fund Balances				
Reserved	9,150	41,237	641,115	53,317
Unreserved				
Undesignated (deficit)	901,454	94,406	-	55,084
Total Fund Balances	<u>910,604</u>	<u>135,643</u>	<u>641,115</u>	<u>108,401</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,797,563</u>	<u>\$ 135,643</u>	<u>\$ 641,115</u>	<u>\$ 160,711</u>

Special Revenue Funds			Debt Service Funds		Capital Project Funds	
Cable Access Television Fund	Family Aquatic Center Fund	Library Fund	TID No. 5	TID No. 6	TID No. 7	TID No. 8
\$ -	\$ -	\$ 70,924	\$ 151,347	\$ -	\$ 303,594	\$ -
-	-	-	-	149,993	971,287	1,426,086
75,292	-	-	-	23,836	-	37,719
-	-	-	-	-	-	-
-	-	-	-	-	-	-
254,430	19,570	-	-	-	-	-
-	-	-	-	161,935	684,700	1,707,907
<u>\$ 329,722</u>	<u>\$ 19,570</u>	<u>\$ 70,924</u>	<u>\$ 151,347</u>	<u>\$ 335,764</u>	<u>\$ 1,959,581</u>	<u>\$ 3,171,712</u>
\$ 3,683	\$ 1,129	\$ -	\$ -	\$ -	\$ -	\$ 14
6,767	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	223	-	44,614	-	444,319
-	-	-	-	110,305	-	100,000
-	-	-	-	166,076	971,287	1,462,697
<u>10,450</u>	<u>1,129</u>	<u>223</u>	<u>-</u>	<u>320,995</u>	<u>971,287</u>	<u>2,007,030</u>
-	-	-	151,347	161,935	684,700	1,707,907
<u>319,272</u>	<u>18,441</u>	<u>70,701</u>	<u>-</u>	<u>(147,166)</u>	<u>303,594</u>	<u>(543,225)</u>
<u>319,272</u>	<u>18,441</u>	<u>70,701</u>	<u>151,347</u>	<u>14,769</u>	<u>988,294</u>	<u>1,164,682</u>
<u>\$ 329,722</u>	<u>\$ 19,570</u>	<u>\$ 70,924</u>	<u>\$ 151,347</u>	<u>\$ 335,764</u>	<u>\$ 1,959,581</u>	<u>\$ 3,171,712</u>

CITY OF SUN PRAIRIE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2010

	Capital Project Funds			Permanent Funds
	TID No. 9	TID No. 10	Development Projects	Ashley Trust Fund
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ 1,000
Receivables				
Taxes	-	-	-	-
Accounts	-	-	6,721	-
Accrued interest	-	-	-	-
Loans	-	-	-	-
Due from other funds	-	-	-	-
Restricted cash and investments	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,721</u>	<u>\$ 1,000</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deposits	-	-	-	-
Due to other funds	-	-	15,346	-
Advances from other funds	162,867	10,216	-	-
Deferred revenues	-	-	2,916	-
Total Liabilities	<u>162,867</u>	<u>10,216</u>	<u>18,262</u>	<u>-</u>
Fund Balances				
Reserved	-	-	-	1,000
Unreserved				
Undesignated (deficit)	<u>(162,867)</u>	<u>(10,216)</u>	<u>(11,541)</u>	<u>-</u>
Total Fund Balances	<u>(162,867)</u>	<u>(10,216)</u>	<u>(11,541)</u>	<u>1,000</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,721</u>	<u>\$ 1,000</u>

Permanent Funds		Total Nonmajor Governmental Funds
Library Trust Fund		
\$ 317,583	\$	1,848,900
-		2,547,366
-		1,140,721
-		4,483
-		41,237
223		961,930
-		<u>2,554,542</u>
<u>\$ 317,806</u>	<u>\$</u>	<u>9,099,179</u>

\$ -	\$	51,051
-		6,767
-		5,000
-		504,502
-		383,388
-		<u>3,491,020</u>
-		<u>4,441,728</u>

317,806		3,769,514
-		<u>887,937</u>
<u>317,806</u>		<u>4,657,451</u>

<u>\$ 317,806</u>	<u>\$</u>	<u>9,099,179</u>
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CITY OF SUN PRAIRIE

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

	Special Revenue Funds			
	Park Improvement Fund	Wisconsin Development Fund	Transportation Impact Fee Fund	Grant Funds
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 27,380
Intergovernmental	-	-	-	707,413
Licenses and permits	21,099	-	-	-
Public charges for services	19,287	-	12,117	3,575
Investment income	15,111	3,298	1,341	39
Miscellaneous	21,823	-	-	48,641
Total Revenues	<u>77,320</u>	<u>3,298</u>	<u>13,458</u>	<u>787,048</u>
EXPENDITURES				
Current				
Public safety	-	-	-	356,031
Public works	-	-	-	407,426
Culture, recreation and education	194,055	-	-	53,806
Conservation and development	-	-	-	38,229
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>194,055</u>	<u>-</u>	<u>-</u>	<u>855,492</u>
Excess (deficiency) of revenues over expenditures	<u>(116,735)</u>	<u>3,298</u>	<u>13,458</u>	<u>(68,444)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	92,659
Transfers out	(44,645)	-	-	(2,093)
Total Other Financing Sources (Uses)	<u>(44,645)</u>	<u>-</u>	<u>-</u>	<u>90,566</u>
Net Change in Fund Balances	(161,380)	3,298	13,458	22,122
FUND BALANCES (DEFICIT) - Beginning of Year	<u>1,071,984</u>	<u>132,345</u>	<u>627,657</u>	<u>86,279</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 910,604</u>	<u>\$ 135,643</u>	<u>\$ 641,115</u>	<u>\$ 108,401</u>

Special Revenue Funds			Debt Service Funds		Capital Project Funds	
Cable Access Television Fund	Family Aquatic Center Fund	Library Fund	TID No. 5	TID No. 6	TID No. 7	TID No. 8
\$ -	\$ -	\$ -	\$ -	\$ 145,433	\$ 842,885	\$ 1,275,698
-	-	-	-	177	19,092	4,615
348,948	-	-	-	-	-	-
-	219,506	60,374	-	-	-	12,844
503	66	162	346	-	275	19
10,660	225	6,610	-	49,654	-	1,566
<u>360,111</u>	<u>219,797</u>	<u>67,146</u>	<u>346</u>	<u>195,264</u>	<u>862,252</u>	<u>1,294,742</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
322,624	289,024	36,050	-	-	-	-
-	-	-	-	-	-	-
-	-	9,923	-	451	700	74,274
-	-	-	115,509	106,462	465,000	590,000
-	-	-	11,605	45,264	212,569	735,101
<u>322,624</u>	<u>289,024</u>	<u>45,973</u>	<u>127,114</u>	<u>152,177</u>	<u>678,269</u>	<u>1,399,375</u>
<u>37,487</u>	<u>(69,227)</u>	<u>21,173</u>	<u>(126,768)</u>	<u>43,087</u>	<u>183,983</u>	<u>(104,633)</u>
-	44,645	8,416	-	-	-	-
-	-	-	-	-	-	-
-	44,645	8,416	-	-	-	-
37,487	(24,582)	29,589	(126,768)	43,087	183,983	(104,633)
<u>281,785</u>	<u>43,023</u>	<u>41,112</u>	<u>278,115</u>	<u>(28,318)</u>	<u>804,311</u>	<u>1,269,315</u>
<u>\$ 319,272</u>	<u>\$ 18,441</u>	<u>\$ 70,701</u>	<u>\$ 151,347</u>	<u>\$ 14,769</u>	<u>\$ 988,294</u>	<u>\$ 1,164,682</u>

CITY OF SUN PRAIRIE

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

	Capital Project Funds			Permanent Funds
	TID No. 9	TID No. 10	Development Projects	Ashley Trust Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,732	1,609	-	-
Licenses and permits	-	-	-	-
Public charges for services	-	-	4,721	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>1,732</u>	<u>1,609</u>	<u>4,721</u>	<u>-</u>
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	-	-	7,559	-
Culture, recreation and education	-	-	-	-
Conservation and development	-	450	-	-
Capital Outlay	450	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	201,025	-	-	-
Total Expenditures	<u>201,475</u>	<u>450</u>	<u>7,559</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(199,743)</u>	<u>1,159</u>	<u>(2,838)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(199,743)</u>	<u>1,159</u>	<u>(2,838)</u>	<u>-</u>
FUND BALANCES (DEFICIT) - Beginning of Year	<u>36,876</u>	<u>(11,375)</u>	<u>(8,703)</u>	<u>1,000</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (162,867)</u>	<u>\$ (10,216)</u>	<u>\$ (11,541)</u>	<u>\$ 1,000</u>

Permanent Funds		Total Nonmajor Governmental Funds
Library Trust Fund		
\$ -	\$	2,291,396
-		734,638
-		370,047
-		332,424
33,589		54,749
-		139,179
<u>33,589</u>		<u>3,922,433</u>
-		356,031
-		414,985
-		895,559
-		38,679
-		85,798
-		1,276,971
-		<u>1,205,564</u>
-		<u>4,273,587</u>
<u>33,589</u>		<u>(351,154)</u>
-		145,720
<u>(8,416)</u>		<u>(55,154)</u>
<u>(8,416)</u>		<u>90,566</u>
25,173		(260,588)
<u>292,633</u>		<u>4,918,039</u>
<u>\$ 317,806</u>	<u>\$</u>	<u>4,657,451</u>

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CITY OF SUN PRAIRIE

COMBINING STATEMENT OF FIDUCIARY NET ASSETS AGENCY FUNDS December 31, 2010

	Tax Collection Fund	MPSISC	Totals
ASSETS			
Cash and investments	\$ 28,383,739	\$ 258,139	\$ 28,641,878
Taxes receivable	<u>10,704,498</u>	<u>-</u>	<u>10,704,498</u>
TOTAL ASSETS	<u>\$ 39,088,237</u>	<u>\$ 258,139</u>	<u>\$ 39,346,376</u>
LIABILITIES			
Due to other governments	<u>\$ 39,088,237</u>	<u>\$ 258,139</u>	<u>\$ 39,346,376</u>
TOTAL LIABILITIES	<u>\$ 39,088,237</u>	<u>\$ 258,139</u>	<u>\$ 39,346,376</u>

CITY OF SUN PRAIRIE

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

	Major Community Development Authority	Non-Major Business Improvement District	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from property owners	\$ -	\$ 100,479	\$ 100,479
Paid to suppliers for goods and services	-	(100,566)	(100,566)
Net Cash Flows From Operating Activities	-	(87)	(87)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	(1,125,000)	-	(1,125,000)
Interest paid	(904,057)	-	(904,057)
Capital lease payments received	1,125,000	-	1,125,000
Net Cash Flows From Capital and Related Financing Activities	(904,057)	-	(904,057)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	904,057	87	904,144
Net Change in Cash and Cash Equivalents	-	-	-
CASH AND CASH EQUIVALENTS - Beginning of Year	-	-	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -	\$ -	\$ -

**RECONCILIATION OF OPERATING LOSS TO
NET CASH FROM OPERATING ACTIVITIES**

	<u>Major</u> <u>Community</u> <u>Development</u> <u>Authority</u>	<u>Non-Major</u> <u>Business</u> <u>Improvement</u> <u>District</u>	<u>Totals</u>
Loss from operations	\$ -	\$ (11,964)	\$ (11,964)
Adjustments to reconcile loss to net cash flows from operating activities			
Change in assets and liabilities			
Taxes receivable	-	(22,828)	(22,828)
Due from primary government	-	29,152	29,152
Prepaid items	-	(2,333)	(2,333)
Accounts payable	-	(14,942)	(14,942)
Unearned revenues	-	22,828	22,828
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ (87)</u>	<u>\$ (87)</u>

NONCASH ACTIVITIES: None