

CITY OF SUN PRAIRIE

Sun Prairie, Wisconsin

FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2011

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, 2011, 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 previously 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

To the City Council
City of 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Baker Siley Vichow Krause, CPA

Madison, Wisconsin
July 16, 2012

**CITY OF SUN PRAIRIE
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011**

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, 2011. 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 3.1% in 2011 to \$186,733,252. The City's investment in capital assets, net of related debt was \$171,981,954 at the end of 2011. An additional \$8,258,764 was held for restricted purposes with \$6,492,534 in unrestricted net assets.
- At the end of 2011, the City's governmental activities reported a negative balance in unrestricted net assets of \$8,632,515. This is primarily due to expenditures for project costs for Tax Increment Financing District (TID) #8 from 2001 to 2009. These costs include significant non-capitalized redevelopment expenditures, which will be recovered through future tax increments. In addition, the City funded over \$1.7 million of capital asset additions in 2011 with current funds available. Long-term debt was issued in 2012 to fund these capital asset additions. Please see Note V. F. for further information on long-term debt issued in 2012.
- The City's general fund had a positive net change in fund balance of \$492,477 for 2011. The general fund's unassigned fund balance at the end of 2011 was \$2,460,710. The unassigned fund balance amount at the end of 2011 is at 11.9% of the general fund revenue budget. This is just below the City's goal for unassigned fund balance of 12.0% to 18.0%.
- The City has experienced a slowdown in the growth of property values in the past two years. Equalized value decreased by 0.8% in 2011 following a decrease of 5.1% in 2010. The City adopted a balanced budget for 2012 that does not include the use of unassigned fund balance. The total property tax levy for the 2011-2012 tax year remained the same as the prior year at \$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, 2011, the City had net assets (assets less liabilities) of \$186,733,252. This includes total assets of \$308,010,617 and total liabilities of \$121,277,365. Capital assets, which include land, buildings, building improvements, machinery and equipment, infrastructure, and construction in progress, account for 81.2% of the City's total assets. This represents both the City's investment in capital assets as well as improvements dedicated to the City by developers. Non-current liabilities account for 76.9% of City liabilities. This amount is comprised primarily of long-term debt that has been incurred to finance capital assets.

The following table provides a summary of the City's net assets for 2011 and 2010:

CITY OF SUN PRAIRIE NET ASSETS

	Governmental Activities		Business-Type Activities		Totals	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 36,370,439	\$ 42,014,183	\$ 21,643,032	\$ 19,624,437	\$ 58,013,471	\$ 61,638,620
Capital assets	<u>113,725,136</u>	<u>115,048,290</u>	<u>136,272,010</u>	<u>136,372,930</u>	<u>249,997,146</u>	<u>251,421,220</u>
Total assets	150,095,575	157,062,473	157,915,042	155,997,367	308,010,617	313,059,840
Non-current liabilities	72,276,962	81,643,801	21,008,663	22,617,829	93,285,625	104,261,630
Current and other liabilities	<u>24,978,481</u>	<u>24,467,533</u>	<u>3,013,259</u>	<u>3,142,929</u>	<u>27,991,740</u>	<u>27,610,462</u>
Total Liabilities	97,255,443	106,111,334	24,021,922	25,760,758	121,277,365	131,872,092
Net assets:						
Invested in capital assets,						
net of related debt	56,188,533	51,249,013	116,526,970	115,039,700	171,981,954	165,555,164
Restricted	5,284,114	5,458,596	2,974,650	2,524,634	8,258,764	7,983,230
Unrestricted (deficit)	<u>(8,632,515)</u>	<u>(5,756,470)</u>	<u>14,391,500</u>	<u>12,672,275</u>	<u>6,492,534</u>	<u>7,649,354</u>
Total net assets	<u>\$ 52,840,132</u>	<u>\$ 50,951,139</u>	<u>\$133,893,120</u>	<u>\$130,236,609</u>	<u>\$186,333,252</u>	<u>\$181,187,748</u>

The value of the total net assets of the City's governmental activities was \$52,840,132 at the end of 2011. All of those net assets are either restricted as to the purposes for which they can be used or are invested in capital assets. Consequently, unrestricted net assets had a deficit balance of \$8,632,515 at the end of the year. This deficit does not indicate a lack of resources on the City's part 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, 2011, TID No. 8 had an equalized value increment of \$55,421,600. 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 \$5,545,504 from fiscal year 2010 to 2011, an increase of 3.1%. Of this increase, net assets of the City's governmental activities increased by 3.7%, or \$1,888,993. The net assets of the business-type activities increased by 2.8%, or \$3,656,511.

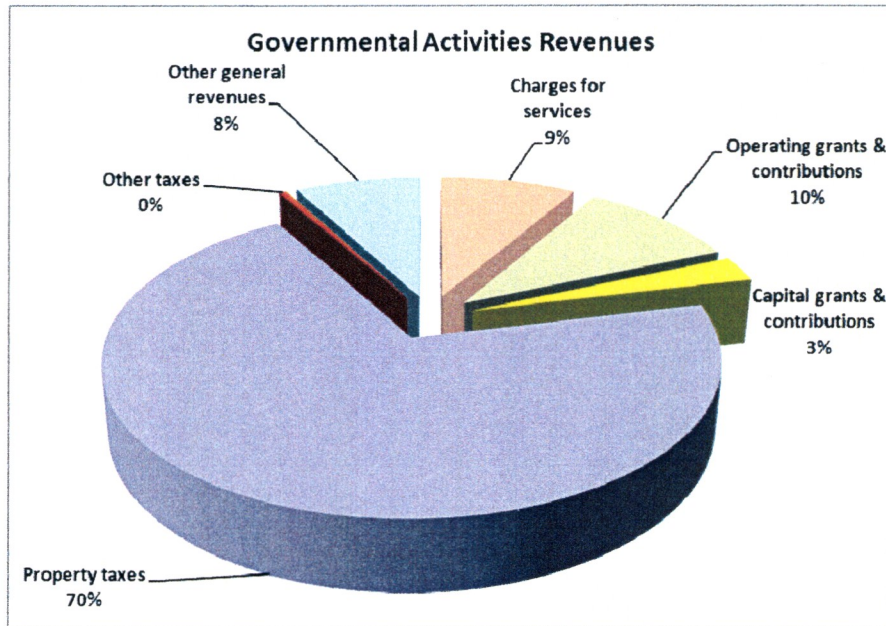
The following table provides a more detailed analysis of the City's change in net assets:

CITY OF SUN PRAIRIE CHANGE IN NET ASSETS

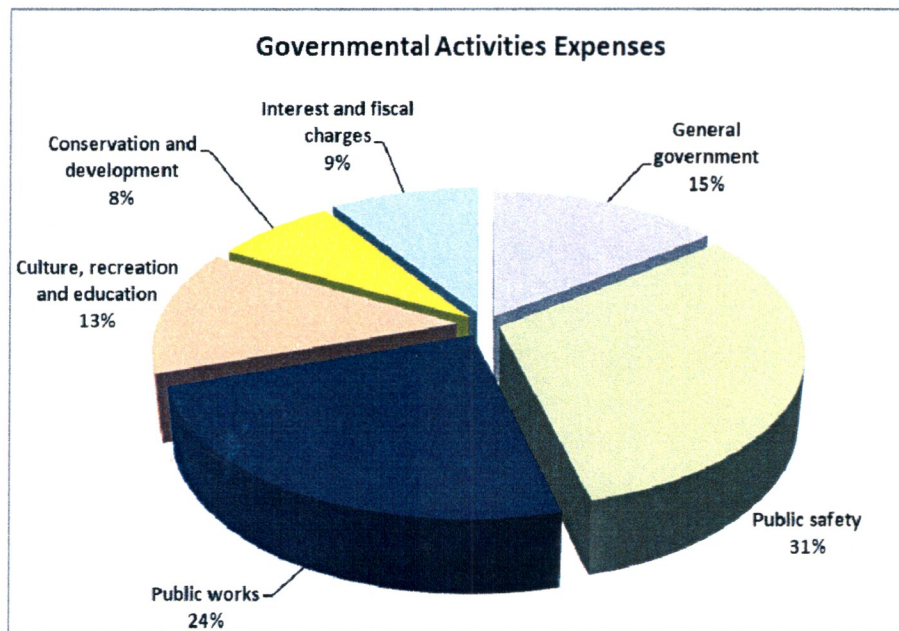
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	\$ 2,651,105	\$ 2,558,868	\$ 31,339,867	\$ 30,173,813	\$ 33,990,972	\$ 32,732,681
Operating grants & contributions	3,111,724	3,043,490	-	-	3,111,724	3,043,490
Capital grants & contributions	830,512	323,762	2,403,411	229,842	3,233,923	553,604
General revenues						
Property taxes	21,620,851	21,331,899	-	-	21,620,851	21,331,899
Other taxes	150,458	170,333	-	-	150,458	170,333
Other general revenues	<u>2,472,586</u>	<u>2,483,686</u>	<u>830,706</u>	<u>833,133</u>	<u>3,303,292</u>	<u>3,316,819</u>
Total revenues	30,837,236	29,912,038	34,573,984	31,236,788	65,411,220	61,148,826
Expenses						
General government	4,363,279	4,557,089	-	-	4,363,279	4,557,089
Public safety	9,384,120	9,597,113	-	-	9,384,120	9,597,113
Public works	7,134,201	6,778,695	-	-	7,134,201	6,778,695
Culture, recreation and education	3,969,135	4,057,376	-	-	3,969,135	4,057,376
Conservation and development	2,242,615	663,866	-	-	2,242,615	663,866
Interest and fiscal charges	2,802,054	3,026,544	-	-	2,802,054	3,026,544
Electric Utility	-	-	22,656,851	22,002,501	22,656,851	22,002,501
Water Utility	-	-	2,247,054	2,122,292	2,247,054	2,122,292
Telecommunications Utility	-	-	340,771	375,055	340,771	375,055
Wastewater Utility	-	-	3,270,402	3,356,293	3,270,402	3,356,293
Stormwater Utility	<u>-</u>	<u>-</u>	<u>1,455,234</u>	<u>1,420,257</u>	<u>1,455,234</u>	<u>1,420,257</u>
Total expenses	29,895,404	28,680,683	29,970,312	29,276,398	59,865,716	57,957,081
Increase in net assets						
before transfers	941,832	1,231,355	4,603,672	1,960,390	5,545,540	3,191,745
Transfers	<u>947,161</u>	<u>537,397</u>	<u>(947,161)</u>	<u>(537,397)</u>	<u>-</u>	<u>-</u>
Change in net assets	1,888,993	1,768,752	3,656,511	1,422,993	5,545,540	3,191,745
Net assets - beginning 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>
Net assets - end of the year	<u>\$ 52,840,132</u>	<u>\$ 50,951,139</u>	<u>\$ 133,893,120</u>	<u>\$ 130,236,609</u>	<u>\$ 186,733,252</u>	<u>\$ 181,187,748</u>

Governmental Activities

The City of Sun Prairie received a total of \$30,837,236 in governmental activities revenues in 2011. This was an increase of \$925,198 from the prior year. Property taxes remain the largest source of governmental activities revenues representing 70.1% of the total in 2011. Property tax revenue is used to finance the City's general fund, debt service, and TIF districts.



Total governmental activities expenses were \$29,895,404 in 2011. Public safety, including police, EMS, building inspection, and fire services, accounts for the largest share of City expenses at 31.4%. This is followed by public works with 23.8%, general government with 14.6%, culture, recreation and education with 13.3%, and conservation and development at 7.5%. Interest & fiscal charges make up the remaining 9.4%.

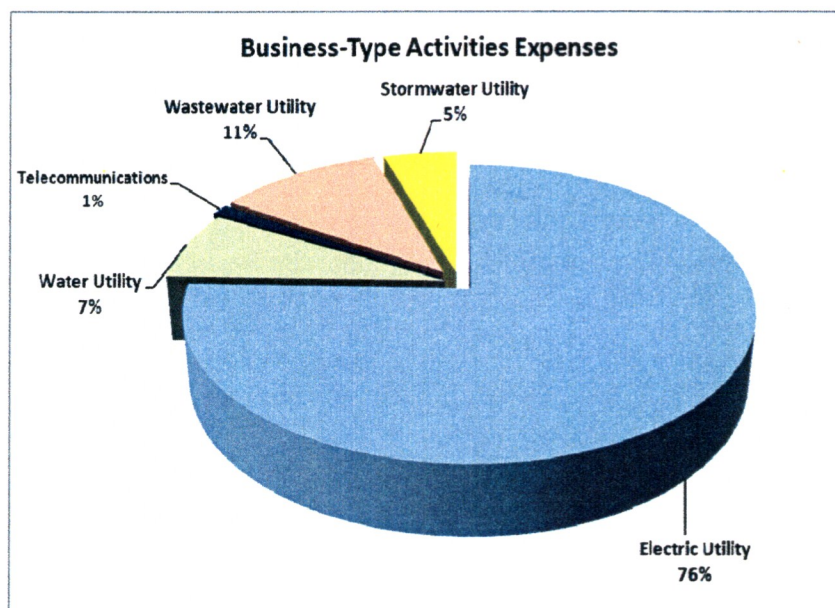
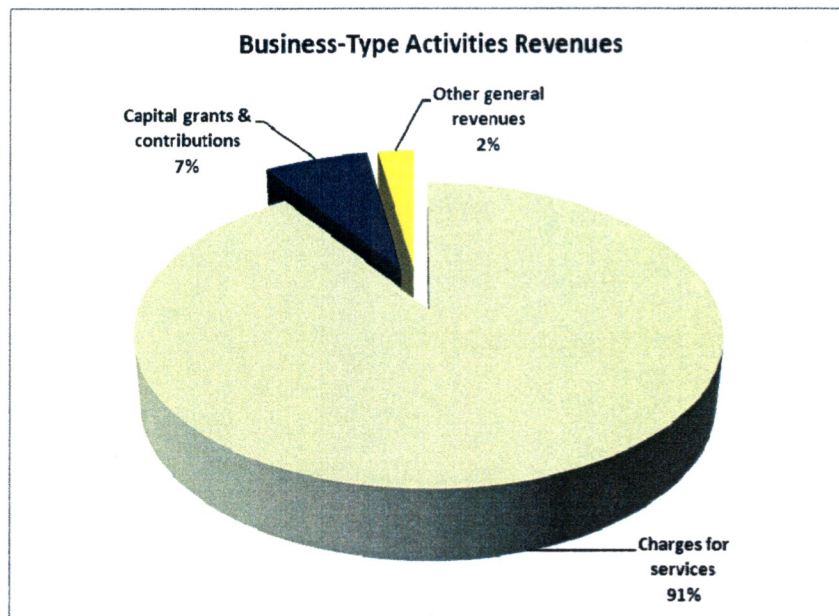


The following table provides a more detailed analysis of the City's change in net assets:

CITY OF SUN PRAIRIE CHANGE IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	\$ 2,651,105	\$ 2,558,868	\$ 31,339,867	\$ 30,173,813	\$ 33,990,972	\$ 32,732,681
Operating grants & contributions	3,111,724	3,043,490	-	-	3,111,724	3,043,490
Capital grants & contributions	830,512	323,762	2,403,411	229,842	3,233,923	553,604
General revenues						
Property taxes	21,620,851	21,331,899	-	-	21,620,851	21,331,899
Other taxes	150,458	170,333	-	-	150,458	170,333
Other general revenues	<u>2,472,586</u>	<u>2,483,686</u>	<u>830,706</u>	<u>833,133</u>	<u>3,303,292</u>	<u>3,316,819</u>
Total revenues	30,837,236	29,912,038	34,573,984	31,236,788	65,411,220	61,148,826
Expenses						
General government	4,363,279	4,557,089	-	-	4,363,279	4,557,089
Public safety	9,384,120	9,597,113	-	-	9,384,120	9,597,113
Public works	7,134,201	6,778,695	-	-	7,134,201	6,778,695
Culture, recreation and education	3,969,135	4,057,376	-	-	3,969,135	4,057,376
Conservation and development	2,242,615	663,866	-	-	2,242,615	663,866
Interest and fiscal charges	2,802,054	3,026,544	-	-	2,802,054	3,026,544
Electric Utility	-	-	22,656,851	22,002,501	22,656,851	22,002,501
Water Utility	-	-	2,247,054	2,122,292	2,247,054	2,122,292
Telecommunications Utility	-	-	340,771	375,055	340,771	375,055
Wastewater Utility	-	-	3,270,402	3,356,293	3,270,402	3,356,293
Stormwater Utility	<u>-</u>	<u>-</u>	<u>1,455,234</u>	<u>1,420,257</u>	<u>1,455,234</u>	<u>1,420,257</u>
Total expenses	29,895,404	28,680,683	29,970,312	29,276,398	59,865,716	57,957,081
Increase in net assets						
before transfers	941,832	1,231,355	4,603,672	1,960,390	5,545,540	3,191,745
Transfers	<u>947,161</u>	<u>537,397</u>	<u>(947,161)</u>	<u>(537,397)</u>	<u>-</u>	<u>-</u>
Change in net assets	1,888,993	1,768,752	3,656,511	1,422,993	5,545,540	3,191,745
Net assets - beginning 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>
Net assets - end of the year	<u>\$ 52,840,132</u>	<u>\$ 50,951,139</u>	<u>\$ 133,893,120</u>	<u>\$ 130,236,609</u>	<u>\$ 186,733,252</u>	<u>\$ 181,187,748</u>

Business-type Activities



Business-type activities include the City's water, electric and telecommunications, wastewater, and storm water utilities. In 2011, revenue for business-type activities totaled \$34,573,984. Charges for services were the largest revenue source for these operations, representing 90.6% of business-type activity revenues. Capital grants and contributions accounted for 7.0% of revenues with other general revenues representing 2.4%.

Net assets of Sun Prairie's electric, water and telecommunications utility increased by \$1,820,017, which represents a 3.2% increase over 2010. Combined operating revenues for the utility increased by 2.8%, or \$730,151. Operating expenses for the utility increased by \$758,392, or 3.1% from 2010.

Net assets of the wastewater utility increased by \$931,268, which represents a 2.6% increase from 2010. Wastewater utility operating revenues increased by \$296,701 in 2011. Operating expenses of the utility decreased by \$63,666, or 2.1%, from 2010.

Net assets of the City's storm water utility increased by \$905,226 during 2011, an increase of 2.4%. A significant portion of this increase is due to the 2011 capital contributions totaling \$1,096,995. Storm water utility operating revenues increased by \$139,202, or 12.4% while operating expenses increased by \$25,235, or 1.9%.

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 unassigned 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 2011, the combined fund balances for the City's governmental funds was \$11,329,405. Of this total, \$1,417,862 was nonspendable due to legal or contractual requirements. Restricted fund balance for government funds totaled \$5,882,542 at the end of 2011. In addition, the assigned fund balance at the end of 2011 was \$3,333,027. The 2011 payment in lieu of taxes due to the general fund from the electric and water utility represents \$1,492,212, or 44.8%, of the assigned fund balance. The amount of unassigned government fund balances at the end of 2011 was \$695,974. The general capital projects fund had a deficit balance of \$1,376,469 at the end of 2011 due to capital expenditures incurred in 2011 that are to be funded with long-term debt issued in 2012.

General Fund: The general fund is the primary operating fund of the City. Total fund balance as of December 31, 2011 was \$7,211,599, of which \$1,417,862 was nonspendable. Included in this amount is \$846,949 representing advances to TIF District funds. Assigned fund balance comprised another \$3,333,027 of the total fund balance. As noted previously, the 2011 payment in lieu of taxes due to the general fund from the electric and water utility represents \$1,492,212 of the assigned fund balance. Unassigned fund balance in the general fund at the end of 2011 was \$2,460,710, which represents 11.9% of general fund revenues. This is just below the City's target range of 12% to 18% to provide sufficient cash flow, stabilization, and emergency reserves.

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. The fund balance in the general debt service fund decreased by \$3,066,515 in 2011 due to debt proceeds that the city received in 2010 for the early retirement of debt in 2011. The fund balance at the end of 2011 was \$865,680. 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 Projects 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 \$2,325,469 in expenditures for this fund in 2011. The city issued long term debt in April 2012 to fund \$1,870,502 of the 2011 expenditures.

GENERAL FUND BUDGETARY ANALYSIS

The general fund budget is adopted at the function level of expenditure. In 2011, the general fund experienced a net increase in fund balance of \$492,477. Transfers into the general fund to close out the cable access television special revenue fund and the family aquatic center special revenue fund account for \$337,713 of the 2011 increase in fund balance.

Total general fund revenues exceeded the budget by \$296,292. Significant revenue variances for 2011 are noted below:

- **Intergovernmental Revenues: Surplus \$ 56,988**

The City received \$57,737 in unanticipated assistance from the Federal Emergency Management Agency (FEMA) for snow removal costs related to a blizzard in February of 2011. The City received \$34,122 in unanticipated grant assistance for energy-saving building and equipment improvements. The revenue surpluses were offset by shortfalls of \$17,858 in the State Recycling Grant, \$19,815 in State public safety grants and \$8,040 in the reimbursement from the Sun Prairie Area School District for the Police Liaison Officers.

- **Licenses and Permits: Surplus \$ 84,512**

The surplus in licenses and permits is due primarily to the \$60,200 in building permit fees for the Woodman's grocery store. Higher than anticipated cable franchise fees accounted for another \$17,648 of the surplus.

- **Public Charges for Services: Deficit \$ (94,468)**

Public charges for services represent fees charged for various City services including ambulance calls, recycling fees, recreation programs, inspections, and fees from the Family Aquatic Center. EMS ambulance fees fell short of the budget by \$101,820 for 2011. Although the number of calls and amounts billed are similar to 2010, the 2010 and 2011 budget significantly overestimated actual ambulance fee revenue.

- **Investment Income: Deficit \$ (92,283)**

Investment income fell short of the 2011 budget by \$92,283 due to lower interest rates on investments.

- **Miscellaneous Revenues: Surplus \$ 291,861**

Revenue from sales of equipment and materials contributed \$81,354 to the 2011 surplus in miscellaneous revenues. Insurance dividends and recoveries account for another \$88,635 of the surplus. Forfeitures from ICMA Retirement accounts related to employees who are no longer with the City account for another \$40,202 of unanticipated revenue. The 2010 refund payment from the Multi-Jurisdictional Public Safety Information Systems Consortium contributed \$28,785 to the surplus. Engineering chargebacks to utility funds for capital improvement projects account for \$16,510 of the revenue surplus. The remaining surplus is the result of less significant variances in various revenue accounts.

Total expenditures exceeded the budget by \$444,639 in 2011. Areas that experienced significant variances from the budget are noted below:

- **Contingency: Surplus \$ 158,846**

City ordinance requires the City to establish a Contingency budget each year at a minimum of 0.75% of General Fund revenues. The City Council did not approve any transfers from the Contingency Fund; therefore, it was available to offset deficits in other areas.

- **Police Department: Deficit \$ (130,492)**

The Police Department's total deficit for 2011 represents 1.9% of its total budget. Fuel costs for 2011 account for \$27,867 of the total deficit. The retirement payouts related to the retirement of one Police Assistant and one Sergeant account for approximately \$73,000 of the department's deficit. As a department, total overtime costs exceeded the budget by \$52,000; however, approximately half of this deficit was offset by savings in other operating accounts.

- **Public Works Department: Deficit \$ (299,081)**

Public Works expenditures exceeded the budget by \$299,081 for 2011; however, it should be noted that \$204,884 of this deficit was funded from replacement funds and unanticipated revenues, leaving a net deficit for Public Works of \$(94,197). The Fleet Division's repairs and maintenance expenditures exceeded the budget by \$64,914; however, \$31,379 of these costs were offset by unanticipated revenue from insurance reimbursements. The fuel budget for the Fleet Division exceeded the budget by \$21,543 for 2011 due to higher than anticipated fuel prices. The Fleet Division's vehicle purchases contributed \$91,132 to the expenditure deficit; however, this account was budgeted as such and the deficit was funded out of the vehicle replacement fund. The snow and ice control budget represents staff overtime costs, contracted services, equipment and materials for plowing and salting the City streets. Heavy snowfalls in 2011 contributed to a deficit of \$80,034 in the snow and ice control budget. FEMA assistance of \$57,737 helped to offset this deficit as well as a revenue surplus of \$24,636 in the sale of road salt to other governments. The utility costs for street lighting exceeded the budget by \$28,436 for 2011.

- **Parks and Recreation: Deficit \$ (76,564)**

Parks and Recreation had a total deficit of \$76,564 for 2011. The retirement payouts for the Parks Director account for approximately \$52,000 of this deficit. Deficits in the summer and winter recreation programs account for \$24,244 of the departmental deficit; however, these expenditures were offset by additional revenue for recreation programs.

- **Family Aquatic Center: Deficit \$ (50,812)**

The Family Aquatic Center's expenditures exceeded the budget by \$50,812 for 2011. A transfer from the Park Improvement Fund of \$17,084 offset the portion of the deficit related to capital equipment purchases. Expenditures for staff and other operating costs exceeded the budget by \$34,730 for 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the City of Sun Prairie had an investment in capital assets of \$249,997,146, net of accumulated depreciation, for all governmental and business-type activities of the City. This represents a decrease of 0.6% from the end of 2010. 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 storm water 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			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land/right-of-ways/easements	\$ 39,334,233	\$ 40,564,599	\$ 8,000,046	\$ 8,015,872	\$ 47,334,279	\$ 48,580,471
Land improvements	3,582,349	3,546,339	-	-	3,582,349	3,546,339
Buildings	28,112,391	27,961,755	-	-	28,112,391	27,961,755
Equipment	12,789,600	12,770,089	-	-	12,789,600	12,770,089
Infrastructure	70,601,586	68,739,024	-	-	70,601,586	68,739,024
Electric system	-	-	34,528,316	33,893,309	34,528,316	33,893,309
Water system	-	-	36,566,431	35,753,605	36,566,431	35,753,605
Telecommunications system	-	-	2,135,234	2,085,113	2,135,234	2,085,113
Wastewater system	-	-	55,444,835	54,840,567	55,444,835	54,840,567
Stormwater system	-	-	36,784,133	35,540,612	36,784,133	35,540,612
Construction in progress	<u>639,893</u>	<u>54,208</u>	<u>628,654</u>	<u>227,087</u>	<u>1,268,547</u>	<u>281,295</u>
Total capital assets	155,060,052	153,636,014	174,087,649	170,356,165	329,147,701	323,992,179
Less: Accumulated depreciation	<u>(41,334,916)</u>	<u>(38,587,724)</u>	<u>(37,815,639)</u>	<u>(33,983,235)</u>	<u>(79,150,555)</u>	<u>(72,570,959)</u>
Capital assets net of depreciation	<u>\$ 113,725,136</u>	<u>\$ 115,048,290</u>	<u>\$ 136,272,010</u>	<u>\$ 136,372,930</u>	<u>\$ 249,997,146</u>	<u>\$ 251,421,220</u>

In 2011, the City sold land in Tax Incremental District No. 8 to a developer resulting in the capital asset deletions \$1,284,066 from the land/right-of-ways/easements category. Major capital asset improvements within the City's governmental activities included \$1,850,597 for street additions and reconstruction, of which \$1,441,933 was financed by the City and \$408,664, which was financed by a private developer. The City also financed \$981,546 in machinery and equipment assets including snow plow vehicles, police squad cars, library collection materials, emergency services equipment, and information technology equipment.

In the City's business-type activities, major capital additions (prior to depreciation) include \$970,528 for the electric distribution plant, \$880,846 for the water transmission and distribution plant, \$635,658 for the wastewater treatment utility, and \$1,307,790 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, 2011 totaled \$51,038,170. In addition, the City had revenue debt outstanding of \$18,933,559 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 \$21,300,000 that are supported from revenues from the City's tax increment finance districts.

The City did not issue long-term debt in 2011. The City executed an authorizing resolution in 2011 to incur expenditures for several projects that were funded with long-term debt issued in April 2012. These projects included the reconstruction of the West Main Street and O’Keeffe Avenue intersection, the traffic signal installation at Grand Avenue and Prairie Lakes Avenue, and the traffic study for County Highway C.

The City’s outstanding general obligation bonds are rated Aa2 by Moody’s Investors Service. Moody’s defines an Aa2 rating as representing “high quality and very low credit risk.” In its April 10, 2012 rating analysis, Moody’s stated that factors contributing to the City’s high rating include a “stable financed and healthy General Fund reserve levels”, and the City’s “trend of conservative budgeting practices”. 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 5.0% of its total equalized valuation. Based on the City’s 2011 equalized valuation of \$2,455,733,700 the City’s statutory debt limit is \$122,786,685. The City was at 41.6% of its legal debt limit as of December 31, 2011.

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

CITY OF SUN PRAIRIE OUTSTANDING DEBT

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds and notes	\$ 49,358,170	\$ 57,565,980	\$ 1,680,000	\$ 1,875,000	\$ 51,038,170	\$ 59,440,980
Revenue bonds	-	-	18,933,559	20,365,488	18,933,559	20,365,488
Capital leases	<u>21,300,000</u>	<u>22,540,000</u>	<u>-</u>	<u>-</u>	<u>21,300,000</u>	<u>22,540,000</u>
Total	<u>\$ 70,658,170</u>	<u>\$ 80,105,980</u>	<u>\$ 20,613,559</u>	<u>\$ 22,240,488</u>	<u>\$ 91,271,729</u>	<u>\$ 102,346,468</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, 2011, the population is estimated at 29,433. This is an increase of 9,064 since 2000. During this period, the City’s population has grown by 44.5% 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. The Westside commercial center continues to grow with the additions of a Woodman’s grocery store and a Costco warehouse store, both planned to be completed in 2012.

From 2000 to 2008, Sun Prairie's tax base experienced average growth of 12.8% per year. From 2008 to 2011, the growth in Sun Prairie has leveled off. The economic downturn that began late in 2008 has resulted in an average decrease in total property value of 2.2% per year since the 2009 assessment year. The City's equalized property valuation decreased by 0.8% in 2011 to a total of \$2,455,733,700.

Despite the recent decline in 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 Dane County unemployment rate was 5.0% in 2011, below the state and federal rates of 7.5% and 8.9% 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 2011 property tax levy was \$19,257,832. The 2011 approved levy is \$182,930 below this limit.

The Sun Prairie City Council approved the 2012 budget which authorized general fund expenditures of \$20,606,400. The combined property tax levy was \$19,074,902, which is the same amount as the prior year. Due to a decline in property values, the City's portion of the mill rate increased by 4.0% to \$8.30 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.

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CITY OF SUN PRAIRIE

STATEMENT OF NET ASSETS As of December 31, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and investments	\$ 6,596,822	\$ 7,752,179	\$ 14,349,001	\$ -
Receivables (net)				
Taxes	22,691,910	-	22,691,910	72,000
Accounts	882,876	3,164,629	4,047,505	-
Accrued interest	23,088	2,759	25,847	348,843
Special assessments	94,147	18,445	112,592	9,251
Loans	85,262	-	85,262	-
Other	-	276,778	276,778	-
Due from primary government	-	-	-	51,795
Due from other governments	122,890	-	122,890	-
Internal balances	1,022,504	(1,022,504)	-	-
Capital leases receivable from primary government	-	-	-	21,300,000
Prepaid items and inventories	219,007	826,994	1,046,001	-
Investment in mutual insurance company	343,740	-	343,740	-
Restricted cash and investments	3,832,614	3,952,218	7,784,832	-
Other assets	455,579	6,671,534	7,127,113	-
Capital assets				
Land	37,673,838	7,983,192	45,657,030	-
Construction in progress	639,893	628,654	1,268,547	-
Easements	1,660,395	-	1,660,395	-
Property held for future use	-	16,854	16,854	-
Other capital assets, net of depreciation	<u>73,751,010</u>	<u>127,643,310</u>	<u>201,394,320</u>	-
Total Assets	<u>150,095,575</u>	<u>157,915,042</u>	<u>308,010,617</u>	<u>21,781,889</u>
LIABILITIES				
Accounts payable and accrued expenses	2,376,741	2,943,409	5,320,150	350,222
Deposits	76,937	10,475	87,412	-
Due to component units	51,795	-	51,795	-
Unearned revenue	22,473,008	59,375	22,532,383	81,251
Noncurrent liabilities				
Due within one year	7,025,031	1,680,037	8,705,068	1,170,000
Due in more than one year	<u>65,251,931</u>	<u>19,328,626</u>	<u>84,580,557</u>	<u>20,130,000</u>
Total Liabilities	<u>97,255,443</u>	<u>24,021,922</u>	<u>121,277,365</u>	<u>21,731,473</u>
NET ASSETS				
Invested in capital assets, net of related debt	56,188,533	116,526,970	171,981,954	-
Restricted for				
Debt service	324,716	-	324,716	-
Park improvement	1,030,259	-	1,030,259	-
Economic development	138,075	-	138,075	-
Impact fees	1,346,303	-	1,346,303	-
Grants	167,860	-	167,860	-
Library	60,327	-	60,327	-
TID purposes	1,907,435	-	1,907,435	-
Trusts	309,139	-	309,139	-
Bond covenants	-	2,974,650	2,974,650	-
Unrestricted (deficit)	<u>(8,632,515)</u>	<u>14,391,500</u>	<u>6,492,534</u>	<u>50,416</u>
TOTAL NET ASSETS	<u>\$ 52,840,132</u>	<u>\$ 133,893,120</u>	<u>\$ 186,733,252</u>	<u>\$ 50,416</u>

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 4,363,279	\$ 130,075	\$ 32,784	\$ -
Public safety	9,384,120	1,194,024	400,900	-
Public works	7,134,201	453,740	2,245,750	1,472,008
Culture, recreation and education	3,969,135	864,681	430,310	(641,496)
Conservation and development	2,242,615	8,585	1,980	-
Interest and fiscal charges	2,802,054	-	-	-
Total Governmental Activities	29,895,404	2,651,105	3,111,724	830,512
Business-type Activities				
Electric	22,656,851	23,431,527	-	48,235
Water	2,247,054	2,980,431	-	561,869
Telecommunications	340,771	461,290	-	-
Wastewater	3,270,402	3,206,451	-	983,375
Stormwater	1,455,234	1,260,168	-	809,932
Total Business-type Activities	29,970,312	31,339,867	-	2,403,411
Total Primary Government	\$ 59,865,716	\$ 33,990,972	\$ 3,111,724	\$ 3,233,923
Component Units				
Community Development Authority	\$ 852,331	\$ -	\$ -	\$ -
Business Improvement District	62,643	77,550	-	-
Total Component Units	\$ 914,974	\$ 77,550	\$ -	\$ -

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
\$ (4,200,420)	\$ -	\$ (4,200,420)	\$ -
(7,789,196)	-	(7,789,196)	-
(2,962,703)	-	(2,962,703)	-
(3,315,640)	-	(3,315,640)	-
(2,232,050)	-	(2,232,050)	-
(2,802,054)	-	(2,802,054)	-
<u>(23,302,063)</u>	<u>-</u>	<u>(23,302,063)</u>	<u>-</u>
-	822,911	822,911	-
-	1,295,246	1,295,246	-
-	120,519	120,519	-
-	919,424	919,424	-
-	<u>614,866</u>	<u>614,866</u>	-
-	<u>3,772,966</u>	<u>3,772,966</u>	-
<u>(23,302,063)</u>	<u>3,772,966</u>	<u>(19,529,097)</u>	-
-	-	-	(852,331)
-	-	-	<u>14,907</u>
-	-	-	<u>(837,424)</u>
12,493,861	-	12,493,861	-
6,581,043	-	6,581,043	-
2,545,947	-	2,545,947	-
150,458	-	150,458	-
1,682,139	-	1,682,139	-
36,006	-	36,006	-
99,367	769,772	869,139	852,384
655,074	60,934	716,008	13,257
<u>947,161</u>	<u>(947,161)</u>	<u>-</u>	<u>-</u>
<u>25,191,056</u>	<u>(116,455)</u>	<u>25,074,601</u>	<u>865,641</u>
1,888,993	3,656,511	5,545,504	28,217
<u>50,951,139</u>	<u>130,236,609</u>	<u>181,187,748</u>	<u>22,199</u>
<u>\$ 52,840,132</u>	<u>\$ 133,893,120</u>	<u>\$ 186,733,252</u>	<u>\$ 50,416</u>

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2011

	General Fund	General Debt Service Fund	General Capital Projects Fund
ASSETS			
Cash and investments	\$ 3,174,767	\$ 1,356,275	\$ 771
Receivables			
Taxes	12,874,841	6,565,529	638,662
Accounts	477,508	1,545	-
Accrued interest	12,351	6,465	-
Special assessments	76,680	17,467	-
Loans	8,166	-	-
Due from other governments	122,890	-	-
Due from other funds	3,710,394	-	185,614
Prepaid items and inventories	219,007	-	-
Investment in mutual insurance company	343,740	-	-
Advances to other funds	846,949	-	-
Restricted cash and investments	-	-	-
TOTAL ASSETS	<u>\$ 21,867,293</u>	<u>\$ 7,947,281</u>	<u>\$ 825,047</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 542,296	\$ -	\$ 10,825
Accrued liabilities	495,033	-	-
Deposits	18,740	-	53,197
Due to other governments	204	-	-
Due to other funds	699,466	497,577	1,498,832
Due to component units	51,795	-	-
Advances from other funds	-	-	-
Deferred revenues	12,830,733	6,566,557	638,662
Deferred special assessments	17,427	17,467	-
Total Liabilities	<u>14,655,694</u>	<u>7,081,601</u>	<u>2,201,516</u>
Fund Balances			
Nonspendable	1,417,862	-	-
Restricted	-	865,680	-
Assigned	3,333,027	-	-
Unassigned (deficit)	2,460,710	-	(1,376,469)
Total Fund Balances	<u>7,211,599</u>	<u>865,680</u>	<u>(1,376,469)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,867,293</u>	<u>\$ 7,947,281</u>	<u>\$ 825,047</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 2,065,009	\$ 6,596,822
2,612,878	22,691,910
403,823	882,876
4,272	23,088
-	94,147
77,096	85,262
-	122,890
92,446	3,988,454
-	219,007
-	343,740
-	846,949
<u>3,832,614</u>	<u>3,832,614</u>
<u>\$ 9,088,138</u>	<u>\$ 39,727,759</u>

\$ 353,958	\$ 907,079
-	495,033
5,000	76,937
-	204
270,075	2,965,950
-	51,795
846,949	846,949
2,983,561	23,019,513
-	34,894
<u>4,459,543</u>	<u>28,398,354</u>

-	1,417,862
5,016,862	5,882,542
-	3,333,027
(388,267)	695,974
<u>4,628,595</u>	<u>11,329,405</u>

<u>\$ 9,088,138</u>	<u>\$ 39,727,759</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 As of December 31, 2011

Total Fund Balances - Governmental Funds	\$ 11,329,405
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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.	113,725,136
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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.	34,894
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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.	546,505
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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>(72,795,808)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 52,840,132</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, 2011

	General Fund	General Debt Service Fund	General Capital Projects Fund
REVENUES			
Taxes	\$ 12,629,170	\$ 6,581,043	\$ -
Intergovernmental	4,094,027	-	-
Licenses and permits	628,206	-	-
Fines, forfeitures and penalties	182,241	-	-
Public charges for services	1,711,663	-	-
Special assessments	42,880	6,956	-
Investment income	62,717	7,908	1,200
Miscellaneous	587,264	37,956	20,550
Total Revenues	<u>19,938,168</u>	<u>6,633,863</u>	<u>21,750</u>
EXPENDITURES			
Current			
General government	4,016,718	-	-
Public safety	8,547,107	-	-
Public works	4,787,128	-	-
Culture, recreation and education	3,453,683	-	-
Conservation and development	584,762	-	-
Capital Outlay	-	-	2,325,469
Debt Service			
Principal	-	8,053,462	-
Interest and fiscal charges	-	1,733,418	-
Total Expenditures	<u>21,389,398</u>	<u>9,786,880</u>	<u>2,325,469</u>
Excess (deficiency) of revenues over expenditures	<u>(1,451,230)</u>	<u>(3,153,017)</u>	<u>(2,303,719)</u>
OTHER FINANCING SOURCES (USES)			
Sale of property	11,000	-	-
Transfers in	2,087,909	86,502	-
Transfers out	(155,202)	-	(234,000)
Total Other Financing Sources (Uses)	<u>1,943,707</u>	<u>86,502</u>	<u>(234,000)</u>
Net Change in Fund Balances	492,477	(3,066,515)	(2,537,719)
FUND BALANCES - Beginning of Year	<u>6,719,122</u>	<u>3,932,195</u>	<u>1,161,250</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 7,211,599</u>	<u>\$ 865,680</u>	<u>\$ (1,376,469)</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 2,577,515	\$ 21,787,728
554,387	4,648,414
66,870	695,076
-	182,241
935,042	2,646,705
-	49,836
14,867	86,692
60,119	705,889
<u>4,208,800</u>	<u>30,802,581</u>
-	4,016,718
127,490	8,674,597
443,470	5,230,598
322,445	3,776,128
69,501	654,263
465,252	2,790,721
1,394,348	9,447,810
<u>1,142,153</u>	<u>2,875,571</u>
<u>3,964,659</u>	<u>37,466,406</u>
<u>244,141</u>	<u>(6,663,825)</u>
20,000	31,000
77,649	2,252,060
<u>(370,646)</u>	<u>(759,848)</u>
<u>(272,997)</u>	<u>1,523,212</u>
(28,856)	(5,140,613)
<u>4,657,451</u>	<u>16,470,018</u>
<u>\$ 4,628,595</u>	<u>\$ 11,329,405</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, 2011

Net change in fund balances - total governmental funds	\$ (5,140,613)
--	----------------

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	2,790,721
Some items reported as operating expenses in the fund financial statements, are capitalized in the government-wide statements.	918,967
Some items reported as capital outlay were transferred to the business-type activities	(610,410)
Depreciation is reported in the government-wide financial statements	(3,929,097)
Net book value of assets retired	(277,889)

Land sold for development at less than book value	(1,284,066)
---	-------------

Contributed capital assets are reported as revenues in the government-wide financial statements.	1,068,620
--	-----------

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	(1,081,884)
---	-------------

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.

Principal repaid	9,447,810
------------------	-----------

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.

Amortization of discount, premium and issuance costs	(35,948)
--	----------

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	(116,804)
Accrued interest on debt	145,589
Other post-employment benefits	(6,003)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,888,993</u>
--	----------------------------

CITY OF SUN PRAIRIE

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

	Business-type Activities - Enterprise Funds			
	Electric and Water Utility	Wastewater Utility	Stormwater Utility	Totals
ASSETS				
Current Assets				
Cash and investments	\$ 4,260,614	\$ -	\$ 1,669,694	\$ 5,930,308
Receivables				
Accounts	2,791,323	283,486	89,820	3,164,629
Accrued interest	409	2,350	-	2,759
Other	213,708	34,571	28,499	276,778
Due from other funds	499,805	1,720	427,536	929,061
Prepaid items	17,427	-	-	17,427
Inventories	809,567	-	-	809,567
Restricted Assets				
Cash and investments	631,530	854,548	-	1,486,078
Total Current Assets	<u>9,224,383</u>	<u>1,176,675</u>	<u>2,215,549</u>	<u>12,616,607</u>
Noncurrent Assets				
Restricted Assets				
Cash and investments	852,624	1,613,516	-	2,466,140
Capital Assets				
Land	170,405	194,278	7,618,509	7,983,192
Construction in progress	444,172	-	184,482	628,654
Property held for future use	16,854	-	-	16,854
Other capital assets	73,229,981	55,444,835	36,784,133	165,458,949
Less: Accumulated depreciation	(20,681,802)	(10,032,386)	(7,101,451)	(37,815,639)
Other Assets				
Cash and investments	-	1,821,871	-	1,821,871
Unamortized debt issuance expenses	74,203	11,112	1,511	86,826
Unearned revenues	-	-	59,375	59,375
Lift station fees receivable	-	91,766	-	91,766
Special assessments receivable	-	18,445	-	18,445
Other Property and Investments				
Non-utility property	52,651	-	-	52,651
Investment in ATC	6,380,916	-	-	6,380,916
Total Noncurrent Assets	<u>60,540,004</u>	<u>49,163,437</u>	<u>37,546,559</u>	<u>147,250,000</u>
Total Assets	<u>69,764,387</u>	<u>50,340,112</u>	<u>39,762,108</u>	<u>159,866,607</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	\$ 2,130,221	\$ 41,544	\$ 69,466	\$ 2,241,231
Other accrued liabilities	541,142	28,039	12,943	582,124
Deposits	10,475	-	-	10,475
Due to other funds	1,775,342	176,223	-	1,951,565
Current portion of general obligation debt	-	100,000	95,000	195,000
Liabilities Payable From Restricted Assets				
Revenue bonds payable	725,000	754,358	-	1,479,358
Accrued interest	77,028	48,705	-	125,733
Total Current Liabilities	<u>5,259,208</u>	<u>1,148,869</u>	<u>177,409</u>	<u>6,585,486</u>
Noncurrent Liabilities				
Long-Term Debt				
Revenue bonds payable	5,860,000	11,594,201	-	17,454,201
Unamortized debt premium	54,077	-	-	54,077
General obligation debt	-	755,000	730,000	1,485,000
Other Liabilities				
Compensated absences	253,798	75,918	1,893	331,609
Unearned revenues	-	-	59,375	59,375
Other accrued liabilities	3,739	-	-	3,739
Total Noncurrent Liabilities	<u>6,171,614</u>	<u>12,425,119</u>	<u>791,268</u>	<u>19,388,001</u>
Total Liabilities	<u>11,430,822</u>	<u>13,573,988</u>	<u>968,677</u>	<u>25,973,487</u>
NET ASSETS				
Invested in capital assets, net of related debt	47,450,506	32,414,280	36,662,184	116,526,970
Restricted for				
Bond covenants	555,291	2,419,359	-	2,974,650
Unrestricted	<u>10,327,768</u>	<u>1,932,485</u>	<u>2,131,247</u>	<u>14,391,500</u>
TOTAL NET ASSETS	<u>\$ 58,333,565</u>	<u>\$ 36,766,124</u>	<u>\$ 38,793,431</u>	<u>\$133,893,120</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, 2011

	Business-type Activities - Enterprise Funds			
	Electric and Water Utility	Wastewater Utility	Stormwater Utility	Totals
OPERATING REVENUES	<u>\$ 26,873,248</u>	<u>\$ 3,206,451</u>	<u>\$ 1,260,168</u>	<u>\$ 31,339,867</u>
OPERATING EXPENSES				
Operation and maintenance	22,919,699	1,622,152	527,972	25,069,823
Depreciation	<u>2,015,800</u>	<u>1,320,589</u>	<u>833,455</u>	<u>4,169,844</u>
Total Operating Expenses	<u>24,935,499</u>	<u>2,942,741</u>	<u>1,361,427</u>	<u>29,239,667</u>
Operating Income (Loss)	<u>1,937,749</u>	<u>263,710</u>	<u>(101,259)</u>	<u>2,100,200</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	754,631	11,844	3,297	769,772
Loss on sale of property	-	-	(65,556)	(65,556)
Interest and amortization expense	(309,177)	(327,661)	(28,251)	(665,089)
Miscellaneous	<u>60,934</u>	<u>-</u>	<u>-</u>	<u>60,934</u>
Total Nonoperating Revenues (Expenses)	<u>506,388</u>	<u>(315,817)</u>	<u>(90,510)</u>	<u>100,061</u>
Income (Loss) Before Contributions and Transfers	<u>2,444,137</u>	<u>(52,107)</u>	<u>(191,769)</u>	<u>2,200,261</u>
CONTRIBUTIONS AND TRANSFERS				
Capital contributions	610,104	983,375	809,932	2,403,411
Capital contributions - from municipal	257,988	-	352,422	610,410
Capital contributions - to municipal	-	-	(65,359)	(65,359)
Transfers out	<u>(1,492,212)</u>	<u>-</u>	<u>-</u>	<u>(1,492,212)</u>
Total Contributions and Transfers	<u>(624,120)</u>	<u>983,375</u>	<u>1,096,995</u>	<u>1,456,250</u>
Change in Net Assets	1,820,017	931,268	905,226	3,656,511
NET ASSETS - Beginning of Year	<u>56,513,548</u>	<u>35,834,856</u>	<u>37,888,205</u>	<u>130,236,609</u>
NET ASSETS - END OF YEAR	<u>\$ 58,333,565</u>	<u>\$ 36,766,124</u>	<u>\$ 38,793,431</u>	<u>\$ 133,893,120</u>

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

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

	Business-type Activities - Enterprise Funds			
	Electric and Water Utility	Wastewater Utility	Stormwater Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from customers	\$ 27,048,850	\$ 3,224,622	\$ 846,851	\$ 31,120,323
Received from municipality for services	316,034	-	-	316,034
Paid to suppliers for goods and services	(21,813,374)	(933,821)	(304,137)	(23,051,332)
Paid to employees for services	(1,185,284)	(538,299)	(164,155)	(1,887,738)
Net Cash Flows From Operating Activities	<u>4,366,226</u>	<u>1,752,502</u>	<u>378,559</u>	<u>6,497,287</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	514,586	16,368	3,595	534,549
Investment in ATC	(132,507)	-	-	(132,507)
Investments purchased	(526,510)	(507,824)	-	(1,034,334)
Investments sold and matured	<u>530,742</u>	<u>500,575</u>	<u>-</u>	<u>1,031,317</u>
Net Cash Flows From Investing Activities	<u>386,311</u>	<u>9,119</u>	<u>3,595</u>	<u>399,025</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Paid to municipality for tax equivalent Transfers In (Out)	(1,388,674)	-	-	(1,388,674)
Net Cash Flows From Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>(65,359)</u>	<u>(65,359)</u>
	<u>(1,388,674)</u>	<u>-</u>	<u>(65,359)</u>	<u>(1,454,033)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt retired	(695,000)	(836,929)	(95,000)	(1,626,929)
Interest paid	(311,262)	(329,298)	(28,365)	(668,925)
Special assessments received	-	4,934	-	4,934
Acquisition and construction of utility plant	(1,519,644)	(40,463)	(158,164)	(1,718,271)
Contributions received for construction	108,721	388,180	-	496,901
Proceeds from sale of assets	17,685	-	-	17,685
Salvage on retirement of plant	<u>-</u>	<u>-</u>	<u>(32,428)</u>	<u>(32,428)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(2,399,500)</u>	<u>(813,576)</u>	<u>(313,957)</u>	<u>(3,527,033)</u>
Net Change in Cash and Cash Equivalents	<u>964,363</u>	<u>948,045</u>	<u>2,838</u>	<u>1,915,246</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>3,629,328</u>	<u>2,834,066</u>	<u>1,666,856</u>	<u>8,130,250</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,593,691</u>	<u>\$ 3,782,111</u>	<u>\$ 1,669,694</u>	<u>\$ 10,045,496</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)	\$ 1,937,749	\$ 263,710	\$ (101,259)	\$ 2,100,200
Nonoperating revenue	57,103	-	-	57,103
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities				
Depreciation	2,015,800	1,320,589	833,455	4,169,844
Depreciation charged to clearing and other funds	157,356	-	-	157,356
Changes in assets and liabilities				
Accounts receivable	464,442	(39,743)	(5,601)	419,098
Other accounts receivable	(11,021)	7,474	1,917	(1,630)
Due to/from other funds	33,905	225,903	(413,923)	(154,115)
Other assets	(137,536)	-	-	(137,536)
Accounts payable	(65,641)	(20,517)	59,992	(26,166)
Other accrued liabilities	-	(935)	1,446	511
Deposits	701	-	-	701
Other current liabilities	106,687	-	2,532	109,219
Compensated absences	(193,319)	(3,979)	-	(197,298)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 4,366,226</u>	<u>\$ 1,752,502</u>	<u>\$ 378,559</u>	<u>\$ 6,497,287</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS				
Cash and investments - statement of net assets	\$ 4,260,614	\$ -	\$ 1,669,694	\$ 5,930,308
Restricted cash and investments - statement of net assets	1,484,154	2,468,064	-	3,952,218
Other assets - cash and investments - statement of net assets	-	1,821,871	-	1,821,871
Total Cash and Investments	5,744,768	4,289,935	1,669,694	11,704,397
Less: Noncash equivalents	(1,151,077)	(507,824)	-	(1,658,901)
CASH AND CASH EQUIVALENTS	<u>\$ 4,593,691</u>	<u>\$ 3,782,111</u>	<u>\$ 1,669,694</u>	<u>\$ 10,045,496</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Developer financed additions to utility plant	\$ -	\$ 595,195	\$ 809,932	
Municipal financed additions to utility plant	\$ -	\$ -	\$ 352,422	
Capital contributions	\$ 759,371	\$ -	\$ -	
Dividends reinvested in ATC	\$ 237,314	\$ -	\$ -	

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

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

	Pension Trust Fund	Agency Funds
CURRENT ASSETS		
Cash and investments	\$ -	\$ 27,502,186
Taxes receivable	-	13,711,475
NON-CURRENT ASSETS		
Restricted Assets		
Variable annuity	1,714,995	-
Receivable from electric and water utility	302,743	-
Cash surrender value of life insurance	125,962	-
TOTAL ASSETS	<u>\$ 2,143,700</u>	<u>\$ 41,213,661</u>
LIABILITIES		
Due to other governments	<u>\$ -</u>	<u>\$ 41,213,661</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 2,143,700</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, 2011

	Pension Trust Fund
ADDITIONS	
Employer contributions	\$ 321,462
Increase in cash surrender value of insurance	756
Investment income (loss)	(110,761)
Total Additions	<u>211,457</u>
DEDUCTIONS	
Other contractual	<u>5,536</u>
Total Deductions	<u>5,536</u>
CHANGE IN NET ASSETS	205,921
NET ASSETS - Beginning of Year	<u>1,937,779</u>
NET ASSETS - END OF YEAR	<u>\$ 2,143,700</u>

CITY OF SUN PRAIRIE

STATEMENT OF NET ASSETS COMPONENT UNITS As of December 31, 2011

	<u>Major</u>	<u>Non-Major</u>	
	Community Development Authority	Business Improvement District	Totals
ASSETS			
Receivables			
Taxes	\$ -	\$ 72,000	\$ 72,000
Accrued interest	348,843	-	348,843
Delinquent special assessments	-	9,251	9,251
Due from primary government	-	51,795	51,795
Prepaid items	-	-	-
Capital lease receivable from primary government	21,300,000	-	21,300,000
Total Assets	<u>21,648,843</u>	<u>133,046</u>	<u>21,781,889</u>
LIABILITIES			
Liabilities			
Accounts payable	-	1,379	1,379
Accrued interest payable	348,843	-	348,843
Unearned revenues	-	81,251	81,251
Noncurrent Liabilities			
Due within one year	1,170,000	-	1,170,000
Due in more than one year	20,130,000	-	20,130,000
Total Liabilities	<u>21,648,843</u>	<u>82,630</u>	<u>21,731,473</u>
NET ASSETS			
Unrestricted	<u>-</u>	<u>50,416</u>	<u>50,416</u>
TOTAL NET ASSETS	<u>\$ -</u>	<u>\$ 50,416</u>	<u>\$ 50,416</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, 2011

	<u>Major</u> Community Development Authority	<u>Non-Major</u> Business Improvement District	<u>Totals</u>
OPERATING REVENUES			
Special assessments	\$ -	\$ 77,550	\$ 77,550
Miscellaneous	-	13,257	13,257
Total Operating Revenues	-	90,807	90,807
OPERATING EXPENSES			
Conservation and development	-	62,643	62,643
Total Operating Expenses	-	62,643	62,643
Operating Income	-	28,164	28,164
NONOPERATING REVENUES (EXPENSES)			
Investment income	852,331	53	852,384
Interest and fiscal charges	(852,331)	-	(852,331)
Total Nonoperating Revenues (Expenses)	-	53	53
Change in Net Assets	-	28,217	28,217
NET ASSETS - Beginning of Year	-	22,199	22,199
NET ASSETS - END OF YEAR	<u>\$ -</u>	<u>\$ 50,416</u>	<u>\$ 50,416</u>

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

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CITY OF SUN PRAIRIE

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

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of 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, 2011. The CDA does not issue separate financial statements.

CITY OF SUN PRAIRIE

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

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, 2011. 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 February 2009, the GASB issued statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications based primarily on the extent to which the government is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

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

Government-Wide Financial Statements

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

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

CITY OF SUN PRAIRIE

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

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

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

Fund Financial Statements

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 and report all financial resources except those accounted for and reported in another fund.
- General Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise 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 As of and for the Year Ended December 31, 2011

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

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

Fund Financial Statements (cont.)

The city reports the following nonmajor governmental funds:

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

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 and report financial resources that are restricted, committed, or assigned to expenditures for 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 and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Tax Incremental District (TID) No. 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 account for and report resources that are 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

CITY OF SUN PRAIRIE

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

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

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

Fund Financial Statements (cont.)

In addition, the city reports the following fund types:

Pension (and other employee benefit) trust fund is used to account for and 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

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

Tax Collection Fund

Multijurisdictional Public Safety Information System Commission (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.

CITY OF SUN PRAIRIE

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

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

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

Fund Financial Statements

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

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

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues. 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.

CITY OF SUN PRAIRIE

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

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

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

Fund Financial Statements (cont.)

The 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.

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.

CITY OF SUN PRAIRIE

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

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

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

1. Deposits and Investments (cont.)

- 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.

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.

CITY OF SUN PRAIRIE

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

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

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

1. Deposits and Investments (cont.)

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2011, the fair value of the city's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

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 - 2011 tax roll:

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

Accounts receivable have been shown net of an allowance for uncollectible accounts. 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.

CITY OF SUN PRAIRIE

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

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

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

2. Receivables (cont.)

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 nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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 nonspendable fund balance in the general fund and restricted fund balance in other funds with loan balances. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted 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.

CITY OF SUN PRAIRIE

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

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

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

5. 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.

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

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

Buildings	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 \$1,821,871 held for future capital assets by internal policies.

CITY OF SUN PRAIRIE

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

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

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

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.

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, 2011, 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 \$5,454,000, made up of two issues.

CITY OF SUN PRAIRIE

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

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

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

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	\$ 56,188,533	\$116,526,970	\$ (733,549)	\$171,981,954
Unrestricted (deficit)	(8,632,515)	14,391,500	733,549	6,492,534

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 As of and for the Year Ended December 31, 2011

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

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

10. Equity Classifications (cont.)

Fund Statements

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

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

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

CITY OF SUN PRAIRIE

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

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

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

10. Equity Classifications (cont.)

Fund Statements (cont.)

The Council has formally established stabilization and emergency reserve funds. The stabilization and emergency reserve funds are contained as unassigned fund balances within the general fund and are included in each annual budget. The stabilization fund shall not be used except to maintain current service levels or to help transition slower expenditure growth in response to a decrease in general fund non-property tax revenues. The emergency reserve fund shall be used to respond to one-time unforeseen emergencies. Additions to the stabilization and emergency reserve funds are required when the fund balance for each declines below 6% of the prior year's budgeted general fund revenues.

The City has a formal minimum fund balance policy. That policy is to maintain a working capital fund of 12%-18% of the prior year's budgeted general fund revenues. The balance at year end was \$2,460,710, or 12%, and is included in unassigned general fund balance.

See Note IV. H. for further information.

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	\$	49,358,170
Capital leases		21,300,000
Compensated absences		1,402,670
Accrued interest		974,425
Unamortized debt discount, premium and issue costs		(276,417)
Other post-employment benefits		<u>36,960</u>
Combined Adjustment for Long-Term Liabilities	\$	<u>72,795,808</u>

CITY OF SUN PRAIRIE

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

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 \$66,285. Budgets are adopted at the functional level of expenditure.

B. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
General fund	\$ 21,098,761	\$ 21,544,600	\$ 445,839
General debt service fund	6,626,262	9,786,880	3,160,618
Transportation impact fee	-	51,275	51,275
Library fund	50,000	72,533	22,533
TID No. 7 - capital projects	695,230	754,896	59,666
TID No. 8 - capital projects	1,395,443	1,641,877	246,434
TID No. 10 - capital projects	450	470	20
Development projects	10,000	29,089	19,089

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 As of and for the Year Ended December 31, 2011

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, 2011, the following non-major individual funds held a deficit balance:

Fund	Amount	Reason
TID No. 9 - capital projects	\$ 363,439	Excess expenditures over revenues
TID No. 10 - capital projects	9,073	Excess expenditures over revenues
Development projects	15,755	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 32 (2011), legislation was passed that limits the city's future tax levies. Generally the city is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the city's equalized value due to new construction or zero percent for the 2011 levy collected in 2012 and thereafter. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions.

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 As of and for the Year Ended December 31, 2011

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	\$ 29,128,091	\$ 29,608,943	Custodial credit risk
Stock mutual funds	277,504	277,504	N/A
Money market	3,029,494	2,943,375	Custodial credit risk
LGIP	17,189,624	17,189,624	Credit risk, interest rate risk
Variable annuity	1,714,995	1,714,995	Credit risk, interest rate risk
Petty cash	11,306	-	N/A
Total Deposits and Investments	\$ 51,351,014	\$ 51,734,441	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 14,349,001		
Restricted cash and investments	7,784,832		
Per statement of net assets- fiduciary funds			
Pension Trust Fund	1,714,995		
Agency Fund	27,502,186		
Total Deposits and Investments	\$ 51,351,014		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction accounts.

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. \$1,755,241 of the city's investments are covered by SIPC.

CITY OF SUN PRAIRIE

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk

Deposits

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

As of December 31, 2011, \$1,802,403 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 1,802,403</u>
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Investments

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

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

Credit Risk

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

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

<u>Investment Type</u>	<u>Standard & Poors</u>	<u>Fitch Ratings</u>	<u>Moody's Investors Services</u>
Variable annuity	A+	A	A2

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 As of and for the Year Ended December 31, 2011

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, 2011, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)	
		Less than 1	N/A*
LGIP	\$ 17,189,624	\$ 17,189,624	\$ -
Variable annuity	<u>1,714,995</u>	<u>163,667</u>	<u>1,551,328</u>
Totals	<u>\$ 18,904,619</u>	<u>\$ 17,353,291</u>	<u>\$ 1,551,328</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	\$ 13,460,281	\$ 6,591,006	\$ 638,662	\$ 3,101,460	\$ 23,791,409
Less: Allowance for uncollectibles	<u>(10,735)</u>	<u>-</u>	<u>-</u>	<u>(3,391)</u>	<u>(14,126)</u>
Net Total Receivables	<u>\$ 13,449,546</u>	<u>\$ 6,591,006</u>	<u>\$ 638,662</u>	<u>\$ 3,098,069</u>	<u>\$ 23,777,283</u>
Amounts not expected to be collected within one year	<u>\$ 84,846</u>	<u>\$ 17,467</u>	<u>\$ -</u>	<u>\$ 66,460</u>	<u>\$ 168,773</u>

CITY OF SUN PRAIRIE

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

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	\$ -	\$ 22,473,008	\$ 22,473,008
Special assessments not yet due	34,894	-	34,894
Developer fees	236,917	-	236,917
Ambulance revenue	139,915	-	139,915
Grants	71,489	-	71,489
Accounts receivable - non current	98,184	-	98,184
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 581,399</u>	<u>\$ 22,473,008</u>	<u>\$ 23,054,407</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, 2011, the city has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

C. RESTRICTED ASSETS

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.

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.

CITY OF SUN PRAIRIE

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

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

C. RESTRICTED ASSETS (cont.)

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 2011 for the electric and water utility as well as the wastewater utility.

Following is a list of restricted assets at December 31, 2011:

Restricted Assets	
Redemption account	\$ 1,486,078
Reserve account	852,624
Equipment replacement account	1,613,516
Debt service account (See Note IV.J)	2,452,403
Impact fee account	<u>1,380,211</u>
Total Restricted Assets	<u><u>\$ 7,784,832</u></u>

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land and non-depreciable improvements	\$ 38,957,904	\$ -	\$ 1,284,066	\$ 37,673,838
Construction in progress	54,208	609,295	23,610	639,893
Easements	<u>1,606,695</u>	<u>53,700</u>	<u>-</u>	<u>1,660,395</u>
Total Capital Assets Not Being Depreciated	<u>40,618,807</u>	<u>662,995</u>	<u>1,307,676</u>	<u>39,974,126</u>
Capital assets being depreciated				
Land improvements	3,546,339	36,010	-	3,582,349
Buildings	27,961,755	200,205	49,569	28,112,391
Machinery and equipment	12,770,089	981,546	962,035	12,789,600
Roads	57,170,309	1,850,597	443,251	58,577,655
Sidewalks	7,880,596	175,415	4,939	8,051,072
Signals	703,913	228,620	-	932,533
Bike paths	<u>2,984,206</u>	<u>56,120</u>	<u>-</u>	<u>3,040,326</u>
Total Capital Assets Being Depreciated	<u>113,017,207</u>	<u>3,528,513</u>	<u>1,459,794</u>	<u>115,085,926</u>
Total Capital Assets	<u>153,636,014</u>	<u>4,191,508</u>	<u>2,767,470</u>	<u>155,060,052</u>

CITY OF SUN PRAIRIE

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

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Less: Accumulated depreciation for				
Land improvements	\$ (1,415,764)	\$ (164,432)	\$ -	\$ (1,580,196)
Buildings	(7,469,399)	(730,724)	19,504	(8,180,619)
Machinery and equipment	(7,190,970)	(1,179,838)	887,893	(7,482,915)
Roads	(19,787,139)	(1,527,829)	272,682	(21,042,286)
Sidewalks	(1,284,179)	(159,357)	1,826	(1,441,710)
Signals	(52,794)	(40,911)	-	(93,705)
Bike paths	(1,387,479)	(126,006)	-	(1,513,485)
Total Accumulated Depreciation	<u>(38,587,724)</u>	<u>(3,929,097)</u>	<u>1,181,905</u>	<u>(41,334,916)</u>
Net Capital Assets Being Depreciated	<u>74,429,483</u>	<u>(400,584)</u>	<u>277,889</u>	<u>73,751,010</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 115,048,290</u>	<u>\$ 262,411</u>	<u>\$ 1,585,565</u>	<u>\$ 113,725,136</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 276,813
Public safety	783,222
Public works, which includes the depreciation of roads, sidewalks, signals and bike paths	2,222,296
Culture, recreation and education	634,394
Conservation and development	<u>12,372</u>
Total Governmental Activities Depreciation Expense	<u>\$ 3,929,097</u>

CITY OF SUN PRAIRIE

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

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	\$ 55,332	\$ 1,039,027	\$ 679,137	\$ 415,222
Construction in progress - water	-	917,467	896,026	21,441
Construction in progress - telecommunications	-	79,445	71,936	7,509
Construction in progress - stormwater	171,755	12,727	-	184,482
Land - electric	121,265	14,156	30,103	105,318
Land - water	64,966	121	-	65,087
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>8,242,959</u>	<u>2,062,943</u>	<u>1,677,202</u>	<u>8,628,700</u>
Capital assets being depreciated				
Electric system	33,893,309	970,528	335,521	34,528,316
Water system	35,753,605	880,846	68,020	36,566,431
Telecommunications	2,085,113	86,337	36,216	2,135,234
Wastewater system	54,840,567	635,658	31,390	55,444,835
Stormwater	35,540,612	1,307,790	64,269	36,784,133
Total Capital Assets Being Depreciated	<u>162,113,206</u>	<u>3,881,159</u>	<u>535,416</u>	<u>165,458,949</u>
Total Capital Assets	<u>170,356,165</u>	<u>5,944,102</u>	<u>2,212,618</u>	<u>174,087,649</u>
Less: Accumulated depreciation for				
Electric system	(11,735,976)	(1,353,652)	357,998	(12,731,630)
Water system	(6,196,447)	(781,746)	87,533	(6,890,660)
Telecommunications	(1,008,487)	(69,556)	18,531	(1,059,512)
Wastewater system	(8,743,187)	(1,320,589)	31,390	(10,032,386)
Stormwater	(6,299,138)	(833,455)	31,142	(7,101,451)
Total Accumulated Depreciation	<u>(33,983,235)</u>	<u>(4,358,998)</u>	<u>526,594</u>	<u>(37,815,639)</u>
Net Capital Assets Being Depreciated	<u>128,129,971</u>	<u>(477,839)</u>	<u>8,822</u>	<u>127,643,310</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 136,372,930</u>	<u>\$ 1,585,104</u>	<u>\$ 1,686,024</u>	<u>\$ 136,272,010</u>

CITY OF SUN PRAIRIE

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

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities

Electric	\$ 1,218,942
Water	727,302
Telecommunications	69,556
Wastewater	1,320,589
Stormwater	<u>833,455</u>

Total Business-type Activities Depreciation Expense	<u><u>\$ 4,169,844</u></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 As of and for the Year Ended December 31, 2011

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	General debt service fund	\$ 497,577
General fund	General capital projects fund	1,246,657
General fund	Electric and water utility	1,523,211
General fund	Wastewater utility	172,874
General fund	Park improvement fund	129,160
General fund	TID No. 6 - debt service	123,557
General fund	Development projects	17,358
General capital projects fund	Electric and water utility	185,614
Electric and water utility	General fund	244,281
Electric and water utility	General capital projects fund	252,175
Electric and water utility	Wastewater utility	3,349
Wastewater utility	General fund	1,720
Stormwater utility	General fund	361,019
Stormwater utility	Electric and water utility	66,517
Wisconsin development fund	General fund	3,119
Transportation impact fee fund	General fund	17,367
Grant funds	General fund	<u>71,960</u>
Total - Fund Financial Statements		4,917,515
Less: Fund eliminations		<u>(3,895,011)</u>
Total Internal Balances - Government-Wide Statement of Net Assets		<u>\$ 1,022,504</u>
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 1,881,699
Business-type Activities	Governmental Activities	<u>(859,195)</u>
Total Government-Wide Financial Statements		<u>\$ 1,022,504</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 As of and for the Year Ended December 31, 2011

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

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amount Not Due Within One Year</u>
General fund	TID No. 8 - capital projects	\$ 474,725	\$ 474,725
General fund	TID No. 9 - capital projects	363,151	363,151
General fund	TID No. 10 - capital projects	<u>9,073</u>	<u>9,073</u>
Total - Fund Financial Statements		846,949	
Less: Fund eliminations		<u>(846,949)</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 As of and for the Year Ended December 31, 2011

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

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

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General fund	General capital projects fund	\$ 234,000	Budget transfer for capital outlay
General fund	Electric and water utility	1,492,212	Payment in lieu of taxes
General fund	Park improvement fund	23,984	Budget transfer for equipment purchases
General fund	Cable access television fund	319,272	Fund close out
General fund	Family aquatic center fund	18,441	Fund close out
General debt service	General fund	86,502	CATV contribution to debt service
Grant funds	General fund	68,700	Taxi subsidy and water tower donations to museum
Library fund	Library trust fund	<u>8,949</u>	Transfer interest/dividends to special revenue fund
Total - Fund Financial Statements		2,252,060	
Less: Fund eliminations		(759,848)	
Less: Transfer to business-type activities for capital assets funded by the governmental activities		(610,410)	
Add: Transfer to governmental activities for capital assets funded by business-type activities		<u>65,359</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 947,161</u>	
<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	
Governmental Activities	Business-type Activities	\$ 1,557,571	
Business-type Activities	Governmental Activities	<u>(610,410)</u>	
Total Government-wide Financial Statements		<u>\$ 947,161</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.

CITY OF SUN PRAIRIE

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

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

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

Transfers (cont.)

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

F. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 57,565,980	\$ -	\$ 8,207,810	\$ 49,358,170	\$ 5,222,366
Add/(Subtract) Deferred Amounts For					
(Discounts)/Premiums	220,998	-	41,836	179,162	41,836
Sub-totals	<u>57,786,978</u>	<u>-</u>	<u>8,249,646</u>	<u>49,537,332</u>	<u>5,264,202</u>
Other Liabilities					
Vested compensated absences	1,285,866	610,529	493,725	1,402,670	590,829
Capital leases	22,540,000	-	1,240,000	21,300,000	1,170,000
Other post-employment benefits	30,957	6,003	-	36,960	-
Total Other Liabilities	<u>23,856,823</u>	<u>616,532</u>	<u>1,733,725</u>	<u>22,739,630</u>	<u>1,760,829</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 81,643,801</u>	<u>\$ 616,532</u>	<u>\$ 9,983,371</u>	<u>\$ 72,276,962</u>	<u>\$ 7,025,031</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 1,875,000	\$ -	\$ 195,000	\$ 1,680,000	\$ 195,000
Revenue bonds	20,365,488	-	1,431,929	18,933,559	1,479,358
Add/(Subtract) Deferred Amounts For					
(Discounts)/Premiums	62,720	-	8,643	54,077	-
Sub-totals	<u>22,303,208</u>	<u>-</u>	<u>1,635,572</u>	<u>20,667,636</u>	<u>1,674,358</u>
Other Liabilities					
Vested compensated absences	308,740	228,399	205,530	331,609	-
Other accrued liabilities	5,881	4,984	1,447	9,418	5,679
Total Other Liabilities	<u>314,621</u>	<u>233,383</u>	<u>206,977</u>	<u>341,027</u>	<u>5,679</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 22,617,829</u>	<u>\$ 233,383</u>	<u>\$ 1,842,549</u>	<u>\$ 21,008,663</u>	<u>\$ 1,680,037</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2011, was \$122,786,685. Total general obligation debt outstanding at year end was \$51,038,170.

CITY OF SUN PRAIRIE

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

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

F. LONG-TERM OBLIGATIONS (cont.)

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.

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2011
Refunding bonds	4/1/98	4/1/12	4.375-5.00	\$ 4,050,000	\$ 260,000
Bonds	9/1/02	2/1/12	2.00-4.00	3,680,000	800,000
Refunding bonds	8/15/02	4/1/15	2.00-4.20	4,655,000	1,385,000
Bonds	9/1/04	2/1/16	3.00-3.80	9,950,000	5,995,000
Bonds	8/9/05	2/1/20	3.00-4.75	4,710,000	4,105,000
Bonds	8/9/05	2/1/15	3.50-4.00	6,800,000	3,940,000
Refunding bonds	8/9/05	2/1/18	3.50-4.25	5,875,000	4,750,000
State trust fund loan	3/8/06	3/15/15	4.75	250,000	124,168
Notes	9/1/06	2/1/16	4.00	5,335,000	3,735,000
Bonds	9/11/07	4/1/22	3.75-3.90	4,165,000	3,115,000
Notes	10/21/08	4/1/18	4.00-4.125	5,500,000	4,985,000
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	79,292
State trust fund loan	12/23/09	3/15/19	4.50	600,000	549,710
Notes	11/9/10	4/1/20	0.60-2.35	4,700,000	4,605,000

Total Governmental Activities - General Obligation Debt \$ 49,358,170

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2011
<u>Wastewater Utility</u>					
Notes	7/15/09	4/1/19	2.00-4.25	\$ 1,000,000	\$ 820,000
Notes	11/9/10	4/1/17	0.60-1.40	40,000	35,000
<u>Stormwater Utility</u>					
Notes	7/15/09	4/1/19	2.00-4.25	1,005,000	825,000

Total Business-type Activities - General Obligation Debt \$ 1,680,000

CITY OF SUN PRAIRIE

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

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
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	5,964,775	679,485	210,000	27,061
2017-2021	12,588,877	1,505,517	655,000	36,239
2022-2024	2,925,000	177,045	-	-
Totals	<u>\$ 49,358,170</u>	<u>\$ 7,981,314</u>	<u>\$ 1,680,000</u>	<u>\$ 236,350</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 utility has pledged future sales revenues, net of specified operating expenses, to repay \$6.6 million in sales revenue bonds issued in between 1999-2008. Proceeds from the bonds provided financing for the electric and water systems. The bonds are payable solely from sales revenues and are payable through 2023. Annual principal and interest payments on the bonds are expected to require 14% of net revenues. The total principal and interest remaining to be paid on the bonds is \$8,032,190. Principal and interest paid for the current year and total customer net revenues were \$1,005,051 and \$4,769,114, respectively.

The wastewater utility has pledged future sales revenues, net of specified operating expenses, to repay \$12.3 million in sales revenue bonds issued in 2005. Proceeds from the bonds provided financing for the wastewater system. 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 29% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$14,503,594. Principal and interest paid for the current year and total customer gross revenues were \$1,037,889 and \$3,606,475, respectively.

Revenue debt payable at December 31, 2011, consists of the following:

CITY OF SUN PRAIRIE

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

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Business-type Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2011
<u>Electric and Water Utility</u>					
Revenue bonds	4/1/99	4/1/14	4.375-4.875	\$ 2,200,000	\$ 520,000
Revenue bonds	2/1/03	4/1/18	2.00-4.40	3,500,000	1,915,000
Revenue bonds	6/15/05	4/1/18	4.00	1,725,000	950,000
Revenue bonds	11/6/08	10/1/23	4.375-5.125	3,600,000	<u>3,200,000</u>
				Total Electric and Water Utility	6,585,000
<u>Wastewater Utility</u>					
Revenue bonds	6/8/05	5/1/25	2.365	\$ 15,844,256	<u>12,348,559</u>
Total Business-type Activities Revenue Debt					<u>\$ 18,933,559</u>

Debt service requirements to maturity are as follows:

Years	Business-type Activities Revenue Debt	
	Principal	Interest
2012	\$ 1,479,358	\$ 562,817
2013	1,522,198	512,491
2014	1,575,461	459,788
2015	1,479,155	408,581
2016	1,523,292	358,865
2017-2021	6,764,726	1,086,036
2022-2025	<u>4,589,369</u>	<u>219,047</u>
Totals	<u>\$ 18,933,559</u>	<u>\$ 3,607,625</u>

Capital Leases

Refer to Note IV. G.

CITY OF SUN PRAIRIE

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

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 liability 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.

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
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	1,510,000	661,384	2,171,384
2017-2021	9,065,000	2,318,045	11,383,045
2022-2025	5,500,000	479,304	5,979,304
Totals	<u>\$ 21,300,000</u>	<u>\$ 6,560,961</u>	<u>\$ 27,860,961</u>

Lessee - Operating Leases

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

CITY OF SUN PRAIRIE

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

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

H. NET ASSETS/FUND BALANCES

Net assets reported on the government wide statement of net assets at December 31, 2011, includes the following:

Governmental Activities

Invested in Capital Assets, Net of Related Debt	
Land	\$ 37,673,838
Construction in progress	639,893
Easements	1,660,395
Other capital assets, net of accumulated depreciation	73,751,010
Less: Long-term debt outstanding	(49,358,170)
Less: Capital leases	(21,300,000)
Less: Premium on debt	(179,162)
Plus: Non-capital debt	12,845,150
Plus: Debt discount and issuance costs	<u>455,579</u>
Total Invested in Capital Assets, Net of Related Debt	<u>56,188,533</u>
Restricted	
Debt service	324,716
Park improvement	1,030,259
Economic development	138,075
Impact fees	1,346,303
Grants	167,860
Library	60,327
TID purposes	1,907,435
Ashley trust	1,000
Library trust	<u>308,139</u>
Total Restricted	<u>5,284,114</u>
Unrestricted (deficit)	<u>(8,632,515)</u>
Total Governmental Activities Net Assets	<u>\$ 52,840,132</u>

CITY OF SUN PRAIRIE

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

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

H. NET ASSETS/FUND BALANCES (cont.)

Governmental Funds

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

	General Fund	General Debt Service Fund	General Capital Projects Fund	Nonmajor Funds	Totals
Fund balances:					
Nonspendable:					
Loans	\$ 8,166	\$ -	\$ -	\$ -	\$ 8,166
Prepaid items and inventories	219,007	-	-	-	219,007
Investment in mutual insurance company	343,740	-	-	-	343,740
Advances	846,949	-	-	-	846,949
Restricted for:					
Debt service	-	865,680	-	-	865,680
Park improvements	-	-	-	793,342	793,342
Economic development	-	-	-	138,075	138,075
Impact fees	-	-	-	1,346,303	1,346,303
Grants	-	-	-	96,371	96,371
Library	-	-	-	60,327	60,327
TID purposes	-	-	-	2,273,305	2,273,305
Trusts	-	-	-	309,139	309,139
Assigned to:					
Tax equivalent	1,492,212	-	-	-	1,492,212
Self insurance	200,000	-	-	-	200,000
Carryovers	66,285	-	-	-	66,285
Youth and family	2,632	-	-	-	2,632
EMS	25,339	-	-	-	25,339
Library	98,925	-	-	-	98,925
Sick accrual	389,731	-	-	-	389,731
Cable access television	244,486	-	-	-	244,486
Signs	7,474	-	-	-	7,474
Plat corrections	5,000	-	-	-	5,000
Replacement funds	800,943	-	-	-	800,943
Unassigned (deficit):	<u>2,460,710</u>	<u>-</u>	<u>(1,376,469)</u>	<u>(388,267)</u>	<u>695,974</u>
Total Fund Balances (Deficit)	<u>\$ 7,211,599</u>	<u>\$ 865,680</u>	<u>\$ (1,376,469)</u>	<u>\$ 4,628,595</u>	<u>\$11,329,405</u>

CITY OF SUN PRAIRIE

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

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	\$ 7,983,192
Construction in progress	628,654
Other capital assets, net of depreciation	127,643,310
Less: Long-term debt outstanding	(20,613,559)
Plus: Unamortized debt discount	86,826
Less: Unamortized premium	(54,077)
Plus: Unspent capital related debt proceeds	<u>852,624</u>
Total Invested in Capital Assets, Net of Related Debt	<u>116,526,970</u>
Restricted	
Redemption	1,361,134
Replacement	<u>1,613,516</u>
Total Restricted	<u>2,974,650</u>
Unrestricted	<u>14,391,500</u>
Total Business-type Activities Net Assets	<u>\$ 133,893,120</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%	132,651
Accumulated depreciation		(100,000)
Other		
ATC, LLC investment	N/A	6,380,916
Unamortized debt issuance expense	N/A	86,826
Lift station fees	N/A	<u>91,766</u>
Total		<u>\$ 6,612,159</u>

CITY OF SUN PRAIRIE

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

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	<u>\$ 144,006</u>	<u>\$ 600,507</u>	<u>\$ 1,707,890</u>	<u>\$ 2,452,403</u>

d. Long-Term Obligations

Lease Revenue Bonds

The CDA has pledged future lease revenues, net of specified operating expenses, to repay \$21.3 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 \$27,860,961. Principal and interest paid for the current year and total net revenues were \$2,092,331 and \$852,331, respectively.

CITY OF SUN PRAIRIE

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

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	\$ 360,000	\$ -	\$ 360,000	\$ -	\$ -
2003 Series	2,110,000	-	120,000	1,990,000	125,000
2005 Series	10,165,000	-	400,000	9,765,000	415,000
2006 Series	3,705,000	-	110,000	3,595,000	150,000
2009 Series	6,200,000	-	250,000	5,950,000	480,000
Totals	<u>\$ 22,540,000</u>	<u>\$ -</u>	<u>\$ 1,240,000</u>	<u>\$ 21,300,000</u>	<u>\$ 1,170,000</u>

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance December 31, 2011
2003 Series	12/22/03	8/1/23	2.10-4.60	\$ 2,500,000	\$ 1,990,000
2005 Series	3/23/05	8/1/24	2.70-4.40	10,965,000	9,765,000
2006 Series	3/28/06	8/1/25	3.50-4.25	3,865,000	3,595,000
2009 Series	7/14/09	2/1/22	1.20-4.50	6,300,000	5,950,000
Totals					<u>\$ 21,300,000</u>

CITY OF SUN PRAIRIE

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

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:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	1,510,000	661,384	2,171,384
2017-2021	9,065,000	2,318,045	11,383,045
2022-2025	<u>5,500,000</u>	<u>479,304</u>	<u>5,979,304</u>
Totals	<u>\$ 21,300,000</u>	<u>\$ 6,560,961</u>	<u>\$ 27,860,961</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.

CITY OF SUN PRAIRIE

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

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

J. COMPONENT UNIT (cont.)

Business Improvement District (cont.)

c. Employee Retirement System

The BID has no employees.

NOTE V - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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 (1,200 hours for employees hired on or after July 1, 2011) are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan through June 28, 2011. Beginning, June 29, 2011 and thereafter covered employees in the General category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% for Protective Occupations without Social Security). Employers generally make these contributions to the plan on behalf of employees through June 28, 2011. Thereafter, employees are required to fund their contribution subject to terms of employment contracts and which employee group they are a member of. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for city employees covered by the system for the year ended December 31, 2011 was \$3,268,937; the employer's total payroll was \$12,643,166. The total required contribution for the year ended December 31, 2011 was \$558,988 or 17.1% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2010 and 2009 were \$523,766 and \$479,067, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998 or beginning participation on or after July 1, 2011, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and between April 24, 1998 and June 30, 2011 are immediately vested.

CITY OF SUN PRAIRIE

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

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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 2011 was \$824,405. The total covered payroll for the year ended December 31, 2011 was \$6,648,981. Total contributions for the years ended December 31, 2010 and 2009 were \$823,318 and \$831,276, 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. No contributions were made to the plan in 2011 aside from the December 31, 2010 net pension obligation and insurance premiums. The remaining 2011 contribution, as calculated by the actuary, net of insurance premium payments and variances between the actual rate of returns on investments and assumed 5.00% rate, has been accrued in the enterprise funds as of December 31, 2011. 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 age 65. Employees are eligible for benefits after age 55 with a minimum service of 15 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 As of and for the Year Ended December 31, 2011

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	\$ 307,621
Interest on net pension obligation	659
Adjustment to annual required contribution	<u>-</u>
Annual pension cost	308,280
Contributions made	<u>(18,719)</u>
Increase in net pension obligation	289,561
Net Pension Obligation - Beginning of Year	<u>13,182</u>
Net Pension Obligation - End of Year	<u><u>\$ 302,743</u></u>

The annual required contribution for the current year was determined as part of the January 1, 2011 actuarial valuation using the aggregate cost method. The 2011 contribution as calculated by the actuary has been accrued in the enterprise funds as of December 31, 2011. 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 aggregate cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and that the information presented is intended to approximate the funding progress of the plan.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/11	\$ 308,280	6.1%	\$ 302,743
12/31/10	308,570	95.7%	13,182
12/31/09	305,863	101.3%	-

Membership of the plan at January 1, 2011, 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 As of and for the Year Ended December 31, 2011

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)
1/1/2011	\$ 1,937,779	\$ 3,165,894	\$ 1,228,115	61.2 %	\$ 1,750,657	70.2 %
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 %

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 As of and for the Year Ended December 31, 2011

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 \$50,000 per occurrence and an annual aggregate limit of \$200,000. An actuarially determined estimate has been recorded for this liability, as well as for claims incurred but not reported at December 31, 2011. 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 As of and for the Year Ended December 31, 2011

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 \$402 million as of December 31, 2011.

CITY OF SUN PRAIRIE

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

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 administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan") 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 As of and for the Year Ended December 31, 2011

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		7,458
Net OPEB Obligation - Beginning of Year		<u>38,461</u>
Net OPEB Obligation - End of Year	\$	<u><u>45,919</u></u> *

- * The other post-employment benefits liability of \$36,960 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 \$8,959 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 2011 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2009	\$ 20,122	29%	\$ 31,003
December 31, 2010	16,270	54%	38,461
December 31, 2011	16,270	54%	45,919

CITY OF SUN PRAIRIE

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

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><u>\$ 101,327</u></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, 2011, was 30 years.

F. SUBSEQUENT EVENTS

The City Council approved an increase in the stormwater rates beginning January 1, 2012. Rates will increase by \$0.50 per equivalent runoff unit (ERU), from \$6.50 per ERU to \$7.00 per ERU.

CITY OF SUN PRAIRIE

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

NOTE V - OTHER INFORMATION (cont.)

F. SUBSEQUENT EVENTS (cont.)

On April 17, 2012 the city issued general obligation promissory notes in the amount of \$7,145,000 with an interest rate of 0.4% to 2.0%. The promissory notes will be used to refund Series 2002B general obligation refunding bonds, Series 2005B general obligation promissory notes, and finance capital improvements and capital equipment expenditures.

On May 15, 2012 the city issued general obligation refunding bonds in the amount of \$5,225,000 with annual interest rates of 2.0% to 3.0%. The reoffering premium of \$190,329 on the bonds resulted in a true interest cost on the bonds of 0.695%. The refunding bonds will be used to refund Series 2004 general obligation bonds.

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

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

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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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
TAXES				
General property taxes	\$ 12,493,859	\$ 12,493,859	\$ 12,493,861	\$ 2
Room taxes	15,000	15,000	13,529	(1,471)
Payments in lieu of taxes	100,750	100,750	102,471	1,721
Interest on taxes	2,500	2,500	2,890	390
Other taxes	-	-	16,419	16,419
Total Taxes	<u>12,612,109</u>	<u>12,612,109</u>	<u>12,629,170</u>	<u>17,061</u>
INTERGOVERNMENTAL				
Police school liaison	136,518	136,518	128,478	(8,040)
Federal aid - other public safety	-	-	57,737	57,737
State shared revenues	774,292	774,292	779,217	4,925
Fire insurance tax (2% fire dues)	73,000	73,000	75,431	2,431
State expenditure restraint	668,890	668,890	668,890	-
State aid - road allotment	1,696,745	1,696,745	1,696,746	1
State aid - connecting streets	53,345	53,345	53,350	5
State aid - exempt computer	158,289	158,289	158,828	539
State aid - EMS	3,500	3,500	6,441	2,941
State aid - police	35,000	35,000	15,185	(19,815)
State aid - recycling	57,000	57,000	39,142	(17,858)
County aid - libraries	380,460	380,460	380,460	-
Other grants	-	-	34,122	34,122
Total Intergovernmental	<u>4,037,039</u>	<u>4,037,039</u>	<u>4,094,027</u>	<u>56,988</u>
LICENSES AND PERMITS				
Liquor and malt beverage licenses	22,000	22,000	23,315	1,315
Operators' license	8,000	8,000	7,653	(347)
Electrical contractor licenses	5,500	5,500	5,710	210
Cigarette licenses	1,000	1,000	850	(150)
Dog and cat licenses	7,000	7,000	9,319	2,319
Building permits	52,500	52,500	108,791	56,291
Occupancy permits	2,650	2,650	5,875	3,225
Plumbing permits	37,300	37,300	43,399	6,099
Electrical permits	40,000	40,000	39,962	(38)
Heating and air conditioning permits	33,200	33,200	42,927	9,727
Street openings	3,500	3,500	4,800	1,300
Zoning permits and fees	15,000	15,000	18,496	3,496
Other licenses	15,000	15,000	7,740	(7,260)
Other permits	18,400	18,400	9,077	(9,323)
Cable television franchise fees	<u>282,644</u>	<u>282,644</u>	<u>300,292</u>	<u>17,648</u>
Total Licenses and Permits	<u>543,694</u>	<u>543,694</u>	<u>628,206</u>	<u>84,512</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
FINES, FORFEITURES AND PENALTIES				
Court penalties and costs	\$ 130,000	\$ 130,000	\$ 130,711	\$ 711
Parking violations	<u>47,500</u>	<u>47,500</u>	<u>51,530</u>	<u>4,030</u>
Total Fines, Forfeitures and Penalties	<u>177,500</u>	<u>177,500</u>	<u>182,241</u>	<u>4,741</u>
PUBLIC CHARGES FOR SERVICES				
Clerk's fees	35,000	35,000	22,323	(12,677)
General government	-	-	261	261
Police department fees	12,500	32,530	39,207	6,677
Lifeskills program	6,440	6,440	2,510	(3,930)
Miscellaneous public works	9,500	9,500	5,094	(4,406)
Ambulance fees	864,000	864,000	762,180	(101,820)
Sewage inspection	2,500	2,500	1,470	(1,030)
Recycling	407,000	407,000	385,622	(21,378)
Animal pound	1,000	1,000	300	(700)
Engineer review fees	5,000	5,000	6,661	1,661
Swimming areas	221,812	221,812	223,223	1,411
Miscellaneous building inspection	6,000	6,000	6,031	31
Appliance collection	1,000	1,000	484	(516)
Township EMS fees	50,000	50,000	48,928	(1,072)
Miscellaneous engineering	3,000	3,000	2,554	(446)
Miscellaneous park fees	11,860	11,860	16,902	5,042
Park advertising fees	3,500	3,500	4,750	1,250
Summer recreation fees	113,133	113,133	119,732	6,599
Winter recreation fees	32,756	32,756	63,431	30,675
Planning miscellaneous charges	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
Total Public Charges for Services	<u>1,786,101</u>	<u>1,806,131</u>	<u>1,711,663</u>	<u>(94,468)</u>
SPECIAL ASSESSMENTS				
Interest on special assessments	2,500	2,500	12,675	10,175
Delinquent special assessments held by county	<u>12,500</u>	<u>12,500</u>	<u>30,205</u>	<u>17,705</u>
Total Special Assessments	<u>15,000</u>	<u>15,000</u>	<u>42,880</u>	<u>27,880</u>
INVESTMENT INCOME				
Investment income	<u>155,000</u>	<u>155,000</u>	<u>62,717</u>	<u>(92,283)</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
MISCELLANEOUS				
Payment from utilities	\$ 165,303	\$ 165,303	\$ 165,600	\$ 297
Sale of materials and equipment	55,000	55,000	136,354	81,354
Insurance dividends	12,500	12,500	101,135	88,635
Donations	2,000	2,000	11,643	9,643
Human resources chargebacks	2,000	2,000	2,000	-
City attorney chargebacks	1,000	1,000	661	(339)
Engineering chargebacks	15,000	15,000	31,510	16,510
Other miscellaneous	<u>42,600</u>	<u>42,600</u>	<u>138,361</u>	<u>95,761</u>
Total Miscellaneous	<u>295,403</u>	<u>295,403</u>	<u>587,264</u>	<u>291,861</u>
 Total Revenues	 <u>19,621,846</u>	 <u>19,641,876</u>	 <u>19,938,168</u>	 <u>296,292</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Mayor	27,611	24,757	24,631	126
Council	86,684	85,384	89,103	(3,719)
Municipal court	97,874	97,874	95,067	2,807
City attorney	235,459	229,459	285,011	(55,552)
Clerk	255,228	247,928	244,809	3,119
Elections	30,500	30,500	24,857	5,643
Administrator	288,347	307,097	355,972	(48,875)
Human resources	271,691	264,991	253,485	11,506
Finance	460,655	431,122	471,143	(40,021)
Building maintenance	489,670	489,670	495,187	(5,517)
Information technology	977,612	965,412	948,947	16,465
Risk management	349,250	349,250	351,664	(2,414)
Assessment of property	395,236	377,136	376,842	294
Contingency	<u>158,846</u>	<u>158,846</u>	<u>-</u>	<u>158,846</u>
Total General Government	<u>4,124,663</u>	<u>4,059,426</u>	<u>4,016,718</u>	<u>42,708</u>
PUBLIC SAFETY				
Building inspection	408,431	386,031	382,762	3,269
Police	6,356,790	6,296,109	6,426,601	(130,492)
Crossing guards	97,500	97,500	87,933	9,567
Emergency medical services	1,338,478	1,345,011	1,378,633	(33,622)
Fire protection	<u>276,055</u>	<u>276,055</u>	<u>271,178</u>	<u>4,877</u>
Total Public Safety	<u>8,477,254</u>	<u>8,400,706</u>	<u>8,547,107</u>	<u>(146,401)</u>
PUBLIC WORKS				
Public works	2,684,136	2,655,804	2,954,885	(299,081)
Recycling	1,281,570	1,281,570	1,265,122	16,448
Engineering	<u>599,470</u>	<u>588,810</u>	<u>567,121</u>	<u>21,689</u>
Total Public Works	<u>4,565,176</u>	<u>4,526,184</u>	<u>4,787,128</u>	<u>(260,944)</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
CULTURE, RECREATION AND EDUCATION				
Library	\$ 1,582,700	\$ 1,583,990	\$ 1,588,873	\$ (4,883)
Museum administration	29,977	29,977	28,862	1,115
Senior citizen program	155,000	155,000	155,000	-
Youth and family commission	2,500	2,500	2,960	(460)
Parks and recreation	1,037,514	1,027,414	1,103,978	(76,564)
Cable access television	282,195	307,695	299,386	8,309
Family aquatic center	224,312	223,812	274,624	(50,812)
Total Culture, Recreation and Education	<u>3,314,198</u>	<u>3,330,388</u>	<u>3,453,683</u>	<u>(123,295)</u>
CONSERVATION AND DEVELOPMENT				
Planning	437,101	426,201	410,103	16,098
Forestry	70,023	70,023	43,968	26,055
Economic development	115,831	110,831	109,691	1,140
Other conservation and development	-	21,000	21,000	-
Total Conservation and Development	<u>622,955</u>	<u>628,055</u>	<u>584,762</u>	<u>43,293</u>
 Total Expenditures	<u>21,104,246</u>	<u>20,944,759</u>	<u>21,389,398</u>	<u>(444,639)</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>(1,482,400)</u>	<u>(1,302,883)</u>	<u>(1,451,230)</u>	<u>(148,347)</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	20,000	20,000	11,000	(9,000)
Transfers in	1,570,900	1,570,900	2,087,909	517,009
Transfers out	(108,500)	(154,002)	(155,202)	(1,200)
Total Other Financing Sources (Uses)	<u>1,482,400</u>	<u>1,436,898</u>	<u>1,943,707</u>	<u>506,809</u>
 Net Change in Fund Balance	-	134,015	492,477	358,462
 FUND BALANCE - Beginning of Year	<u>6,719,122</u>	<u>6,719,122</u>	<u>6,719,122</u>	-
 FUND BALANCE - END OF YEAR	<u>\$ 6,719,122</u>	<u>\$ 6,853,137</u>	<u>\$ 7,211,599</u>	<u>\$ 358,462</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, 2011

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
1/1/2011	\$ 1,937,779	\$ 3,165,894	\$ 1,228,115	61%	\$ 1,750,657	70%
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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION TRUST FUND

Year Ended	Annual Required Contribution	Percentage Contributed
12/30/2011	308,280	6%
12/31/2010	308,570	96%
12/31/2009	305,863	101%

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 For the Year Ended December 31, 2011

BUDGETARY INFORMATION

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

Excess expenditures over appropriations are as follows:

	<u>Amended Budget</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Council	\$ 85,384	\$ 89,103	\$ 3,719
City attorney	229,459	285,011	55,552
Administrator	307,097	355,972	48,875
Finance	431,122	471,143	40,021
Building maintenance	489,670	495,187	5,517
Risk management	349,250	351,664	2,414
Police	6,296,109	6,426,601	130,492
Emergency medical services	1,345,011	1,378,633	33,622
Public works	2,655,804	2,954,885	299,081
Library	1,583,990	1,588,873	4,883
Youth and family commission	2,500	2,960	460
Parks and recreation	1,027,414	1,103,978	76,564
Family aquatic center	223,812	274,624	50,812
Transfers out	154,002	155,202	1,200

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SUPPLEMENTARY INFORMATION

CITY OF SUN PRAIRIE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2011

	Special Revenue Funds			
	Park Improvement Fund	Wisconsin Development Fund	Transportation Impact Fee Fund	Grant Funds
ASSETS				
Cash and investments	\$ 933,466	\$ 102,860	\$ -	\$ -
Receivables				
Taxes	-	-	-	-
Accounts	236,917	-	-	143,431
Accrued interest	4,272	-	-	-
Loans	-	32,096	-	-
Due from other funds	-	3,119	17,367	71,960
Restricted cash and investments	-	-	1,380,211	-
TOTAL ASSETS	\$ 1,174,655	\$ 138,075	\$ 1,397,578	\$ 215,391
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 10,236	\$ -	\$ 51,275	\$ 47,534
Deposits	5,000	-	-	-
Due to other funds	129,160	-	-	-
Advances from other funds	-	-	-	-
Deferred revenues	236,917	-	-	71,486
Total Liabilities	<u>381,313</u>	<u>-</u>	<u>51,275</u>	<u>119,020</u>
Fund Balances				
Restricted	793,342	138,075	1,346,303	96,371
Unassigned (deficit)	-	-	-	-
Total Fund Balances	<u>793,342</u>	<u>138,075</u>	<u>1,346,303</u>	<u>96,371</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,174,655	\$ 138,075	\$ 1,397,578	\$ 215,391

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
\$ -	\$ -	\$ 60,327	\$ 26,980	\$ -	\$ 632,237	\$ -
-	-	-	-	159,557	1,049,443	1,403,878
-	-	-	-	13,801	-	861
-	-	-	-	-	-	-
-	-	-	-	-	45,000	-
-	-	-	-	-	-	-
-	-	-	-	144,006	600,507	1,707,890
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,327</u>	<u>\$ 26,980</u>	<u>\$ 317,364</u>	<u>\$ 2,327,187</u>	<u>\$ 3,112,629</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 240,032
-	-	-	-	-	-	-
-	-	-	-	123,557	-	-
-	-	-	-	-	-	474,725
-	-	-	-	173,358	1,094,443	1,404,740
-	-	-	-	296,915	1,094,443	2,119,497
-	-	60,327	26,980	20,449	1,232,744	993,132
-	-	-	-	-	-	-
-	-	60,327	26,980	20,449	1,232,744	993,132
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,327</u>	<u>\$ 26,980</u>	<u>\$ 317,364</u>	<u>\$ 2,327,187</u>	<u>\$ 3,112,629</u>

CITY OF SUN PRAIRIE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2011

	<u>Capital Project Funds</u>			<u>Permanent Funds</u>
	<u>TID No. 9</u>	<u>TID No. 10</u>	<u>Development Projects</u>	<u>Ashley Trust Fund</u>
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ 1,000
Receivables				
Taxes	-	-	-	-
Accounts	-	-	8,813	-
Accrued interest	-	-	-	-
Loans	-	-	-	-
Due from other funds	-	-	-	-
Restricted cash and investments	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,813</u>	<u>\$ 1,000</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 288	\$ -	\$ 4,593	\$ -
Deposits	-	-	-	-
Due to other funds	-	-	17,358	-
Advances from other funds	363,151	9,073	-	-
Deferred revenues	-	-	2,617	-
Total Liabilities	<u>363,439</u>	<u>9,073</u>	<u>24,568</u>	<u>-</u>
Fund Balances				
Restricted	-	-	-	1,000
Unassigned (deficit)	<u>(363,439)</u>	<u>(9,073)</u>	<u>(15,755)</u>	<u>-</u>
Total Fund Balances	<u>(363,439)</u>	<u>(9,073)</u>	<u>(15,755)</u>	<u>1,000</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,813</u>	<u>\$ 1,000</u>

Permanent Funds			
Library Trust Fund		Total Nonmajor Governmental Funds	
\$	308,139	\$	2,065,009
	-		2,612,878
	-		403,823
	-		4,272
	-		77,096
	-		92,446
	-		<u>3,832,614</u>
<u>\$</u>	<u>308,139</u>	<u>\$</u>	<u>9,088,138</u>
\$	-	\$	353,958
	-		5,000
	-		270,075
	-		846,949
	-		<u>2,983,561</u>
	-		<u>4,459,543</u>
	308,139		5,016,862
	-		<u>(388,267)</u>
	<u>308,139</u>		<u>4,628,595</u>
<u>\$</u>	<u>308,139</u>	<u>\$</u>	<u>9,088,138</u>

CITY OF SUN PRAIRIE

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

	Special Revenue Funds			
	Park Improvement Fund	Wisconsin Development Fund	Transportation Impact Fee Fund	Grant Funds
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 31,568
Intergovernmental	-	-	-	513,305
Licenses and permits	66,870	-	-	-
Public charges for services	80,898	-	755,506	10,365
Investment income	11,411	2,432	957	79
Miscellaneous	6,465	-	-	28,980
Total Revenues	<u>165,644</u>	<u>2,432</u>	<u>756,463</u>	<u>584,297</u>
EXPENDITURES				
Current				
Public safety	-	-	-	127,490
Public works	-	-	-	443,470
Culture, recreation and education	258,922	-	-	22,436
Conservation and development	-	-	51,275	18,226
Capital Outlay	-	-	-	53,405
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>258,922</u>	<u>-</u>	<u>51,275</u>	<u>665,027</u>
Excess (deficiency) of revenues over expenditures	<u>(93,278)</u>	<u>2,432</u>	<u>705,188</u>	<u>(80,730)</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	-	-
Transfers in	-	-	-	68,700
Transfers out	(23,984)	-	-	-
Total Other Financing Sources (Uses)	<u>(23,984)</u>	<u>-</u>	<u>-</u>	<u>68,700</u>
Net Change in Fund Balances	(117,262)	2,432	705,188	(12,030)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>910,604</u>	<u>135,643</u>	<u>641,115</u>	<u>108,401</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 793,342</u>	<u>\$ 138,075</u>	<u>\$ 1,346,303</u>	<u>\$ 96,371</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
\$ -	\$ -	\$ -	\$ -	\$ 149,993	\$ 971,287	\$ 1,424,667
-	-	-	-	127	27,469	10,662
-	-	-	-	-	-	-
-	-	50,145	-	-	-	13,462
-	-	65	51	-	590	-
-	-	3,000	-	19,929	-	1,536
-	-	53,210	51	170,049	999,346	1,450,327
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	41,087	-	-	-	-
-	-	-	-	-	-	-
-	-	31,446	-	575	61,165	288,344
-	-	-	117,473	121,875	510,000	645,000
-	-	-	6,945	41,919	183,731	708,533
-	-	72,533	124,418	164,369	754,896	1,641,877
-	-	(19,323)	(124,367)	5,680	244,450	(191,550)
-	-	-	-	-	-	20,000
-	-	8,949	-	-	-	-
(319,272)	(18,441)	-	-	-	-	-
(319,272)	(18,441)	8,949	-	-	-	20,000
(319,272)	(18,441)	(10,374)	(124,367)	5,680	244,450	(171,550)
319,272	18,441	70,701	151,347	14,769	988,294	1,164,682
\$ -	\$ -	\$ 60,327	\$ 26,980	\$ 20,449	\$ 1,232,744	\$ 993,132

CITY OF SUN PRAIRIE

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

	Capital Project Funds			Permanent Funds
	TID No. 9	TID No. 10	Development Projects	Ashley Trust Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,211	1,613	-	-
Licenses and permits	-	-	-	-
Public charges for services	-	-	24,666	-
Investment income	-	-	-	-
Miscellaneous	-	-	209	-
Total Revenues	<u>1,211</u>	<u>1,613</u>	<u>24,875</u>	<u>-</u>
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture, recreation and education	-	-	-	-
Conservation and development	-	-	-	-
Capital Outlay	758	470	29,089	-
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	<u>201,025</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>201,783</u>	<u>470</u>	<u>29,089</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(200,572)</u>	<u>1,143</u>	<u>(4,214)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	-	-
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(200,572)	1,143	(4,214)	-
FUND BALANCES (DEFICIT) - Beginning of Year	<u>(162,867)</u>	<u>(10,216)</u>	<u>(11,541)</u>	<u>1,000</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (363,439)</u>	<u>\$ (9,073)</u>	<u>\$ (15,755)</u>	<u>\$ 1,000</u>

Permanent Funds		Total Nonmajor Governmental Funds
Library Trust Fund		
\$ -	\$	2,577,515
-		554,387
-		66,870
-		935,042
(718)		14,867
-		60,119
<u>(718)</u>		<u>4,208,800</u>

-	127,490
-	443,470
-	322,445
-	69,501
-	465,252
-	1,394,348
-	<u>1,142,153</u>
-	<u>3,964,659</u>

<u>(718)</u>	<u>244,141</u>
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-	20,000
-	77,649
<u>(8,949)</u>	<u>(370,646)</u>

<u>(8,949)</u>	<u>(272,997)</u>
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(9,667)	(28,856)
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<u>317,806</u>	<u>4,657,451</u>
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<u>\$ 308,139</u>	<u>\$ 4,628,595</u>
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CITY OF SUN PRAIRIE

COMBINING STATEMENT OF FIDUCIARY NET ASSETS AGENCY FUNDS As of December 31, 2011

	Tax Collection Fund	MPSISC	Totals
ASSETS			
Cash and investments	\$ 27,158,360	\$ 343,826	\$ 27,502,186
Taxes receivable	<u>13,711,475</u>	<u>-</u>	<u>13,711,475</u>
TOTAL ASSETS	<u>\$ 40,869,835</u>	<u>\$ 343,826</u>	<u>\$ 41,213,661</u>
LIABILITIES			
Due to other governments	<u>\$ 40,869,835</u>	<u>\$ 343,826</u>	<u>\$ 41,213,661</u>
TOTAL LIABILITIES	<u>\$ 40,869,835</u>	<u>\$ 343,826</u>	<u>\$ 41,213,661</u>

CITY OF SUN PRAIRIE

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

	Major Community Development Authority	Non-Major Business Improvement District	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from property owners	\$ -	\$ 61,930	\$ 61,930
Paid to suppliers for goods and services	-	(61,983)	(61,983)
Net Cash Flows From Operating Activities	-	(53)	(53)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	(1,240,000)	-	(1,240,000)
Interest paid	(852,331)	-	(852,331)
Capital lease payments received	1,240,000	-	1,240,000
Net Cash Flows From Capital and Related Financing Activities	(852,331)	-	(852,331)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	852,331	53	852,384
Net Change in Cash and Cash Equivalents	-	-	-
CASH AND CASH EQUIVALENTS - Beginning of Year	-	-	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -	\$ -	\$ -

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

	<u>Major Community Development Authority</u>	<u>Non-Major Business Improvement District</u>	<u>Totals</u>
Income from operations	\$ -	\$ 28,164	\$ 28,164
Adjustments to reconcile income to net cash flows from operating activities			
Change in assets and liabilities			
Taxes receivable	-	14,800	14,800
Delinquent special assessments	-	(9,251)	(9,251)
Due from primary government	-	(26,544)	(26,544)
Prepaid items	-	2,333	2,333
Accounts payable	-	(4,006)	(4,006)
Unearned revenues	-	(5,549)	(5,549)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ (53)</u>	<u>\$ (53)</u>

NONCASH ACTIVITIES: None