

CITY OF SUN PRAIRIE

Sun Prairie, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2012

CITY OF SUN PRAIRIE

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City of Sun Prairie's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the City Council
City of Sun Prairie

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sun Prairie, Wisconsin, as of December 31, 2012 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

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

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other postemployment 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, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sun Prairie's basic financial statements. The combining financial statements and statement of cash flows - component units are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and statement of cash flows - component units are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Silly Virechow Krause, CP

Madison, Wisconsin
June 14, 2013

**CITY OF SUN PRAIRIE
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2012**

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, 2012. The information should be read in conjunction with the city's financial statements, which begin with the following section.

FINANCIAL HIGHLIGHTS

- The combined net position increased by 6.7% in 2012 to \$199,294,373. The city's net investment in capital assets was \$179,466,871 at the end of 2012. An additional \$8,755,971 was held for restricted purposes with \$11,071,531 in unrestricted net position.
- At the end of 2012, the city's governmental activities reported a negative balance in unrestricted net position of \$4,684,083. This is due in part to expenditures for project costs for Tax Increment Financing District (TID) #8 from 2001 to 2012. These costs include significant non-capitalized redevelopment expenditures, which will be recovered through future tax increments.
- The city's general fund had a positive net change in fund balance of \$1,415,562 for 2012. The general fund's unassigned fund balance at the end of 2012 was \$3,241,713. The unassigned fund balance amount at the end of 2012 is at 16.1% of the general fund revenue budget. This is within the city's goal for unassigned fund balance of 12.0% to 18.0% of the general fund revenue budget.
- The city has experienced a slowdown in the growth of property values in the past two years. Equalized value decreased by 3.7% in 2012 following a decrease of 0.8% in 2011. The city adopted a balanced budget for 2013 that does not include the use of unassigned fund balance. The total property tax levy for the 2012-2013 tax year remained the same as the prior year at \$19,074,902. This represents the fourth consecutive year in which the city tax levy has not been increased.

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 Position 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 Position. 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 position. Over time, increases or decreases in net position 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 position 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.

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 Position

As of December 31, 2012, the city had a total net position (assets less liabilities) of \$199,294,373. This includes total assets of \$317,906,120 and total liabilities of \$118,611,747. Capital assets, which include land, buildings, building improvements, machinery and equipment, infrastructure, and construction in progress, account for 79.6% 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 77.5% 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 position for 2012 and 2011:

CITY OF SUN PRAIRIE NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 39,347,551	\$ 36,370,439	\$ 25,399,696	\$ 21,643,032	\$ 64,747,247	\$ 58,013,471
Capital assets	<u>117,215,202</u>	<u>113,725,136</u>	<u>135,943,671</u>	<u>136,272,010</u>	<u>253,158,873</u>	<u>249,997,146</u>
Total assets	156,562,753	150,095,575	161,343,367	157,915,042	317,906,120	308,010,617
Non-current liabilities	69,603,960	72,276,962	22,262,716	21,008,663	91,866,676	93,285,625
Current and other liabilities	<u>24,134,291</u>	<u>24,978,481</u>	<u>2,610,780</u>	<u>3,013,259</u>	<u>26,745,071</u>	<u>27,991,740</u>
Total Liabilities	93,738,251	97,255,443	24,873,496	24,021,922	118,611,747	121,277,365
Net position:						
Net investment in capital assets	61,862,029	56,188,533	118,394,172	116,526,970	180,256,201	172,715,503
Restricted	5,646,556	5,284,114	3,109,415	2,974,650	8,755,971	8,258,764
Unrestricted (deficit)	<u>(4,684,083)</u>	<u>(8,632,515)</u>	<u>14,966,284</u>	<u>14,391,500</u>	<u>10,282,201</u>	<u>5,758,985</u>
Total net position	<u>\$ 62,824,502</u>	<u>\$ 52,840,132</u>	<u>\$ 136,469,871</u>	<u>\$ 133,893,120</u>	<u>\$ 199,294,373</u>	<u>\$ 186,733,252</u>

The total net position of the city's governmental activities was \$62,824,502 at the end of 2012. The total net position is either restricted as to the purposes for which it can be used or is invested in capital assets. Consequently, the unrestricted portion of the net position had a deficit balance of \$4,684,083 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, 2012, TID No. 8 had an equalized value increment of \$54,384,300. Based on current projections, TID No. 8 is projected to generate sufficient tax increment to pay off its debt obligations.

Change in Net Position

The city's combined net position increased by \$12,561,121 from fiscal year 2011 to 2012, an increase of 6.7%. Of this increase, the net position of the city's governmental activities increased by 18.9%, or \$9,984,370. The net position of the business-type activities increased by 1.9%, or \$2,576,751.

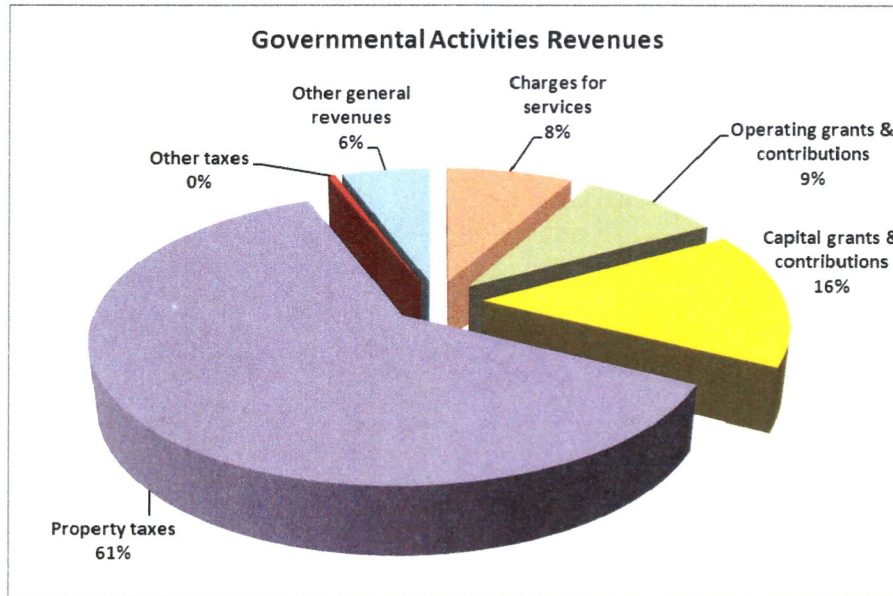
The following table provides a more detailed analysis of the City's change in net position:

CITY OF SUN PRAIRIE CHANGE IN NET POSITION

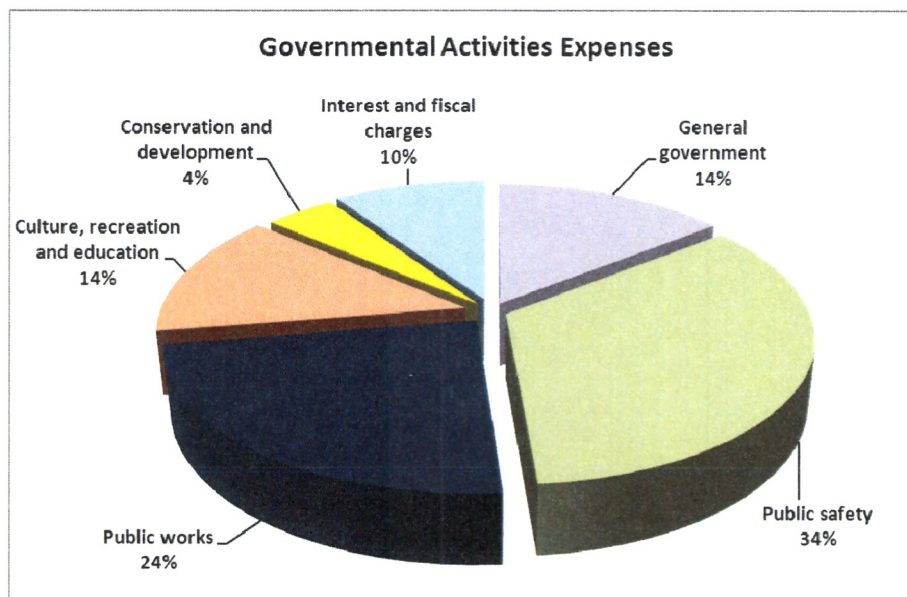
	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program revenues						
Charges for services	\$ 2,792,201	\$ 2,651,105	\$ 32,890,297	\$ 31,339,867	\$ 35,682,498	\$ 33,990,972
Operating grants & contributions	3,143,746	3,111,724	-	-	-	3,143,746
Capital grants & contributions	5,492,320	830,512	1,445,721	2,403,411	6,938,041	3,233,923
General revenues						
Property taxes	21,686,361	21,620,851	-	-	21,686,361	21,620,851
Other taxes	160,657	150,458	-	-	160,657	150,458
Other general revenues	<u>1,962,518</u>	<u>2,472,586</u>	<u>862,202</u>	<u>830,706</u>	<u>2,824,720</u>	<u>3,303,292</u>
Total revenues	35,237,803	30,837,236	35,198,220	34,573,984	70,436,023	65,411,220
Expenses						
General government	3,875,278	4,363,279	-	-	3,875,278	4,363,279
Public safety	9,240,152	9,384,120	-	-	9,240,152	9,384,120
Public works	6,382,496	7,134,201	-	-	6,382,496	7,134,201
Culture, recreation and education	3,720,586	3,969,135	-	-	3,720,586	3,969,135
Conservation and development	1,167,660	2,242,615	-	-	1,167,660	2,242,615
Interest and fiscal charges	2,537,354	2,802,054	-	-	2,537,354	2,802,054
Electric Utility	-	-	23,794,207	22,656,851	23,794,207	22,656,851
Water Utility	-	-	2,234,925	2,247,054	2,234,925	2,247,054
Telecommunications Utility	-	-	342,225	340,771	342,225	340,771
Wastewater Utility	-	-	3,156,687	3,270,402	3,156,687	3,270,402
Stormwater Utility	<u>-</u>	<u>-</u>	<u>1,423,332</u>	<u>1,455,234</u>	<u>1,423,332</u>	<u>1,455,234</u>
Total expenses	26,923,526	29,895,404	30,951,376	29,970,312	57,874,902	59,865,716
Increase in net position before transfers	8,314,277	941,832	4,246,844	4,603,672	12,561,121	5,545,504
Transfers	<u>1,670,093</u>	<u>947,161</u>	<u>(1,670,093)</u>	<u>(947,161)</u>	<u>-</u>	<u>-</u>
Change in net position	9,984,370	1,888,993	2,576,751	3,656,511	12,561,121	5,545,504
Net position - beginning 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>
Net position - end of the year	<u>\$ 62,824,502</u>	<u>\$ 52,840,132</u>	<u>\$ 136,469,871</u>	<u>\$ 133,893,120</u>	<u>\$ 199,294,373</u>	<u>\$ 186,733,252</u>

Governmental Activities

The City of Sun Prairie received a total of \$35,237,803 in governmental activities revenues in 2012. This was an increase of \$4,400,567 from the prior year. Property taxes remain the largest source of governmental activities revenues representing 61.5% of the total in 2012. Property tax revenue is used to finance the city's general fund, debt service, and TIF districts.

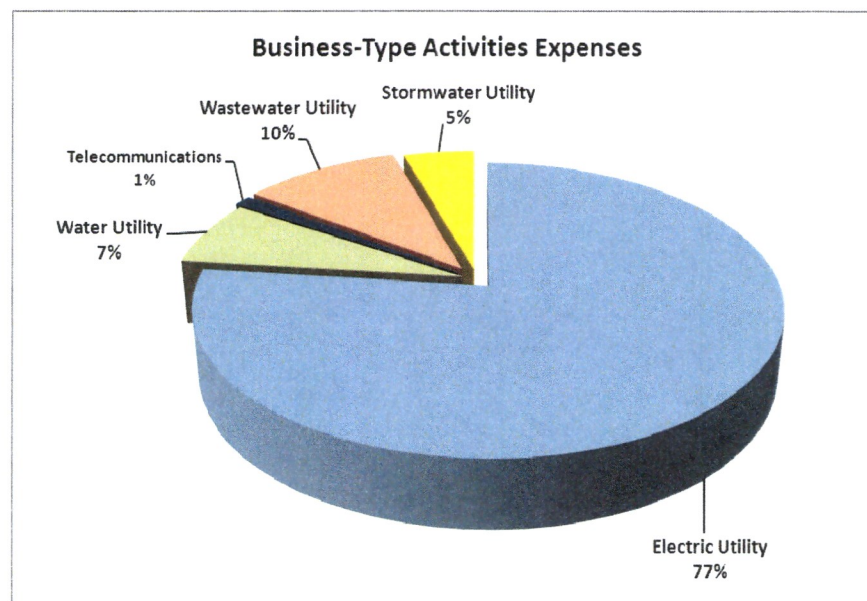
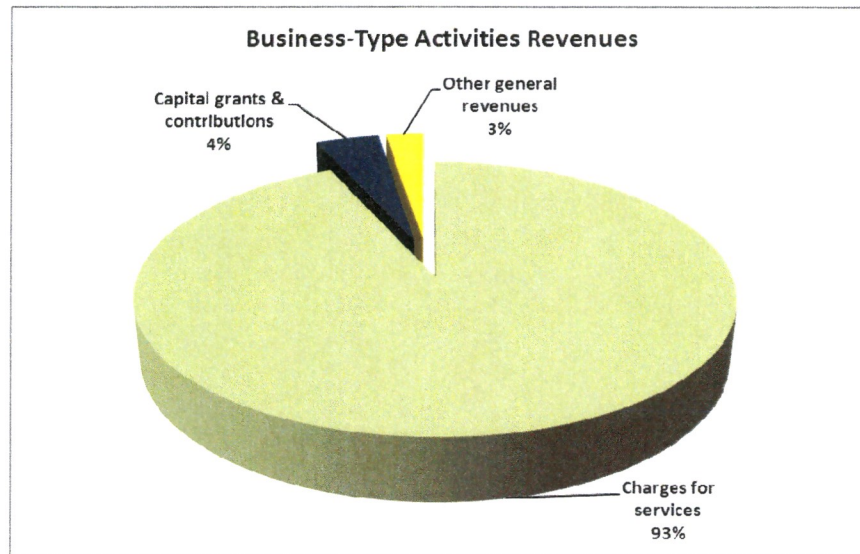


Total governmental activities expenses were \$26,923,526 in 2012. Public safety, including police, EMS, building inspection, and fire services, accounts for the largest share of city expenses at 34.3%. This is followed by public works with 23.7%, general government with 14.4%, culture, recreation and education with 13.8%, and conservation and development at 4.3%. Interest & fiscal charges make up the remaining 9.4%.



Business-type Activities

Business-type activities include the city's water, electric and telecommunications, wastewater, and storm water utilities. In 2012, revenue for business-type activities totaled \$35,198,220. Charges for services were the largest revenue source for these operations, representing 93.4% of business-type activity revenues. Capital grants and contributions accounted for 4.1% of revenues with other general revenues representing 2.5%.



The net position of Sun Prairie's electric, water and telecommunications utility increased by \$1,754,693, which represents a 3.0% increase over 2011. Combined operating revenues for the utility increased by 4.3%, or \$1,159,223. Operating expenses for the utility increased by \$1,159,593, or 4.7% from 2011.

The net position of the wastewater utility increased by \$889,280, which represents a 2.4% increase from 2011. Wastewater utility operating revenues increased by \$257,091 in 2012. Operating expenses of the utility decreased by \$93,210, or 3.2%, from 2011.

The net position of the storm water utility decreased by \$67,222 during 2012, a decrease of 0.2%. Storm water utility operating revenues increased by \$134,116, or 10.6% while operating expenses increased by \$26,859, or 2.0%.

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 2012, the combined fund balances for the city's governmental funds was \$14,860,620, as detailed below:

CITY OF SUN PRAIRIE GOVERNMENTAL FUND BALANCE

	<u>2012</u>	<u>2011</u>
Nonspendable	\$ 2,967,670	\$ 1,417,862
Restricted, reported in:		
Special revenue funds	2,975,089	2,434,418
Debt service funds	18,336	913,109
Capital project funds	2,558,749	2,225,876
Permanent funds	337,580	309,139
Assigned, reported in:		
General Fund	3,267,320	3,333,027
Capital project funds	83,237	-
Unassigned, reported in:		
General Fund	3,241,713	2,460,710
Capital project funds	<u>(589,074)</u>	<u>(1,764,736)</u>
Total Fund Balance	<u>\$ 14,860,620</u>	<u>\$ 11,329,405</u>

General Fund: The general fund is the primary operating fund of the city. Total fund balance as of December 31, 2012 was \$8,627,161, of which \$2,118,128 was nonspendable. Included in this amount is \$1,635,072 representing advances to TIF District funds. Assigned fund balance comprised another \$3,267,320 of the total fund balance. The 2013 payment in lieu of taxes due to the general fund from the electric and water utility represents \$1,571,507 of the assigned fund balance. Unassigned fund balance in the general fund at the end of 2012 was \$3,241,713, which represents 16.1% of the total general fund revenue budget. This is within 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. There was no fund balance in the general debt service fund at the end of 2012 as a result of a year-end transfer from the debt service fund to the general fund. The annual revenue budget for the debt service fund is set to meet the current year obligations. As such, 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. The fund balance at the end of 2012 was \$1,145,632. Of the total fund balance, \$915,532 represented unspent 2012 debt proceeds resulting from projects that were not completed during 2012 or projects with actual expenditures less than the engineering estimates. The city used \$216,000 of the remaining debt proceeds to reduce the amount of debt issued for capital projects in 2013.

GENERAL FUND BUDGETARY ANALYSIS

The general fund budget is adopted at the function level of expenditure. In 2013, the general fund experienced a net increase in fund balance of \$1,415,562. The transfer from the general debt service fund to the general fund accounts for \$825,854 of the net increase in fund balance.

Total general fund revenues exceeded the budget by \$518,333. Significant revenue variances for 2012 are noted below:

- **Intergovernmental Revenues: Surplus \$ 92,899**

Intergovernmental revenues represent general state aids, federal or state grants, county aids and the Sun Prairie School District's share of the Police Department Liaison. The city received \$30,617 in unanticipated grant assistance for energy-saving building and equipment improvements. The utility reimbursement paid to the city as part of its shared revenue payment was \$14,813 higher than anticipated. The remaining surplus is an accumulation of minor variances in various local and state aid payments.

- **Licenses and Permits: Surplus \$ 64,572**

Licenses and permits consist of liquor licenses, business licenses, dog licenses, building-related permits, street opening permits, zoning and plat approval fees, and cable television franchise fees. Building-related permits account for \$35,082 of the revenue surplus, due to several larger multi-family building projects during 2012. Cable TV franchise fees account for another \$22,276 of the surplus.

- **Public Charges for Services: Surplus \$ 80,795**

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 fee revenue for 2012 exceeded the budget by \$102,942. The surplus is offset by a deficit of \$25,084 in summer recreation fees resulting from fewer summer recreation programs.

- **Investment Income: Deficit \$ (62,535)**

Investment income fell short of the 2012 budget by \$62,535 due to lower interest rates on investments.

- **Miscellaneous Revenues: Surplus \$ 330,669**

Miscellaneous revenues consist of sales of equipment and materials, donations, insurance dividends, and reimbursement from the Wastewater Utility and Stormwater Utility for city

services. In 2012, the city received an unanticipated workers compensation insurance dividend of \$81,891. The 2012 miscellaneous revenue also included \$36,477 for a tax chargeback to the overlying taxing jurisdictions based upon the city's settlement with a local business for its 2011 property tax amount. Engineering chargebacks to the water and storm water utilities contributed \$167,514 to the surplus in miscellaneous revenues. A large portion of the engineering chargebacks were not included in the 2012 budget due to 2012 being the first year in which the storm water utility was responsible for paying all costs related to storm water improvements made during street reconstruction projects.

Total general fund expenditures were \$218,988 under budget in 2012. Areas that experienced significant variances from the budget are noted below:

- **Contingency: Surplus \$ 282,037**

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 approved \$12,241 of transfers from the Contingency Fund during 2012 leaving \$282,037 to offset deficits in other areas.

- **Public Works Department: Deficit \$ (72,005)**

Due to the heavy snowfalls at the end of 2012, the Public Works snow and ice control costs exceeded the budget by \$60,305. Due primarily to the additional street lights on the west side of Sun Prairie, the street lighting costs exceeded the budgeted amount by \$37,414 in 2012. These deficits were partially offset by savings in the Fleet Maintenance budget due to the fact that \$50,000 was included in the 2012 budget for the purchase of a bucket truck, which was delayed until 2013.

- **Family Aquatic Center: Deficit \$ (69,485)**

The Family Aquatic Center (FAC) expenditures exceeded the budget by \$69,485 for 2012; however, total FAC revenues exceeded the budget by \$49,562, leaving a net deficit of \$19,923. FAC personnel costs exceeded the budget by \$14,604.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the city of Sun Prairie had an investment in capital assets of \$253,158,873, net of accumulated depreciation, for all governmental and business-type activities of the city. This represents an increase of 1.3% from the end of 2011.

Major capital asset improvements within the city's governmental activities included \$4,402,271 for street additions and reconstruction, of which \$2,143,454 was transferred from Dane County to the city, \$1,175,834 was financed by the city and \$1,082,983 was financed by private developers. The city also financed \$684,850 in machinery and equipment assets including snow plow vehicles, police squad cars, an ambulance, and library collection materials.

In the city's business-type activities, major capital additions (prior to depreciation) include \$1,637,692 for the electric distribution plant, \$1,285,532 for the water transmission and distribution plant, and \$1,084,655 for storm water infrastructure. These additions include dedications in new developments.

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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land/right-of-ways/easements	\$ 41,562,781	\$ 39,334,233	\$ 8,000,046	\$ 8,000,046	\$ 49,562,827	\$ 47,334,279
Land improvements	3,582,349	3,582,349	-	-	3,582,349	3,582,349
Buildings	28,138,506	28,112,391	-	-	28,138,506	28,112,391
Equipment	12,801,447	12,789,600	-	-	12,801,447	12,789,600
Infrastructure	75,271,676	70,601,586	-	-	75,271,676	70,601,586
Electric system	-	-	35,886,331	34,528,316	35,886,331	34,528,316
Water system	-	-	37,737,342	36,566,431	37,737,342	36,566,431
Telecommunications system	-	-	2,239,441	2,135,234	2,239,441	2,135,234
Wastewater system	-	-	55,655,463	55,444,835	55,655,463	55,444,835
Stormwater system	-	-	37,850,483	36,784,133	37,850,483	36,784,133
Construction in progress	<u>49,894</u>	<u>639,893</u>	<u>362,950</u>	<u>628,654</u>	<u>412,844</u>	<u>1,268,547</u>
Total capital assets	161,406,653	155,060,052	177,732,056	174,087,649	339,138,709	329,147,701
Less: Accumulated depreciation	<u>(44,191,451)</u>	<u>(41,334,916)</u>	<u>(41,788,385)</u>	<u>(37,815,639)</u>	<u>(85,979,836)</u>	<u>(79,150,555)</u>
Capital assets net of depreciation	<u>\$ 117,215,202</u>	<u>\$ 113,725,136</u>	<u>\$ 135,943,671</u>	<u>\$ 136,272,010</u>	<u>\$ 253,158,873</u>	<u>\$ 249,997,146</u>

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, 2012 totaled \$49,295,803. In addition, the city had revenue debt outstanding of \$20,374,201 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 \$20,130,000 that are supported from revenues from the city's tax increment finance districts.

The city issued \$12,310,000 of long-term general obligation debt in 2012. Of this amount, \$8,537,000 was used to refund prior years' debt for interest savings. The remaining \$3,773,000 was used to finance 2011 and 2012 capital project expenditures. The water utility issued \$4,955,000 in revenue bonds during 2012, of which \$2,800,000 was used to refund prior years' debt for interest savings and \$2,155,000 was used to finance capital improvements.

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, 2013 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 2012 equalized valuation of \$2,353,842,900 the city's statutory debt limit is \$117,692,145. The city was at 41.9% of its legal debt limit as of December 31, 2012.

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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds and notes	\$ 47,810,803	\$ 49,358,170	\$ 1,485,000	\$ 1,680,000	\$ 49,295,803	\$ 51,038,170
Revenue bonds	-	-	20,374,201	18,933,559	20,374,201	18,933,559
Capital leases	<u>20,130,000</u>	<u>21,300,000</u>	<u>-</u>	<u>-</u>	<u>20,130,000</u>	<u>21,300,000</u>
Total	<u>\$ 67,940,803</u>	<u>\$ 70,658,170</u>	<u>\$ 21,859,201</u>	<u>\$ 20,613,559</u>	<u>\$ 89,800,004</u>	<u>\$ 91,271,729</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, 2012, the population is estimated at 29,840. This is an increase of 9,471 since 2000. During this period, the city's population has grown by 46.5% 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 completed in 2012.

From 2000 to 2008, Sun Prairie's tax base experienced average growth of 12.8% per year. From 2008 to 2013, 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 1.5% per year since the 2009 assessment year. The city's equalized property valuation decreased by 4.1% in 2012 to a total of \$2,353,842,900.

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 4.7% in 2012, below the state and federal rates of 6.9% and 8.1% 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 2013 property tax levy was \$19,280,719. The 2012 approved levy is \$205,818 below this limit.

The Sun Prairie City Council approved the 2013 budget which authorized general fund expenditures of \$21,325,467. The combined property tax levy was \$19,074,902, which is the same amount as the prior year two years. The City's portion of the mill rate decreased by 1.0% to \$8.22 per \$1,000 of assessed value.

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 Director of Administrative Services 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 POSITION As of December 31, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and investments	\$ 8,644,504	\$ 8,855,242	\$ 17,499,746	\$ -
Receivables (net)				
Taxes	21,795,352	-	21,795,352	72,000
Delinquent personal property taxes	50,022	-	50,022	-
Accounts	608,550	2,886,979	3,495,529	-
Special assessments	18,558	-	18,558	3,475
Delinquent special assessments	438,787	-	438,787	-
Accrued interest	7,136	13,434	20,570	335,041
Loans	50,766	-	50,766	-
Other	-	580,539	580,539	-
Due from primary government	-	-	-	83,572
Due from other governments	140,328	-	140,328	-
Internal balances	2,393,241	(2,393,241)	-	-
Capital leases receivable from primary government	-	-	-	20,130,000
Prepaid items and inventories	615,476	760,093	1,375,569	95
Investment in mutual insurance company	343,740	-	343,740	-
Restricted cash and investments	3,826,190	7,412,203	11,238,393	-
Other assets	414,901	7,284,447	7,699,348	-
Capital assets				
Land	39,902,386	7,983,192	47,885,578	-
Construction in progress	49,894	362,950	412,844	-
Easements	1,660,395	-	1,660,395	-
Property held for future use	-	16,854	16,854	-
Other capital assets, net of depreciation	<u>75,602,527</u>	<u>127,580,675</u>	<u>203,183,202</u>	-
Total Assets	<u>156,562,753</u>	<u>161,343,367</u>	<u>317,906,120</u>	<u>20,624,183</u>
LIABILITIES				
Accounts payable and accrued expenses	2,189,213	2,520,189	4,709,402	348,760
Deposits	68,719	7,323	76,042	-
Due to other governmental units	6,303	-	6,303	-
Due to component unit	83,572	-	83,572	-
Unearned revenue	21,786,484	83,268	21,869,752	72,000
Noncurrent liabilities				
Due within one year	7,257,691	1,777,877	9,035,568	1,265,000
Due in more than one year	<u>62,346,269</u>	<u>20,484,839</u>	<u>82,831,108</u>	<u>18,865,000</u>
Total Liabilities	<u>93,738,251</u>	<u>24,873,496</u>	<u>118,611,747</u>	<u>20,550,760</u>
NET POSITION				
Net investment in capital assets	61,862,029	118,394,172	179,466,871	-
Restricted for				
Debt service	-	1,197,376	1,197,376	-
Park improvement	1,089,488	-	1,089,488	-
Economic development	139,969	-	139,969	-
Impact fees	1,721,269	-	1,721,269	-
Grants	179,435	-	179,435	-
Library	79,734	-	79,734	-
TID purposes	2,099,081	-	2,099,081	-
Trusts	337,580	-	337,580	-
Equipment replacement	-	1,912,039	1,912,039	-
Unrestricted (deficit)	<u>(4,684,083)</u>	<u>14,966,284</u>	<u>11,071,531</u>	<u>73,423</u>
TOTAL NET POSITION	<u>\$ 62,824,502</u>	<u>\$ 136,469,871</u>	<u>\$ 199,294,373</u>	<u>\$ 73,423</u>

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 3,875,278	\$ 191,015	\$ 38,468	\$ 222,917
Public safety	9,240,152	1,239,082	288,403	-
Public works	6,382,496	513,772	2,232,151	5,140,448
Culture, recreation and education	3,720,586	833,364	409,197	128,955
Conservation and development	1,167,660	14,968	175,527	-
Interest and fiscal charges	<u>2,537,354</u>	-	-	-
Total Governmental Activities	<u>26,923,526</u>	<u>2,792,201</u>	<u>3,143,746</u>	<u>5,492,320</u>
Business-type Activities				
Electric	23,794,207	24,438,763	-	208,186
Water	2,234,925	3,158,039	-	535,071
Telecommunications	342,225	435,669	-	31,702
Wastewater	3,156,687	3,463,542	-	568,559
Stormwater	<u>1,423,332</u>	<u>1,394,284</u>	-	<u>102,203</u>
Total Business-type Activities	<u>30,951,376</u>	<u>32,890,297</u>	-	<u>1,445,721</u>
Total Primary Government	<u>\$ 57,874,902</u>	<u>\$ 35,682,498</u>	<u>\$ 3,143,746</u>	<u>\$ 6,938,041</u>
Component Units				
Community Development Authority	\$ 819,102	\$ -	\$ -	\$ -
Business Improvement District	<u>62,315</u>	<u>81,250</u>	-	-
Total Component Units	<u>\$ 881,417</u>	<u>\$ 81,250</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for TIF districts

Other taxes

Intergovernmental revenues not restricted to specific programs

Public gifts and grants

Investment income

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in net position

NET POSITION - Beginning of Year

NET POSITION - END OF YEAR

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Units
\$ (3,422,878)	\$ -	\$ (3,422,878)	\$ -
(7,712,667)	-	(7,712,667)	-
1,503,875	-	1,503,875	-
(2,349,070)	-	(2,349,070)	-
(977,165)	-	(977,165)	-
<u>(2,537,354)</u>	<u>-</u>	<u>(2,537,354)</u>	<u>-</u>
<u>(15,495,259)</u>	<u>-</u>	<u>(15,495,259)</u>	<u>-</u>
-	852,742	852,742	-
-	1,458,185	1,458,185	-
-	125,146	125,146	-
-	875,414	875,414	-
-	<u>73,155</u>	<u>73,155</u>	<u>-</u>
-	<u>3,384,642</u>	<u>3,384,642</u>	<u>-</u>
<u>(15,495,259)</u>	<u>3,384,642</u>	<u>(12,110,617)</u>	<u>-</u>
-	-	-	(819,102)
-	-	-	<u>18,935</u>
-	-	-	<u>(800,167)</u>
12,515,534	-	12,515,534	-
6,559,367	-	6,559,367	-
2,611,460	-	2,611,460	-
160,657	-	160,657	-
1,554,397	-	1,554,397	-
7,328	-	7,328	-
75,263	813,149	888,412	819,209
325,530	49,053	374,583	3,965
<u>1,670,093</u>	<u>(1,670,093)</u>	<u>-</u>	<u>-</u>
<u>25,479,629</u>	<u>(807,891)</u>	<u>24,671,738</u>	<u>823,174</u>
9,984,370	2,576,751	12,561,121	23,007
<u>52,840,132</u>	<u>133,893,120</u>	<u>186,733,252</u>	<u>50,416</u>
<u>\$ 62,824,502</u>	<u>\$ 136,469,871</u>	<u>\$ 199,294,373</u>	<u>\$ 73,423</u>

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2012

	General Fund	General Debt Service Fund	General Capital Projects Fund
ASSETS			
Cash and investments	\$ 5,384,333	\$ -	\$ 1,861,402
Receivables			
Taxes	12,892,568	6,399,403	200,000
Delinquent personal property taxes	50,022	-	-
Accounts	361,414	490	1,694
Special assessments	1,091	17,467	-
Delinquent special assessments held by county	71,171	-	367,616
Accrued interest	2,476	-	-
Loans	5,766	-	-
Due from other governments	67,885	-	-
Due from other funds	3,723,711	-	398,034
Prepaid items and inventories	133,550	-	481,926
Investment in mutual insurance company	343,740	-	-
Advances to other funds	1,635,072	-	-
Restricted cash and investments	-	-	-
TOTAL ASSETS	<u>\$ 24,672,799</u>	<u>\$ 6,417,360</u>	<u>\$ 3,310,672</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 474,488	\$ -	\$ 154,811
Accrued liabilities	548,902	-	-
Deposits	17,362	-	46,357
Due to other governments	6,303	-	-
Due to other funds	1,933,791	490	1,396,256
Due to component units	83,572	-	-
Advances from other funds	-	-	-
Deferred revenues	12,962,894	6,399,403	200,000
Deferred special assessments	18,326	17,467	367,616
Total Liabilities	<u>16,045,638</u>	<u>6,417,360</u>	<u>2,165,040</u>
Fund Balances			
Nonspendable	2,118,128	-	849,542
Restricted	-	-	212,853
Assigned	3,267,320	-	83,237
Unassigned (deficit)	3,241,713	-	-
Total Fund Balances	<u>8,627,161</u>	<u>-</u>	<u>1,145,632</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 24,672,799</u>	<u>\$ 6,417,360</u>	<u>\$ 3,310,672</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 1,398,769	\$ 8,644,504
2,303,381	21,795,352
-	50,022
244,952	608,550
-	18,558
-	438,787
4,660	7,136
45,000	50,766
72,443	140,328
1,742,448	5,864,193
-	615,476
-	343,740
-	1,635,072
<u>3,826,190</u>	<u>3,826,190</u>
<u>\$ 9,637,843</u>	<u>\$ 44,038,674</u>

\$ 142,675	\$ 771,974
-	548,902
5,000	68,719
-	6,303
140,415	3,470,952
-	83,572
1,635,072	1,635,072
2,626,854	22,189,151
-	403,409
<u>4,550,016</u>	<u>29,178,054</u>

-	2,967,670
5,676,901	5,889,754
-	3,350,557
(589,074)	2,652,639
<u>5,087,827</u>	<u>14,860,620</u>
<u>\$ 9,637,843</u>	<u>\$ 44,038,674</u>

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 POSITION As of December 31, 2012

Total Fund Balances - Governmental Funds	\$ 14,860,620
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note IV. D.	117,215,202
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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.	403,409
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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.	402,667
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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>(70,057,396)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 62,824,502</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, 2012

	General Fund	General Debt Service Fund	General Capital Projects Fund
REVENUES			
Taxes	\$ 12,373,199	\$ 6,559,367	\$ 271,046
Intergovernmental	3,997,087	-	-
Licenses and permits	690,922	-	11,157
Fines, forfeitures and penalties	171,760	-	-
Public charges for services	1,677,676	-	-
Special assessments	27,860	5,334	-
Investment income	19,994	325	533
Miscellaneous	690,975	38,272	-
Total Revenues	<u>19,649,473</u>	<u>6,603,298</u>	<u>282,736</u>
EXPENDITURES			
Current			
General government	3,795,349	-	-
Public safety	8,464,082	-	-
Public works	4,614,577	-	-
Culture, recreation and education	3,197,535	-	-
Conservation and development	515,007	-	-
Capital Outlay	-	-	1,736,532
Debt Service			
Principal	-	11,471,031	-
Interest and fiscal charges	-	1,403,304	-
Total Expenditures	<u>20,586,550</u>	<u>12,874,335</u>	<u>1,736,532</u>
Excess (deficiency) of revenues over expenditures	<u>(937,077)</u>	<u>(6,271,037)</u>	<u>(1,453,796)</u>
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	-	8,565,449	3,744,551
Premium on debt issued	-	190,329	-
Debt issuance costs	-	(112,315)	(80)
Payments to refunding bond escrow agent	-	(2,322,044)	-
Transfers in	2,443,559	-	231,426
Transfers out	(90,920)	(916,062)	-
Total Other Financing Sources (Uses)	<u>2,352,639</u>	<u>5,405,357</u>	<u>3,975,897</u>
Net Change in Fund Balances	1,415,562	(865,680)	2,522,101
FUND BALANCES (DEFICIT) - Beginning of Year	<u>7,211,599</u>	<u>865,680</u>	<u>(1,376,469)</u>
FUND BALANCES - END OF YEAR	<u>\$ 8,627,161</u>	<u>\$ -</u>	<u>\$ 1,145,632</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 2,648,914	\$ 21,852,526
659,179	4,656,266
86,084	788,163
-	171,760
882,366	2,560,042
-	33,194
39,989	60,841
<u>42,223</u>	<u>771,470</u>
<u>4,358,755</u>	<u>30,894,262</u>
-	3,795,349
61,790	8,525,872
506,418	5,120,995
147,224	3,344,759
27,329	542,336
644,607	2,381,139
1,321,336	12,792,367
<u>1,094,323</u>	<u>2,497,627</u>
<u>3,803,027</u>	<u>39,000,444</u>
<u>555,728</u>	<u>(8,106,182)</u>
-	12,310,000
-	190,329
-	(112,395)
-	(2,322,044)
190,484	2,865,469
<u>(286,980)</u>	<u>(1,293,962)</u>
<u>(96,496)</u>	<u>11,637,397</u>
459,232	3,531,215
<u>4,628,595</u>	<u>11,329,405</u>
<u>\$ 5,087,827</u>	<u>\$ 14,860,620</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, 2012

Net change in fund balances - total governmental funds	\$ 3,531,215
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	2,381,139
Some items reported as capital outlay were not capitalized	(884,264)
Some items reported as operating expenses in the fund financial statements, are capitalized in the government-wide statements.	1,774,500
Some items reported as capital outlay were transferred from business-type activities	143,931
Depreciation is reported in the government-wide financial statements	(3,932,807)
Net book value of assets retired	(114,614)

Contributed capital assets are reported as revenues in the government-wide financial statements.	4,122,181
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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.	224,677
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Debt issued	(12,310,000)
Principal repaid	12,792,367

Advance refunding of bond issuances are reported as an other financing use in the governmental funds. However, advance refunding are considered a change in long-term liabilities in the Statement of Net Position.	2,322,044
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Governmental funds report debt premiums, discounts and issuance costs as other financing sources (uses) or expenditures. However, in the statement of net position, 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	(227,658)

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	60,542
Accrued interest on debt	106,088
Other post-employment benefits	(4,971)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 9,984,370</u>
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See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

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

	Business-type Activities - Enterprise Funds			
	Electric and Water Utility	Wastewater Utility	Stormwater Utility	Totals
ASSETS				
Current Assets				
Cash and investments	\$ 4,272,412	\$ 237,942	\$ 1,429,803	\$ 5,940,157
Receivables				
Accounts	2,445,629	318,130	123,220	2,886,979
Accrued interest	7,549	5,704	181	13,434
Other	480,540	13,720	86,279	580,539
Due from other funds	197,644	39,940	202,133	439,717
Prepaid items	15,933	-	-	15,933
Inventories	744,160	-	-	744,160
Restricted Assets				
Cash and investments	656,858	645,420	-	1,302,278
Total Current Assets	<u>8,820,725</u>	<u>1,260,856</u>	<u>1,841,616</u>	<u>11,923,197</u>
Noncurrent Assets				
Restricted Assets				
Cash and investments	4,197,886	1,912,039	-	6,109,925
Capital Assets				
Land	170,405	194,278	7,618,509	7,983,192
Construction in progress	187,894	-	175,056	362,950
Property held for future use	16,854	-	-	16,854
Other capital assets	75,863,114	55,655,463	37,850,483	169,369,060
Less: Accumulated depreciation	(22,538,337)	(11,300,461)	(7,949,587)	(41,788,385)
Other Assets				
Cash and investments	-	2,915,085	-	2,915,085
Unamortized debt issuance expenses	158,391	9,518	1,179	169,088
Lift station fees receivable	-	91,766	-	91,766
Special assessments receivable	-	12,774	-	12,774
Deferred special assessments receivable	-	2,602	-	2,602
Other Property and Investments				
Non-utility property	52,651	-	-	52,651
Investment in ATC	6,955,566	-	-	6,955,566
Total Noncurrent Assets	<u>65,064,424</u>	<u>49,493,064</u>	<u>37,695,640</u>	<u>152,253,128</u>
Total Assets	<u>73,885,149</u>	<u>50,753,920</u>	<u>39,537,256</u>	<u>164,176,325</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds			
	Electric and Water Utility	Wastewater Utility	Stormwater	Totals
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 1,924,126	\$ 48,038	\$ 6,029	\$ 1,978,193
Other accrued liabilities	426,038	27,328	13,000	466,366
Deposits	7,323	-	-	7,323
Due to other funds	2,277,673	555,285	-	2,832,958
Current portion of general obligation debt	-	105,000	95,000	200,000
Liabilities Payable From Restricted Assets				
Revenue bonds payable	800,000	772,198	-	1,572,198
Accrued interest	59,476	45,726	-	105,202
Total Current Liabilities	<u>5,494,636</u>	<u>1,553,575</u>	<u>114,029</u>	<u>7,162,240</u>
Noncurrent Liabilities				
Long-Term Debt				
Revenue bonds payable	7,980,000	10,822,003	-	18,802,003
Unamortized debt premium	99,235	-	-	99,235
Unamortized loss on refunding	(58,817)	-	-	(58,817)
General obligation debt	-	650,000	635,000	1,285,000
Compensated absences	257,944	72,938	2,643	333,525
Unearned revenues	23,893	-	59,375	83,268
Total Noncurrent Liabilities	<u>8,302,255</u>	<u>11,544,941</u>	<u>697,018</u>	<u>20,544,214</u>
Total Liabilities	<u>13,796,891</u>	<u>13,098,516</u>	<u>811,047</u>	<u>27,706,454</u>
NET POSITION				
Net investment in capital assets	49,218,935	32,209,597	36,965,640	118,394,172
Restricted for				
Debt service	597,682	599,694	-	1,197,376
Equipment replacement	-	1,912,039	-	1,912,039
Unrestricted	<u>10,271,641</u>	<u>2,934,074</u>	<u>1,760,569</u>	<u>14,966,284</u>
TOTAL NET POSITION	<u>\$ 60,088,258</u>	<u>\$ 37,655,404</u>	<u>\$ 38,726,209</u>	<u>\$136,469,871</u>

See accompanying notes to financial statements.

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CITY OF SUN PRAIRIE

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

For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds			
	Electric and Water Utility	Wastewater Utility	Stormwater Utility	Totals
OPERATING REVENUES	<u>\$ 28,032,471</u>	<u>\$ 3,463,542</u>	<u>\$ 1,394,284</u>	<u>\$ 32,890,297</u>
OPERATING EXPENSES				
Operation and maintenance	24,003,534	1,524,816	519,861	26,048,211
Depreciation	<u>2,091,558</u>	<u>1,324,715</u>	<u>868,425</u>	<u>4,284,698</u>
Total Operating Expenses	<u>26,095,092</u>	<u>2,849,531</u>	<u>1,388,286</u>	<u>30,332,909</u>
Operating Income	<u>1,937,379</u>	<u>614,011</u>	<u>5,998</u>	<u>2,557,388</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	795,729	13,866	3,554	813,149
Loss on sale of property	-	-	(9,437)	(9,437)
Interest charged to construction	8,285	-	-	8,285
Interest and amortization expense	(284,550)	(307,156)	(25,609)	(617,315)
Miscellaneous	<u>49,053</u>	<u>-</u>	<u>-</u>	<u>49,053</u>
Total Nonoperating Revenues (Expenses)	<u>568,517</u>	<u>(293,290)</u>	<u>(31,492)</u>	<u>243,735</u>
Income (Loss) Before Contributions and Transfers	<u>2,505,896</u>	<u>320,721</u>	<u>(25,494)</u>	<u>2,801,123</u>
CONTRIBUTIONS AND TRANSFERS				
Capital contributions	774,959	568,559	102,203	1,445,721
Capital contributions - from municipality	45,345	-	-	45,345
Transfers out	<u>(1,571,507)</u>	<u>-</u>	<u>(143,931)</u>	<u>(1,715,438)</u>
Total Contributions and Transfers	<u>(751,203)</u>	<u>568,559</u>	<u>(41,728)</u>	<u>(224,372)</u>
Change in Net Position	<u>1,754,693</u>	<u>889,280</u>	<u>(67,222)</u>	<u>2,576,751</u>
NET POSITION - Beginning of Year	<u>58,333,565</u>	<u>36,766,124</u>	<u>38,793,431</u>	<u>133,893,120</u>
NET POSITION - END OF YEAR	<u>\$ 60,088,258</u>	<u>\$ 37,655,404</u>	<u>\$ 38,726,209</u>	<u>\$136,469,871</u>

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

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

	Business-type Activities - Enterprise Funds			Totals
	Electric and Water Utility	Wastewater Utility	Stormwater Utility	
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from customers	\$ 28,092,845	\$ 3,416,597	\$ 1,587,882	\$ 33,097,324
Received from municipality for services	326,980	-	-	326,980
Paid to suppliers for goods and services	(22,842,061)	(611,497)	(410,907)	(23,864,465)
Paid to employees for services	(1,215,178)	(535,797)	(170,871)	(1,921,846)
Net Cash Flows From Operating Activities	<u>4,362,586</u>	<u>2,269,303</u>	<u>1,006,104</u>	<u>7,637,993</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	529,393	10,512	3,373	543,278
Investment in ATC	(318,017)	-	-	(318,017)
Investments purchased	(959,757)	(1,000,087)	-	(1,959,844)
Investments sold and matured	<u>957,901</u>	<u>507,824</u>	<u>-</u>	<u>1,465,725</u>
Net Cash Flows From Investing Activities	<u>209,520</u>	<u>(481,751)</u>	<u>3,373</u>	<u>(268,858)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Paid to municipality for tax equivalent Transfers In (Out)	(1,492,208)	-	-	(1,492,208)
Net Cash Flows From Noncapital Financing Activities	<u>(1,492,208)</u>	<u>-</u>	<u>(143,931)</u>	<u>(1,636,139)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt issued	4,955,000	-	-	4,955,000
Debt retired	(2,760,000)	(854,358)	(95,000)	(3,709,358)
Interest paid	(295,327)	(309,265)	(25,990)	(630,582)
Debt issuance costs	(102,059)	-	-	(102,059)
Acquisition and construction of utility plant	(1,885,668)	(198,000)	(973,026)	(3,056,694)
Contributions received for construction	356,986	499,290	-	856,276
Proceeds from sale of assets	31,702	-	-	31,702
Special assessments received	-	3,069	-	3,069
Removal costs	<u>-</u>	<u>-</u>	<u>(11,421)</u>	<u>(11,421)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>300,634</u>	<u>(859,264)</u>	<u>(1,105,437)</u>	<u>(1,664,067)</u>
Net Change in Cash and Cash Equivalents	3,380,532	928,288	(239,891)	4,068,929
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>4,593,691</u>	<u>3,782,111</u>	<u>1,669,694</u>	<u>10,045,496</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,974,223</u>	<u>\$ 4,710,399</u>	<u>\$ 1,429,803</u>	<u>\$ 14,114,425</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 TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income	\$ 1,937,379	\$ 614,011	\$ 5,998	\$ 2,557,388
Nonoperating revenue	49,053	-	-	49,053
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities				
Depreciation	2,091,558	1,324,715	868,425	4,284,698
Depreciation charged to clearing and other funds	188,455	-	-	188,455
Changes in assets and liabilities				
Accounts receivable	356,976	(22,646)	(33,400)	300,930
Other accounts receivable	(158,414)	(12,229)	1,596	(169,047)
Due to/from other funds	(160,633)	366,991	225,402	431,760
Other assets	66,901	-	-	66,901
Accounts payable	85,336	1,428	(63,437)	23,327
Deposits	(3,152)	-	-	(3,152)
Other current liabilities	4,070	13	770	4,853
Compensated absences	(94,943)	(2,980)	750	(97,173)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 4,362,586</u>	<u>\$ 2,269,303</u>	<u>\$ 1,006,104</u>	<u>\$ 7,637,993</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS				
Cash and investments - statement of net position	\$ 4,272,412	\$ 237,942	\$ 1,429,803	\$ 5,940,157
Restricted cash and investments - statement of net position	4,854,744	2,557,459	-	7,412,203
Other assets - cash and investments - statement of net position	-	2,915,085	-	2,915,085
Total Cash and Investments	9,127,156	5,710,486	1,429,803	16,267,445
Less: Noncash equivalents	(1,152,933)	(1,000,087)	-	(2,153,020)
CASH AND CASH EQUIVALENTS	<u>\$ 7,974,223</u>	<u>\$ 4,710,399</u>	<u>\$ 1,429,803</u>	<u>\$ 14,114,425</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest charged to construction	\$ 8,285	\$ -	\$ -	
Developer financed additions to utility plant	\$ -	\$ 69,269	\$ 102,203	
Capital contributions	\$ 696,690	\$ -	\$ -	
Dividends reinvested in ATC	\$ 256,633	\$ -	\$ -	

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

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

	Utilities Pension Trust Fund	Agency Funds
CURRENT ASSETS		
Cash and investments	\$ -	\$ 24,486,796
Taxes receivable	-	15,997,908
NON-CURRENT ASSETS		
Restricted Assets		
Variable annuity	1,964,954	-
Receivable from electric and water utility	282,518	-
Cash surrender value of life insurance	127,825	-
TOTAL ASSETS	<u>2,375,297</u>	<u>\$ 40,484,704</u>
LIABILITIES		
Due to other governments	-	<u>\$ 40,484,704</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 2,375,297</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

For the Year Ended December 31, 2012

	Utilities Pension Trust Fund
ADDITIONS	
Employer contributions	\$ 327,020
Increase in cash surrender value of insurance	1,863
Investment income	<u>225,009</u>
Total Additions	<u>553,892</u>
DEDUCTIONS	
Benefits and refunds	298,775
Other contractual	<u>23,520</u>
Total Deductions	<u>322,295</u>
CHANGE IN NET POSITION	231,597
NET POSITION - Beginning of Year	<u>2,143,700</u>
NET POSITION - END OF YEAR	<u>\$ 2,375,297</u>

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

STATEMENT OF NET POSITION COMPONENT UNITS As of December 31, 2012

	Major Community Development Authority	Non-Major Business Improvement District	Totals
ASSETS			
Receivables			
Taxes	\$ -	\$ 72,000	\$ 72,000
Accrued interest	335,041	-	335,041
Delinquent special assessments	-	3,475	3,475
Due from primary government	-	83,572	83,572
Prepaid items	-	95	95
Capital lease receivable from primary government	20,130,000	-	20,130,000
Total Assets	<u>20,465,041</u>	<u>159,142</u>	<u>20,624,183</u>
LIABILITIES			
Liabilities			
Accounts payable	-	13,719	13,719
Accrued interest payable	335,041	-	335,041
Unearned revenues	-	72,000	72,000
Noncurrent Liabilities			
Due within one year	1,265,000	-	1,265,000
Due in more than one year	18,865,000	-	18,865,000
Total Liabilities	<u>20,465,041</u>	<u>85,719</u>	<u>20,550,760</u>
NET POSITION			
Unrestricted	<u>-</u>	<u>73,423</u>	<u>73,423</u>
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 73,423</u>	<u>\$ 73,423</u>

See accompanying notes to financial statements.

CITY OF SUN PRAIRIE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION COMPONENT UNITS For the Year Ended December 31, 2012

	<u>Major Community Development Authority</u>	<u>Non-Major Business Improvement District</u>	<u>Totals</u>
OPERATING REVENUES			
Special assessments	\$ -	\$ 81,250	\$ 81,250
Miscellaneous	-	3,965	3,965
Total Operating Revenues	<u>-</u>	<u>85,215</u>	<u>85,215</u>
OPERATING EXPENSES			
Conservation and development	-	62,315	62,315
Total Operating Expenses	<u>-</u>	<u>62,315</u>	<u>62,315</u>
Operating Income	<u>-</u>	<u>22,900</u>	<u>22,900</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	819,102	107	819,209
Interest and fiscal charges	<u>(819,102)</u>	<u>-</u>	<u>(819,102)</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>107</u>	<u>107</u>
Change in Net Position	-	23,007	23,007
NET POSITION - Beginning of Year	<u>-</u>	<u>50,416</u>	<u>50,416</u>
NET POSITION - END OF YEAR	<u>\$ -</u>	<u>\$ 73,423</u>	<u>\$ 73,423</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, 2012

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, 2012. 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, 2012

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, 2012. Separately issued financial statements of the Business Improvement District may be obtained from the BID's office.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

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

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

CITY OF SUN PRAIRIE

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

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

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

Fund Financial Statements

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

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

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

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

The city reports the following major governmental funds:

- General Fund - accounts for the city's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- General Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to 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, 2012

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

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

Fund Financial Statements (cont.)

The city reports the following nonmajor governmental funds:

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

Park Improvement Fund
Wisconsin Development Fund
Transportation Impact Fee Fund

Grant Funds
Library Fund

Debt Service Funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs.

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 expenditure 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

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 of the Sun Prairie Utilities.

Utilities Pension Trust Fund

CITY OF SUN PRAIRIE

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

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

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

Fund Financial Statements (cont.)

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's electric and water, wastewater and stormwater utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

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

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

CITY OF SUN PRAIRIE

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

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

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

Fund Financial Statements (cont.)

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

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

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

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

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

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric and water utility, wastewater utility and stormwater utility are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF SUN PRAIRIE

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

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

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

All Financial Statements

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1. Deposits and Investments

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

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

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

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

CITY OF SUN PRAIRIE

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

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

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

1. Deposits and Investments (cont.)

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

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

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

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

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2012, the fair value of the city's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV. A. for further information.

CITY OF SUN PRAIRIE

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

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

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

2. Receivables

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 position.

Property tax calendar - 2012 tax roll:

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

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

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

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

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 included in restricted fund balance. 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.

CITY OF SUN PRAIRIE

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

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

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

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 position.

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$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. \$8,285 of net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

CITY OF SUN PRAIRIE

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

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

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

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

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.

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 benefits can be used to pay health insurance premiums or out-of-pocket medical expenses.

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

CITY OF SUN PRAIRIE

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

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

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

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 position.

The city has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the city. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$5,343,032, made up of two issues.

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. Refer to Note V. C. on commitments and contingencies.

CITY OF SUN PRAIRIE

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

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

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

10. Equity Classifications

Government-Wide Statements

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

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

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

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 61,862,029	\$ 118,394,172	\$ (789,330)	\$ 179,466,871
Unrestricted (deficit)	(4,684,083)	14,966,284	789,330	11,071,531

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

Fund Statements

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

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

CITY OF SUN PRAIRIE

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

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

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

10. Equity Classifications (cont.)

Fund Statements (cont.)

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

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

The 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. 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 \$3,241,713, or 17%, and is included in unassigned general fund balance.

See Note IV. H. for further information.

CITY OF SUN PRAIRIE

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

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

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

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

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

Bonds and notes payable	\$	47,810,803
Capital leases		20,130,000
Compensated absences		1,342,128
Accrued interest		868,337
Unamortized debt discount, premium and issue costs		(135,803)
Other postemployment benefits		<u>41,931</u>
Combined Adjustment for Long-Term Liabilities	\$	<u>70,057,396</u>

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

A budget has been adopted for the general fund, special revenue funds, debt service funds, and capital projects funds. A budget has 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 \$18,179. Budgets are adopted at the functional level of expenditure.

CITY OF SUN PRAIRIE

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

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

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
General debt service fund	\$ 6,693,020	\$ 16,224,756	\$ 9,531,736
Grant funds	500,000	575,949	75,949
Transportation impact fee	87,000	231,426	144,426
TID No. 6 - debt service	164,544	166,396	1,852
TID No. 8 - capital projects	1,526,591	2,013,064	486,473
Development projects	5,000	34,707	29,707

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.

C. DEFICIT BALANCES

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

As of December 31, 2012, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
TID No. 9 - capital projects	\$ 563,810	Excess expenditures over revenues
TID No. 10 - capital projects	6,855	Excess expenditures over revenues
Development projects	18,409	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.

CITY OF SUN PRAIRIE

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

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Statement Balances	Associated Risks
Demand deposits	\$ 15,910,844	\$ 15,615,022	Custodial credit risk
Stock mutual funds	214	214	N/A
Money market	3,493,422	3,493,422	Custodial credit risk
LGIP	33,809,322	33,809,322	Credit risk
Variable annuity	1,964,954	1,964,954	Credit risk, interest rate risk
Petty cash	11,133	-	N/A
Total Deposits and Investments	<u>\$ 55,189,889</u>	<u>\$ 54,882,934</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 17,499,746		
Restricted cash and investments	11,238,393		
Per statement of net position- fiduciary funds			
Pension Trust Fund	1,964,954		
Agency Fund	<u>24,486,796</u>		
Total Deposits and Investments	<u>\$ 55,189,889</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest-bearing transaction accounts through December 31, 2012. On January 1, 2013, the temporary unlimited coverage for noninterest bearing transaction accounts expired. Therefore, demand deposit accounts (interest-bearing and noninterest-bearing) are insured for a total of \$250,000 beginning January 1, 2013. In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

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.

CITY OF SUN PRAIRIE

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk

Deposits

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

As of December 31, 2012, \$7,642,097 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>7,642,097</u>
--------------------------------	---------------------

Investments

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

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

Credit Risk

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

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

<u>Investment Type</u>	<u>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, 2012

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, 2012, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)	
		Less than 1	N/A*
Variable annuity	\$ 1,964,954	\$ 169,928	\$ 1,795,026

* 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	\$ 13,391,466	\$ 6,417,360	\$ 569,310	\$ 2,601,384	\$ 22,979,520
Less: Allowance for uncollectibles	(6,922)	-	-	(3,391)	(10,313)
Net Total Receivables	<u>\$ 13,384,544</u>	<u>\$ 6,417,360</u>	<u>\$ 569,310</u>	<u>\$ 2,597,993</u>	<u>\$ 22,969,207</u>
Amounts not expected to be collected within one year	<u>\$ 122,284</u>	<u>\$ 17,467</u>	<u>\$ 367,616</u>	<u>\$ 276,825</u>	<u>\$ 784,192</u>

CITY OF SUN PRAIRIE

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

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:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Totals</u>
Property taxes receivable for subsequent year	\$ -	\$ 21,786,484	\$ 21,786,484
Special assessments not yet due	403,409	-	403,409
Developer fees	168,545	-	168,545
Ambulance revenue	52,817	-	52,817
Grants	72,443	-	72,443
Accounts receivable - non current	<u>108,862</u>	<u>-</u>	<u>108,862</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 806,076</u>	<u>\$ 21,786,484</u>	<u>\$ 22,592,560</u>

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.
- Construction - Used to report proceeds of revenue bond issuances that are restricted for use in construction.

Equipment Replacement Account

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

Debt Coverage

Under terms of the resolutions providing for the issue of utility revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.10 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2012 for the electric and water utility as well as the wastewater utility.

CITY OF SUN PRAIRIE

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

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

C. RESTRICTED ASSETS (cont.)

Following is a list of restricted assets at December 31, 2012:

Restricted Assets	
Redemption account	\$ 1,302,278
Reserve account	661,849
Equipment replacement account	1,912,039
Debt service account (See Note IV.J)	2,429,292
Impact fee account	1,396,898
Construction account	<u>3,536,037</u>
Total Restricted Assets	<u><u>\$ 11,238,393</u></u>

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land and non-depreciable improvements	\$ 37,673,838	\$ 2,228,548	\$ -	\$ 39,902,386
Construction in progress	639,893	382,257	972,256	49,894
Easements	<u>1,660,395</u>	<u>-</u>	<u>-</u>	<u>1,660,395</u>
Total Capital Assets Not Being Depreciated	<u>39,974,126</u>	<u>2,610,805</u>	<u>972,256</u>	<u>41,612,675</u>
Capital assets being depreciated				
Land improvements	3,582,349	-	-	3,582,349
Buildings	28,112,391	194,615	168,500	28,138,506
Machinery and equipment	12,789,600	684,850	673,003	12,801,447
Roads	58,577,655	4,402,271	337,598	62,642,328
Sidewalks	8,051,072	233,306	11,785	8,272,593
Signals	932,533	383,896	-	1,316,429
Bike paths	<u>3,040,326</u>	<u>-</u>	<u>-</u>	<u>3,040,326</u>
Total Capital Assets Being Depreciated	<u>115,085,926</u>	<u>5,898,938</u>	<u>1,190,886</u>	<u>119,793,978</u>
Total Capital Assets	<u>155,060,052</u>	<u>8,509,743</u>	<u>2,163,142</u>	<u>161,406,653</u>

CITY OF SUN PRAIRIE

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

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Less: Accumulated depreciation for				
Land improvements	\$ (1,580,196)	\$ (163,196)	\$ -	\$ (1,743,392)
Buildings	(8,180,619)	(717,419)	164,288	(8,733,750)
Machinery and equipment	(7,482,915)	(1,101,457)	614,602	(7,969,770)
Roads	(21,042,286)	(1,613,042)	291,010	(22,364,318)
Sidewalks	(1,441,710)	(163,343)	6,372	(1,598,681)
Signals	(93,705)	(50,509)	-	(144,214)
Bike paths	(1,513,485)	(123,841)	-	(1,637,326)
Total Accumulated Depreciation	<u>(41,334,916)</u>	<u>(3,932,807)</u>	<u>1,076,272</u>	<u>(44,191,451)</u>
Net Capital Assets Being Depreciated	<u>73,751,010</u>	<u>1,966,131</u>	<u>114,614</u>	<u>75,602,527</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$113,725,136</u>	<u>\$ 4,576,936</u>	<u>\$ 1,086,870</u>	<u>\$117,215,202</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 264,447
Public safety	719,841
Public works	2,318,327
Culture, recreation and education	617,821
Conservation and development	<u>12,371</u>
Total Governmental Activities Depreciation Expense	<u>\$ 3,932,807</u>

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Construction in progress - electric	\$ 415,222	\$ 1,389,138	\$ 1,620,324	\$ 184,036
Construction in progress - water	21,441	1,264,091	1,285,532	-
Construction in progress - telecommunications	7,509	122,422	126,073	3,858
Construction in progress - stormwater	184,482	303,084	312,510	175,056
Land - electric	105,318	-	-	105,318
Land - water	65,087	-	-	65,087
Land - wastewater	194,278	-	-	194,278
Land - stormwater	7,618,509	-	-	7,618,509
Property held for use	<u>16,854</u>	<u>-</u>	<u>-</u>	<u>16,854</u>
Total Capital Assets Not Being Depreciated	<u>8,628,700</u>	<u>3,078,735</u>	<u>3,344,439</u>	<u>8,362,996</u>

CITY OF SUN PRAIRIE

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

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities (cont.)				
Capital assets being depreciated				
Electric system	\$ 34,528,316	\$ 1,637,692	\$ 279,677	\$ 35,886,331
Water system	36,566,431	1,285,532	114,621	37,737,342
Telecommunications	2,135,234	128,388	24,181	2,239,441
Wastewater system	55,444,835	267,269	56,641	55,655,463
Stormwater	36,784,133	1,084,655	18,305	37,850,483
Total Capital Assets Being Depreciated	<u>165,458,949</u>	<u>4,403,536</u>	<u>493,425</u>	<u>169,369,060</u>
Total Capital Assets	<u>174,087,649</u>	<u>7,482,271</u>	<u>3,837,864</u>	<u>177,732,056</u>
Less: Accumulated depreciation for				
Electric system	(12,731,630)	(1,439,869)	303,442	(13,868,057)
Water system	(6,890,660)	(793,938)	133,978	(7,550,620)
Telecommunications	(1,059,512)	(84,329)	24,181	(1,119,660)
Wastewater system	(10,032,386)	(1,324,716)	56,641	(11,300,461)
Stormwater	(7,101,451)	(868,425)	20,289	(7,949,587)
Total Accumulated Depreciation	<u>(37,815,639)</u>	<u>(4,511,277)</u>	<u>538,531</u>	<u>(41,788,385)</u>
Net Capital Assets Being Depreciated	<u>127,643,310</u>	<u>(107,741)</u>	<u>(45,106)</u>	<u>127,580,675</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$136,272,010</u>	<u>\$ 2,970,994</u>	<u>\$ 3,299,333</u>	<u>\$135,943,671</u>

Depreciation expense was charged to functions as follows:

Business-type Activities

Electric	\$ 1,247,453
Water	759,776
Telecommunications	84,329
Wastewater	1,324,715
Stormwater	<u>868,425</u>
 Total Business-type Activities Depreciation Expense	 <u>\$ 4,284,698</u>

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, 2012

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 capital projects fund	\$ 1,352,606
General fund	Electric and water utility	1,676,125
General fund	Wastewater utility	554,344
General fund	General debt service fund	490
General fund	TID No. 6 - debt service	121,613
General fund	Development projects	18,533
General capital projects fund	Electric and water utility	398,034
Electric and water utility	General fund	153,053
Electric and water utility	General capital projects fund	43,650
Electric and water utility	Wastewater utility	941
Stormwater utility	General fund	38,559
Stormwater utility	Electric and water utility	163,574
Wisconsin development fund	General fund	22,374
Transportation impact fee fund	General fund	324,371
Grant funds	General fund	150,253
Library trust fund	Library fund	269
Wastewater utility	Electric and water utility	39,940
Park improvement fund	General fund	69,086
TID No. 7 - capital projects	General fund	<u>1,176,095</u>
Total - Fund Financial Statements		6,303,910
Less: Fund eliminations		<u>(3,910,669)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u>\$ 2,393,241</u>
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 2,628,503
Business-type Activities	Governmental Activities	<u>(235,262)</u>
Total Government-Wide Financial Statements		<u>\$ 2,393,241</u>

All amounts are due within one year.

CITY OF SUN PRAIRIE

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

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

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

Interfund Receivables/Payables (cont.)

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.

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

Advances

The 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	\$ 1,064,407	\$ 1,064,407
General fund	TID No. 9 - capital projects	563,810	563,810
General fund	TID No. 10 - capital projects	<u>6,855</u>	<u>6,855</u>
Total - Fund Financial Statements		1,635,072	
Less: Fund eliminations		<u>(1,635,072)</u>	
Total - Interfund Advances - Government-Wide Statement of Net Position		<u>\$ -</u>	

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

CITY OF SUN PRAIRIE

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

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

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

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General fund	General debt service	\$ 825,854	Improve general fund position
General fund	Electric and water utility	1,571,507	Payment in lieu of taxes
General capital projects	Transportation impact fee	231,426	Share 2012 of transportation projects
General fund	Park improvement fund	46,198	Budget transfer for equipment purchases
Grant funds	General fund	90,920	Taxi subsidy and budget amendment for EMS
Library fund	Library trust fund	9,356	Transfer interest/dividends to special revenue fund
TID No. 5 - debt service	General debt service	<u>90,208</u>	Budget transfer for debt service
Total - Fund Financial Statements		2,865,469	
Less: Fund eliminations		(1,293,962)	
Less: Transfer to business-type activities for capital assets funded by the governmental activities		(45,345)	
Add: Transfer to governmental activities for capital assets funded by business-type activities		<u>143,931</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 1,670,093</u>	
<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	
Governmental Activities	Business-type Activities	\$ 1,715,438	
Business-type Activities	Governmental Activities	<u>(45,345)</u>	
Total Government-wide Financial Statements		<u>\$ 1,670,093</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, 2012

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, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 49,358,170	\$ 12,310,000	\$ 13,857,367	\$ 47,810,803	\$ 5,336,459
Add/(Subtract) Deferred Amounts For					
(Discounts)/Premiums	179,162	190,329	90,393	279,098	77,860
Sub-totals	<u>49,537,332</u>	<u>12,500,329</u>	<u>13,947,760</u>	<u>48,089,901</u>	<u>5,414,319</u>
Other Liabilities					
Vested compensated absences	1,402,670	1,141,572	1,202,114	1,342,128	578,372
Capital leases	21,300,000	-	1,170,000	20,130,000	1,265,000
Other postemployment benefits	36,960	4,971	-	41,931	-
Total Other Liabilities	<u>22,739,630</u>	<u>1,146,543</u>	<u>2,372,114</u>	<u>21,514,059</u>	<u>1,843,372</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 72,276,962</u>	<u>\$ 13,646,872</u>	<u>\$ 16,319,874</u>	<u>\$ 69,603,960</u>	<u>\$ 7,257,691</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 1,680,000	\$ -	\$ 195,000	\$ 1,485,000	\$ 200,000
Revenue bonds	18,933,559	4,955,000	3,514,358	20,374,201	1,572,198
Add/(Subtract) Deferred Amounts For					
(Discounts)/Premiums	54,077	53,361	8,203	99,235	-
Refundings - Gains/(Losses)	-	(58,817)	-	(58,817)	-
Sub-totals	<u>20,667,636</u>	<u>4,949,544</u>	<u>3,717,561</u>	<u>21,899,619</u>	<u>1,772,198</u>
Other Liabilities					
Vested compensated absences	331,609	262,269	260,353	333,525	-
Other accrued liabilities	9,418	20,154	-	29,572	5,679
Total Other Liabilities	<u>341,027</u>	<u>282,423</u>	<u>260,353</u>	<u>363,097</u>	<u>5,679</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 21,008,663</u>	<u>\$ 5,231,967</u>	<u>\$ 3,977,914</u>	<u>\$ 22,262,716</u>	<u>\$ 1,777,877</u>

CITY OF SUN PRAIRIE

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

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

F. LONG-TERM OBLIGATIONS (cont.)

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2012, was \$117,692,145. Total general obligation debt outstanding at year end was \$49,295,803.

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, 2012
Bonds	8/9/05	2/1/20	3.00-4.75	\$ 4,710,000	\$ 3,755,000
Bonds	8/9/05	2/1/15	3.50-4.00	6,800,000	990,000
Refunding bonds	8/9/05	2/1/18	3.50-4.25	5,875,000	4,035,000
State trust fund loan	3/8/06	3/15/15	4.75	250,000	95,264
Notes	9/1/06	2/1/16	4.00	5,335,000	2,735,000
Bonds	9/11/07	4/1/22	3.75-3.90	4,165,000	3,185,000
Notes	10/21/08	4/1/18	4.00-4.125	5,500,000	4,810,000
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	69,380
State trust fund loan	12/23/09	3/15/19	4.50	600,000	491,159
Notes	11/9/10	4/1/20	0.60-2.35	4,700,000	4,405,000
Notes	5/8/12	4/1/22	0.4-2.0	7,085,000	7,085,000
Refunding bonds	6/5/12	2/1/16	2.0-3.0	5,225,000	<u>5,225,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 47,810,803</u>

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2012
Notes	7/15/09	4/1/19	2.00-4.25	\$ 1,000,000	\$ 725,000
Notes	11/9/10	4/1/17	0.60-1.40	40,000	30,000
Notes	7/15/09	4/1/19	2.00-4.25	1,005,000	<u>730,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 1,485,000</u>

CITY OF SUN PRAIRIE

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

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2013	\$ 5,336,459	\$ 1,497,598	\$ 200,000	\$ 46,342
2014	5,555,653	1,276,819	210,000	40,372
2015	9,900,041	1,017,491	210,000	34,021
2016	5,884,775	746,370	210,000	27,061
2017	5,002,956	578,427	210,000	19,711
2018-2022	14,295,919	1,280,163	445,000	16,528
2023-2024	1,835,000	78,282	-	-
Totals	<u>\$ 47,810,803</u>	<u>\$ 6,475,150</u>	<u>\$ 1,485,000</u>	<u>\$ 184,035</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 1999-2012. 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 \$10,589,591. Principal and interest paid for the current year (including refunding) and total customer net revenues were \$3,055,325 and \$4,816,735, 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 26% 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 \$1,037,480 and \$3,976,698, respectively.

CITY OF SUN PRAIRIE

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

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Revenue debt payable at December 31, 2012, consists of the following:

Business-type Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2012
Electric and Water Utility					
Revenue bonds	4/1/99	4/1/14	4.375-4.875	\$ 2,200,000	\$ 175,000
Revenue bonds	2/1/03	4/1/18	2.00-4.40	3,500,000	250,000
Revenue bonds	6/15/05	4/1/18	4.00	1,725,000	390,000
Revenue bonds	11/6/08	10/1/23	4.375-5.125	3,600,000	3,010,000
Revenue bonds	11/15/12	4/1/32	1.50-3.20	2,800,000	2,800,000
Revenue bonds	11/15/12	4/1/18	0.85-1.65	2,155,000	2,155,000
Total Electric and Water Utility					<u>8,780,000</u>
Wastewater Utility					
Revenue bonds	6/8/05	5/1/25	2.365	15,844,256	<u>11,594,201</u>
Total Business-type Activities Revenue Debt					<u><u>\$ 20,374,201</u></u>

Debt service requirements to maturity are as follows:

Years	Business-type Activities Revenue Debt	
	Principal	Interest
2013	\$ 1,572,198	\$ 512,106
2014	1,725,461	477,477
2015	1,629,155	435,572
2016	1,663,292	393,851
2017	1,697,881	352,281
2018-2022	7,124,844	1,145,695
2023-2027	4,086,370	295,688
2028-2032	<u>875,000</u>	<u>68,832</u>
Totals	<u>\$ 20,374,201</u>	<u>\$ 3,681,502</u>

CITY OF SUN PRAIRIE

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

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

F. LONG-TERM OBLIGATIONS (cont.)

Capital Leases

Refer to Note IV. G.

Other Debt Information

Estimated payments of compensated absences and other postemployment benefits are not included in the debt service requirement schedules. The compensated absences liability and other post employment benefits obligation 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 66.0621 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.

Advance Refunding

On May 8, 2012, the city issued \$7,085,000 in general obligation promissory notes with an average interest rate of 1.45% to pay for capital projects, current refund some outstanding debt and advance refund \$2,235,000 of outstanding notes with an average interest rate of 4.00%. The net proceeds of \$2,322,044 (after payment of \$54,953 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the notes. As a result, the notes are considered to be defeased and the liability for those bonds has been removed from these financial statements.

The cash flow requirements on the refunded debt prior to the advance refunding was \$3,477,463 from 2013 through 2015. The cash flow requirements on the promissory notes are \$3,426,265 from 2013 through 2018. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$112,349.

On October 23, 2012, the Electric and Water Utility issued \$2,155,000 in refunding bonds with an average interest rate of 1.25% to advance refund \$2,035,000 of outstanding bonds with an average interest rate of 3.94%. The net proceeds of \$2,110,869 (after payment of \$44,131 in underwriting fees, insurance and other issuance costs). Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the . As a result, the are considered to be defeased and the liability for those bonds has been removed from these financial statements.

CITY OF SUN PRAIRIE

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

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

F. LONG-TERM OBLIGATIONS (cont.)

Advance Refunding (cont.)

The cash flow requirements on the refunded debt prior to the advance refunding was \$2,252,446 from 2013 through 2018. The cash flow requirements on the promissory notes are \$2,250,782 from 2013 through 2018. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$35,969.

Current Refunding

On June 5, 2012, the police sworn issued \$5,225,000 in general obligation refunding bonds with an average interest rate of 2.11% to current refund \$5,395,000 of outstanding bonds with an average interest rate of 3.64%. The net proceeds of \$5,470,444 (after payment of \$34,947 in underwriting fees, insurance and other issuance costs) were used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the refunded debt prior to the current refunding was \$5,814,235 from 2013 through 2016. The cash flow requirements on the refunding bonds are \$5,493,856 from 2013 through 2016. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$316,740.

Prior-Year Defeasance of Debt

In prior years, the police sworn defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the police sworn's financial statements. At December 31, 2012, \$2,235,000 of bonds outstanding are considered defeased. The notes are callable as follows:

<u>Call Date</u>	<u>Amount</u>
2/1/13	\$ 2,235,000

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.

CITY OF SUN PRAIRIE

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

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

G. LEASE DISCLOSURES (cont.)

Lessee - Capital Leases (cont.)

Years	Governmental Activities		
	Principal	Interest	Totals
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	1,630,000	603,946	2,233,946
2018-2022	9,465,000	1,943,250	11,408,250
2023-2025	<u>3,470,000</u>	<u>250,153</u>	<u>3,720,153</u>
Totals	<u>\$ 20,130,000</u>	<u>\$ 5,728,057</u>	<u>\$ 25,858,057</u>

Lessee - Operating Leases

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

H. NET POSITION/FUND BALANCES

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

Governmental Activities

Net Investment in Capital Assets

Land	\$ 39,902,386
Construction in progress	49,894
Easements	1,660,395
Other capital assets, net of accumulated depreciation	75,602,527
Less: Long-term debt outstanding	(47,810,803)
Plus: Unspent capital related debt proceeds	212,853
Less: Capital leases	(20,130,000)
Less: Premium on debt	(279,098)
Plus: Non-capital debt	12,238,974
Plus: Debt discount and issuance costs	<u>414,901</u>
Total Net Investment in Capital Assets	<u>61,862,029</u>

CITY OF SUN PRAIRIE

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

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Activities (cont.)

Restricted	
Park improvement	\$ 1,089,488
Economic development	139,969
Impact fees	1,721,269
Grants	179,435
Library	79,734
TID purposes	2,099,081
Trusts	337,580
Total Restricted	<u>5,646,556</u>
Unrestricted (deficit)	<u>(4,684,083)</u>
Total Governmental Activities Net Position	<u>\$ 62,824,502</u>

Governmental Funds

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

	General Fund	General Capital Projects Fund	Nonmajor Funds	Totals
Fund Balances				
Nonspendable:				
Loans	\$ 5,766	\$ -	\$ -	\$ 5,766
Delinquent special assessments	-	367,616	-	367,616
Prepaid items and inventories	133,550	481,926	-	615,476
Investment in mutual insurance company	343,740	-	-	343,740
Advances	1,635,072	-	-	1,635,072
Restricted for:				
Capital projects	-	212,853	-	212,853
Park improvements	-	-	917,943	917,943
Economic development	-	-	139,969	139,969
Impact fees	-	-	1,721,269	1,721,269
Grants	-	-	116,174	116,174
Library	-	-	79,734	79,734
TID purposes	-	-	2,364,232	2,364,232
Trusts	-	-	337,580	337,580
Assigned to:				
Subsequent year's budget	354,529	-	-	354,529
Tax equivalent	1,571,507	-	-	1,571,507
Self insurance	200,000	-	-	200,000
Carryovers	18,179	-	-	18,179
Youth and family	3,157	-	-	3,157
EMS	31,034	-	-	31,034
Library	53,445	-	-	53,445
Sick accrual	389,731	-	-	389,731
Cable access television	249,062	-	-	249,062
Capital projects	396,676	83,237	-	479,913
Unassigned:	<u>3,241,713</u>	<u>-</u>	<u>(589,074)</u>	<u>2,652,639</u>
Total Fund Balances	<u>\$ 8,627,161</u>	<u>\$ 1,145,632</u>	<u>\$ 5,087,827</u>	<u>\$ 14,860,620</u>

CITY OF SUN PRAIRIE

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

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

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	
Land	\$ 7,983,192
Construction in progress	362,950
Other capital assets, net of depreciation	127,580,675
Less: Long-term debt outstanding	(21,859,201)
Plus: Unspent capital related debt proceeds	4,197,886
Plus: Unamortized debt discount	169,088
Less: Unamortized premium	(99,235)
Plus: Unamortized loss on advance refunding	58,817
Total Net Investment in Capital Assets	<u>118,394,172</u>
Restricted	
Redemption	1,197,376
Replacement	<u>1,912,039</u>
Total Restricted	<u>3,109,415</u>
Unrestricted	<u>14,966,284</u>
Total Business-type Activities Net Position	<u><u>\$ 136,469,871</u></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	6,955,566
Unamortized debt issuance expense	N/A	169,088
Lift station fees	N/A	91,766
Special assessments receivable	N/A	12,774
Deferred special assessments receivable	N/A	<u>2,602</u>
Total		<u><u>\$ 7,284,447</u></u>

CITY OF SUN PRAIRIE

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

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 position and statement of activities.

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

a. Basis of Accounting/Measurement Focus

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

b. Deposits and Investments

At year end, the carrying amount of the CDA's deposits was \$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>\$ 139,949</u>	<u>\$ 581,453</u>	<u>\$ 1,707,890</u>	<u>\$ 2,429,292</u>

d. Long-Term Obligations

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 \$25,858,057. Principal and interest paid for the current year and total net revenues were \$2,002,904 and \$2,084,102, respectively.

The CDA has issued Community Development Lease Revenue Bonds for the purpose of providing financing for the City of Sun Prairie's TID 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.

CITY OF SUN PRAIRIE

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

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

J. COMPONENT UNIT (cont.)

COMMUNITY DEVELOPMENT AUTHORITY (cont.)

d. Long-Term Obligations (cont.)

The 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
2003 Series	\$ 1,990,000	\$ -	\$ 125,000	\$ 1,865,000	\$ 130,000
2005 Series	9,765,000	-	415,000	9,350,000	475,000
2006 Series	3,595,000	-	150,000	3,445,000	150,000
2009 Series	<u>5,950,000</u>	<u>-</u>	<u>480,000</u>	<u>5,470,000</u>	<u>510,000</u>
Totals	<u>\$ 21,300,000</u>	<u>\$ -</u>	<u>\$ 1,170,000</u>	<u>\$ 20,130,000</u>	<u>\$ 1,265,000</u>

Debt service requirements to maturity are as follows:

	Principal	Interest	Totals
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	1,630,000	603,946	2,233,946
2018-2022	9,465,000	1,943,250	11,408,250
2023-2025	<u>3,470,000</u>	<u>250,153</u>	<u>3,720,153</u>
Totals	<u>\$20,130,000</u>	<u>\$ 5,728,057</u>	<u>\$25,858,057</u>

e. Employee Retirement System

The CDA has no employees.

CITY OF SUN PRAIRIE

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

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

J. COMPONENT UNIT (cont.)

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 position and statement of activities.

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

a. Basis of Accounting/Measurement Focus

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

b. Deposits and Investments

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

c. Employee Retirement System

The BID has no employees.

NOTE V - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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

Contribution rates for December 31, 2012 are:

	Employee (paid by employer)	Employer
Protective without Social Security	5.9%	11.3%

CITY OF SUN PRAIRIE

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

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

The payroll for police sworn employees covered by the WRS for the year ended December 31, 2012 was \$3,225,012; the employer's total payroll was \$12,191,426. The total required contribution for the year ended December 31, 2012 was \$554,252 or 17.2% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2011 and 2010 were \$558,988 and \$523,766, 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 and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

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

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

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 2012 was \$445,759. The total covered payroll for the year ended December 31, 2012 was \$6,287,242. Total contributions for the years ended December 31, 2011 and 2010 were \$824,405 and \$823,318, 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.

CITY OF SUN PRAIRIE

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

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Plan Description

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

Funding Policy

Employer contributions to the Plan are recognized on the accrual basis and are actuarially determined each year. The 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.

The city's annual pension cost and net pension obligation to the plan for the current year were as follows:

Annual required contribution	\$ 311,883
Interest on net pension obligation	<u>15,137</u>
Annual pension cost	327,020
Contributions made	<u>(347,245)</u>
Decrease in net pension obligation (asset)	(20,225)
Net Pension Obligation (Asset) - Beginning of Year	<u>302,743</u>
Net Pension Obligation (Asset) - End of Year	<u><u>\$ 282,518</u></u>

CITY OF SUN PRAIRIE

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

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Funding Policy (cont.)

The city's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for December 31, 2012 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2012	\$ 327,020	106.2%	\$ 282,518
December 31, 2011	308,280	6.1%	302,743
December 31, 2010	308,570	96%	13,182

The funded status of the plan as of December 31, 2012, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 3,377,517
Actuarial value of plan assets	<u>(1,840,957)</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 1,536,560</u>
Funded ratio (actuarial value of plan assets/AAL)	(55)%
Covered payroll (active plan members)	\$ 1,766,942
UAAL as a percentage of covered payroll	87%

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.

In the December 31, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 5.0 percent investment rate of return and projected salary increases ranging from to 3.5 percent per year. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2012, was 30 years.

CITY OF SUN PRAIRIE

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

NOTE V - OTHER INFORMATION (cont.)

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.

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 not been recorded for this liability as they are not material to the government-wide financial statements.

CITY OF SUN PRAIRIE

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

NOTE V - OTHER INFORMATION (cont.)

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.

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

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

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.

CITY OF SUN PRAIRIE

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

NOTE V - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

Long-Term Contracts - WPPI

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 \$390 million as of December 31, 2012.

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 city's group health insurance plan provides coverage to active employees and eligible 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.

CITY OF SUN PRAIRIE

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

NOTE V - OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

Contribution requirements are established by the city council for non-represented employees. Represented employee contribution rates are established through collective bargaining agreements and may be amended only through negotiations between the city and the union. The city makes monthly health insurance contributions on behalf of active employees during that year. Administrative costs of the plan are financed through investment earnings.

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	\$	19,711
Interest on net OPEB obligation		1,837
Adjustment to annual required contribution		<u>(2,656)</u>
Annual OPEB cost		18,892
Contributions made		<u>(12,716)</u>
Increase in net OPEB obligation		6,176
Net OPEB Obligation - Beginning of Year		<u>45,919</u>
Net OPEB Obligation - End of Year	\$	<u><u>52,095</u></u> *

* The other postemployment benefits liability of \$41,931 is included in the noncurrent liabilities due in more than one year line in the Governmental Activities column on the Statement of Net Position. The remaining \$10,164 relates to the Business-type Activities. The 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 2012 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2010	\$ 20,122	29%	\$ 31,003
December 31, 2011	16,270	54%	45,919
December 31, 2012	18,892	67%	52,095

CITY OF SUN PRAIRIE

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

NOTE V - OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The funded status of the plan as of January 1, 2012, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 125,486
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 125,486</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, 2012 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 13.5% initially, reduced by decrements to an ultimate rate of 4.5% after 9 years. Both rates include a -% inflation assumption. The actuarial value of Retiree Health Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three-year period. 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, 2012, was 30 years.

F. SUBSEQUENT EVENTS

The city council approved an increase in Stormwater rates beginning January 1, 2013.

CITY OF SUN PRAIRIE

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

NOTE V - OTHER INFORMATION (cont.)

F. SUBSEQUENT EVENTS (cont.)

The city council approved an increase in Sewer rates effective July 1, 2013.

In May 2013, the city council approved an agreement with Sun Prairie Ice, Inc. to allow Sun Prairie Ice, Inc. to build a new ice arena. As part of this agreement, the city will provide a limited guarantee on the debt of Sun Prairie Ice, Inc. in the amount of \$568,000.

On June 5, 2013 the city issued general obligation promissory notes in the amount of \$9,165,000 with interest rates ranging from 1.5 - 2.0%. This amount will be used to advance refund a portion of each of the following: Series 2005A general obligation public safety building bonds, Series 2007 general obligation corporate purpose bonds, and Series 2008 general obligation promissory notes. \$1,835,000 of this amount will be used to finance capital improvements and equipment.

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. 65, *Items Previously Reported as Assets and Liabilities*; Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*; Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; and Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SUN PRAIRIE

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
TAXES				
General property taxes	\$ 12,244,489	\$ 12,244,489	\$ 12,247,373	\$ 2,884
Room taxes	12,000	12,000	16,049	4,049
Payments in lieu of taxes	102,400	102,400	102,316	(84)
Interest on taxes	2,500	2,500	1,953	(547)
Other taxes	-	-	5,508	5,508
Total Taxes	<u>12,361,389</u>	<u>12,361,389</u>	<u>12,373,199</u>	<u>11,810</u>
INTERGOVERNMENTAL				
Police school liaison	121,224	121,224	133,165	11,941
State shared revenues	669,849	669,849	684,662	14,813
Fire insurance tax (2% fire dues)	73,000	73,000	82,829	9,829
State expenditure restraint	658,326	658,326	658,327	1
State aid - road allotment	1,527,071	1,527,071	1,527,071	-
State aid - connecting streets	53,588	53,588	53,555	(33)
State aid - exempt computer	158,289	158,289	161,448	3,159
State aid - EMS	6,400	6,400	7,210	810
State aid - police	10,000	10,000	10,344	344
State aid - recycling	39,141	39,141	46,986	7,845
State grants	-	-	13,294	13,294
County aid - libraries	395,000	395,000	395,279	279
Other	-	192,300	222,917	30,617
Total Intergovernmental	<u>3,711,888</u>	<u>3,904,188</u>	<u>3,997,087</u>	<u>92,899</u>
LICENSES AND PERMITS				
Liquor and malt beverage licenses	23,000	23,000	23,026	26
Operators' license	8,000	8,000	8,660	660
Electrical contractor licenses	5,500	5,500	6,290	790
Cigarette licenses	850	850	890	40
Dog and cat licenses	7,000	7,000	6,735	(265)
Building permits	105,000	105,000	120,555	15,555
Occupancy permits	7,000	7,000	11,350	4,350
Plumbing permits	48,000	48,000	51,988	3,988
Electrical permits	45,000	45,000	51,690	6,690
Heating and air conditioning permits	45,000	45,000	49,499	4,499
Street openings	3,500	3,500	5,250	1,750
Zoning permits and fees	15,000	15,000	14,568	(432)
Other licenses	7,500	7,500	6,948	(552)
Other permits	16,000	16,000	21,197	5,197
Cable television franchise fees	<u>290,000</u>	<u>290,000</u>	<u>312,276</u>	<u>22,276</u>
Total Licenses and Permits	<u>626,350</u>	<u>626,350</u>	<u>690,922</u>	<u>64,572</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
FINES, FORFEITURES AND PENALTIES				
Court penalties and costs	\$ 134,000	\$ 134,000	\$ 125,255	\$ (8,745)
Parking violations	47,000	47,000	46,505	(495)
Total Fines, Forfeitures and Penalties	181,000	181,000	171,760	(9,240)
PUBLIC CHARGES FOR SERVICES				
Clerk's fees	23,000	23,000	30,135	7,135
General government	-	-	203	203
Police department fees	12,500	12,500	15,414	2,914
Lifeskills program	5,000	5,000	7,039	2,039
Miscellaneous public works	7,000	7,000	5,328	(1,672)
Ambulance fees	655,000	655,000	757,942	102,942
Sewage inspection	1,500	1,500	1,020	(480)
Recycling	407,000	407,000	399,417	(7,583)
Animal pound	400	400	330	(70)
Engineer review fees	10,000	10,000	3,410	(6,590)
Family aquatic center	227,858	227,858	231,322	3,464
Miscellaneous building inspection	12,000	12,000	9,915	(2,085)
Appliance collection	500	500	458	(42)
Township EMS fees	57,500	57,500	59,408	1,908
Miscellaneous engineering	3,000	3,000	3,807	807
Miscellaneous park fees	16,000	16,000	14,977	(1,023)
Park advertising fees	4,500	4,500	7,825	3,325
Summer recreation fees	107,460	107,460	82,376	(25,084)
Winter recreation fees	46,660	46,660	46,950	290
Miscellaneous planning charges	-	-	400	400
Total Public Charges for Services	1,596,878	1,596,878	1,677,676	80,798
SPECIAL ASSESSMENTS				
Interest on special assessments	3,500	3,500	14,422	10,922
Delinquent special assessments held by county	15,000	15,000	13,438	(1,562)
Total Special Assessments	18,500	18,500	27,860	9,360
INVESTMENT INCOME				
Investment income	82,529	82,529	19,994	(62,535)

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
MISCELLANEOUS				
Payment from utilities	\$ 153,111	\$ 153,111	\$ 153,111	\$ -
Sale of materials and equipment	90,000	90,000	85,938	(4,062)
Insurance dividends	20,000	20,000	108,805	88,805
Donations	500	500	3,062	2,562
Human resources chargebacks	3,000	3,000	3,000	-
City attorney chargebacks	-	-	71	71
Engineering chargebacks	30,000	30,000	197,514	167,514
Other chargebacks	1,700	1,700	14,312	12,612
Other miscellaneous	61,995	61,995	125,162	63,167
Total Miscellaneous	<u>360,306</u>	<u>360,306</u>	<u>690,975</u>	<u>330,669</u>
 Total Revenues	 <u>18,938,840</u>	 <u>19,131,140</u>	 <u>19,649,473</u>	 <u>518,333</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Mayor	39,014	39,014	37,916	1,098
Council	71,734	71,734	67,554	4,180
Municipal court	95,227	95,227	94,363	864
City attorney	219,386	219,386	188,373	31,013
Clerk	235,191	235,191	235,514	(323)
Elections	95,000	99,000	113,202	(14,202)
Administrator	235,097	235,097	206,517	28,580
Human resources	254,162	254,162	261,458	(7,296)
Finance	427,757	427,757	472,873	(45,116)
Building maintenance	373,959	566,259	584,487	(18,228)
Information technology	916,839	916,839	896,017	20,822
Risk management	335,150	339,365	314,304	25,061
Assessment of property	335,617	335,617	322,771	12,846
Contingency	294,458	282,037	-	282,037
Total General Government	<u>3,928,591</u>	<u>4,116,685</u>	<u>3,795,349</u>	<u>321,336</u>
PUBLIC SAFETY				
Building inspection	317,962	317,962	341,847	(23,885)
Police	6,166,723	6,166,723	6,190,776	(24,053)
Crossing guards	97,500	97,500	85,121	12,379
Emergency medical services	1,439,018	1,445,618	1,469,787	(24,169)
Fire protection	369,392	369,392	376,551	(7,159)
Total Public Safety	<u>8,390,595</u>	<u>8,397,195</u>	<u>8,464,082</u>	<u>(66,887)</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, 2012

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
PUBLIC WORKS				
Public works	\$ 2,677,592	\$ 2,689,603	\$ 2,761,608	\$ (72,005)
Recycling	1,308,938	1,311,938	1,292,841	19,097
Engineering	563,481	563,481	560,128	3,353
Total Public Works	<u>4,550,011</u>	<u>4,565,022</u>	<u>4,614,577</u>	<u>(49,555)</u>
CULTURE, RECREATION AND EDUCATION				
Library	1,499,058	1,533,558	1,492,399	41,159
Museum administration	31,614	31,614	30,417	1,197
Senior citizen program	155,000	155,000	155,000	-
Youth and family commission	2,500	2,500	1,974	526
Parks and recreation	880,506	880,506	890,898	(10,392)
Cable access television	298,424	333,424	325,971	7,453
Family aquatic center	227,958	231,391	300,876	(69,485)
Total Culture, Recreation and Education	<u>3,095,060</u>	<u>3,167,993</u>	<u>3,197,535</u>	<u>(29,542)</u>
CONSERVATION AND DEVELOPMENT				
Planning	355,979	355,979	321,143	34,836
Forestry	42,985	42,985	43,738	(753)
Economic development	138,679	138,679	129,126	9,553
Other conservation and development	21,000	21,000	21,000	-
Total Conservation and Development	<u>558,643</u>	<u>558,643</u>	<u>515,007</u>	<u>43,636</u>
Total Expenditures	<u>20,522,900</u>	<u>20,805,538</u>	<u>20,586,550</u>	<u>218,988</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,584,060)</u>	<u>(1,674,398)</u>	<u>(937,077)</u>	<u>737,321</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	10,000	10,000	-	(10,000)
Transfers in	1,425,000	1,425,000	2,443,559	1,018,559
Transfers out	(83,500)	(91,921)	(90,920)	1,001
Total Other Financing Sources (Uses)	<u>1,351,500</u>	<u>1,343,079</u>	<u>2,352,639</u>	<u>1,009,560</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Net Change in Fund Balance	\$ (232,560)	\$ (331,319)	1,415,562	\$ 1,746,881
FUND BALANCE - Beginning of Year	<u>7,211,599</u>	<u>7,211,599</u>	<u>7,211,599</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 6,979,039</u>	<u>\$ 6,880,280</u>	<u>\$ 8,627,161</u>	<u>\$ 1,746,881</u>

CITY OF SUN PRAIRIE

PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLAN INFORMATION For the Year Ended December 31, 2012

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
1/1/2012	\$ 1,840,957	\$ 3,377,517	\$ 1,536,560	55%	\$ 1,766,942	87%
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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION TRUST FUND

Year Ended	Annual Required Contribution	Percentage Contributed
12/30/2012	327,020	106%
12/30/2011	284,301	6%
12/31/2010	308,570	96%

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
1/1/2012	\$ -	\$ 125,486	\$ 125,486	0.0%	N/A	N/A
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, 2012 was the second study performed for the city.

CITY OF SUN PRAIRIE

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

BUDGETARY INFORMATION

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

Excess expenditures over appropriations are as follows:

	<u>Final Budget</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Clerk	\$ 235,191	\$ 235,514	\$ 323
Elections	99,000	113,202	14,202
Human resources	254,162	261,458	7,296
Building maintenance	566,259	584,487	18,228
Building inspection	317,962	341,847	23,885
Police	6,166,723	6,190,776	24,053
Emergency medical services	1,445,618	1,469,787	24,169
Fire protection	369,392	376,551	7,159
Public works	2,689,603	2,761,608	72,005
Parks and recreation	880,506	890,898	10,392
Family aquatic center	231,391	300,876	69,485
Forestry	42,985	43,715	730

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SUPPLEMENTARY INFORMATION

CITY OF SUN PRAIRIE

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

	Special Revenue Funds			
	Park Improvement Fund	Wisconsin Development Fund	Transportation Impact Fee Fund	Grant Funds
ASSETS				
Cash and investments	\$ 863,860	\$ 117,595	\$ -	\$ -
Receivables				
Taxes	-	-	-	-
Accounts	168,564	-	-	38,709
Accrued interest	857	-	3,803	-
Loans	-	-	-	-
Due from other funds	69,086	22,374	324,371	150,253
Due from other governments	-	-	-	63,261
Restricted cash and investments	-	-	1,396,898	-
TOTAL ASSETS	<u>\$ 1,102,367</u>	<u>\$ 139,969</u>	<u>\$ 1,725,072</u>	<u>\$ 252,223</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 10,880	\$ -	\$ -	\$ 72,788
Deposits	5,000	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Deferred revenues	168,544	-	3,803	63,261
Total Liabilities	<u>184,424</u>	<u>-</u>	<u>3,803</u>	<u>136,049</u>
Fund Balances				
Restricted	917,943	139,969	1,721,269	116,174
Unassigned (deficit)	-	-	-	-
Total Fund Balances	<u>917,943</u>	<u>139,969</u>	<u>1,721,269</u>	<u>116,174</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,102,367</u>	<u>\$ 139,969</u>	<u>\$ 1,725,072</u>	<u>\$ 252,223</u>

Special Revenue Funds	Debt Service Fund	Capital Project Funds				
Library Fund	TID No. 6	TID No. 7	TID No. 8	TID No. 9	TID No. 10	Development Projects
\$ 80,003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	136,664	751,029	1,415,688	-	-	-
-	31,066	-	2,236	-	-	4,377
-	-	-	-	-	-	-
-	-	45,000	-	-	-	-
-	-	1,176,095	-	-	-	-
-	-	-	9,182	-	-	-
-	139,949	581,453	1,707,890	-	-	-
<u>\$ 80,003</u>	<u>\$ 307,679</u>	<u>\$ 2,553,577</u>	<u>\$ 3,134,996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,377</u>
\$ -	\$ -	\$ -	\$ 57,371	\$ -	\$ -	\$ 1,636
-	-	-	-	-	-	-
269	121,613	-	-	-	-	18,533
-	-	-	1,064,407	563,810	6,855	-
-	167,730	796,029	1,424,870	-	-	2,617
<u>269</u>	<u>289,343</u>	<u>796,029</u>	<u>2,546,648</u>	<u>563,810</u>	<u>6,855</u>	<u>22,786</u>
79,734	18,336	1,757,548	588,348	-	-	-
-	-	-	-	(563,810)	(6,855)	(18,409)
<u>79,734</u>	<u>18,336</u>	<u>1,757,548</u>	<u>588,348</u>	<u>(563,810)</u>	<u>(6,855)</u>	<u>(18,409)</u>
<u>\$ 80,003</u>	<u>\$ 307,679</u>	<u>\$ 2,553,577</u>	<u>\$ 3,134,996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,377</u>

CITY OF SUN PRAIRIE

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

	Permanent Funds		Total Nonmajor Governmental Funds
	Ashley Trust Fund	Library Trust Fund	
ASSETS			
Cash and investments	\$ 1,000	\$ 336,311	\$ 1,398,769
Receivables			
Taxes	-	-	2,303,381
Accounts	-	-	244,952
Accrued interest	-	-	4,660
Loans	-	-	45,000
Due from other funds	-	269	1,742,448
Due from other governments	-	-	72,443
Restricted cash and investments	-	-	3,826,190
TOTAL ASSETS	\$ 1,000	\$ 336,580	\$ 9,637,843
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 142,675
Deposits	-	-	5,000
Due to other funds	-	-	140,415
Advances from other funds	-	-	1,635,072
Deferred revenues	-	-	2,626,854
Total Liabilities	-	-	4,550,016
Fund Balances			
Restricted	1,000	336,580	5,676,901
Unassigned (deficit)	-	-	(589,074)
Total Fund Balances	1,000	336,580	5,087,827
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,000	\$ 336,580	\$ 9,637,843

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CITY OF SUN PRAIRIE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Special Revenue Funds			
	Park Improvement Fund	Wisconsin Development Fund	Transportation Impact Fee Fund	Grant Funds
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 37,454
Intergovernmental	-	-	-	434,767
Licenses and permits	86,084	-	-	-
Public charges for services	165,437	-	605,432	4,698
Investment income	(2,386)	1,894	960	137
Miscellaneous	3,050	-	-	27,776
Total Revenues	<u>252,185</u>	<u>1,894</u>	<u>606,392</u>	<u>504,832</u>
EXPENDITURES				
Current				
Public safety	-	-	-	61,790
Public works	-	-	-	473,023
Culture, recreation and education	81,386	-	-	11,943
Conservation and development	-	-	-	27,329
Capital Outlay	-	-	-	1,864
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>81,386</u>	<u>-</u>	<u>-</u>	<u>575,949</u>
Excess (deficiency) of revenues over expenditures	<u>170,799</u>	<u>1,894</u>	<u>606,392</u>	<u>(71,117)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	90,920
Transfers out	(46,198)	-	(231,426)	-
Total Other Financing Sources (Uses)	<u>(46,198)</u>	<u>-</u>	<u>(231,426)</u>	<u>90,920</u>
Net Change in Fund Balances	124,601	1,894	374,966	19,803
FUND BALANCES (DEFICIT) - Beginning of Year	<u>793,342</u>	<u>138,075</u>	<u>1,346,303</u>	<u>96,371</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 917,943</u>	<u>\$ 139,969</u>	<u>\$ 1,721,269</u>	<u>\$ 116,174</u>

Special Revenue Funds	Debt Service Funds		Capital Project Funds			
Library Fund	TID No. 5	TID No. 6	TID No. 7	TID No. 8	TID No. 9	TID No. 10
\$ -	\$ -	\$ 159,557	\$ 1,049,443	\$ 1,402,460	\$ -	\$ -
-	-	116	28,719	190,169	2,700	2,708
-	-	-	-	-	-	-
60,168	-	-	-	14,764	-	-
21	-	10	1,556	-	-	-
<u>5,724</u>	-	<u>4,600</u>	-	<u>887</u>	-	-
<u>65,913</u>	-	<u>164,283</u>	<u>1,079,718</u>	<u>1,608,280</u>	<u>2,700</u>	<u>2,708</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
53,895	-	-	-	-	-	-
-	-	-	-	-	-	-
1,967	-	593	14,904	621,431	2,046	490
-	114,891	126,445	375,000	705,000	-	-
-	<u>2,297</u>	<u>39,358</u>	<u>165,010</u>	<u>686,633</u>	<u>201,025</u>	-
<u>55,862</u>	<u>117,188</u>	<u>166,396</u>	<u>554,914</u>	<u>2,013,064</u>	<u>203,071</u>	<u>490</u>
<u>10,051</u>	<u>(117,188)</u>	<u>(2,113)</u>	<u>524,804</u>	<u>(404,784)</u>	<u>(200,371)</u>	<u>2,218</u>
9,356	90,208	-	-	-	-	-
-	-	-	-	-	-	-
<u>9,356</u>	<u>90,208</u>	-	-	-	-	-
19,407	(26,980)	(2,113)	524,804	(404,784)	(200,371)	2,218
<u>60,327</u>	<u>26,980</u>	<u>20,449</u>	<u>1,232,744</u>	<u>993,132</u>	<u>(363,439)</u>	<u>(9,073)</u>
<u>\$ 79,734</u>	<u>\$ -</u>	<u>\$ 18,336</u>	<u>\$ 1,757,548</u>	<u>\$ 588,348</u>	<u>\$ (563,810)</u>	<u>\$ (6,855)</u>

CITY OF SUN PRAIRIE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Capital Project Funds	Permanent Funds		Total Nonmajor Governmental Funds
	Development Projects	Ashley Trust Fund	Library Trust Fund	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 2,648,914
Intergovernmental	-	-	-	659,179
Licenses and permits	-	-	-	86,084
Public charges for services	31,867	-	-	882,366
Investment income	-	-	37,797	39,989
Miscellaneous	186	-	-	42,223
Total Revenues	<u>32,053</u>	<u>-</u>	<u>37,797</u>	<u>4,358,755</u>
EXPENDITURES				
Current				
Public safety	-	-	-	61,790
Public works	33,395	-	-	506,418
Culture, recreation and education	-	-	-	147,224
Conservation and development	-	-	-	27,329
Capital Outlay	1,312	-	-	644,607
Debt Service				
Principal	-	-	-	1,321,336
Interest and fiscal charges	-	-	-	1,094,323
Total Expenditures	<u>34,707</u>	<u>-</u>	<u>-</u>	<u>3,803,027</u>
Excess (deficiency) of revenues over expenditures	<u>(2,654)</u>	<u>-</u>	<u>37,797</u>	<u>555,728</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	190,484
Transfers out	-	-	(9,356)	(286,980)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(9,356)</u>	<u>(96,496)</u>
Net Change in Fund Balances	(2,654)	-	28,441	459,232
FUND BALANCES (DEFICIT) - Beginning of Year	<u>(15,755)</u>	<u>1,000</u>	<u>308,139</u>	<u>4,628,595</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (18,409)</u>	<u>\$ 1,000</u>	<u>\$ 336,580</u>	<u>\$ 5,087,827</u>

CITY OF SUN PRAIRIE

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

As of December 31, 2012

	Tax Collection Fund	MPSISC	Totals
ASSETS			
Cash and investments	\$ 24,270,449	\$ 216,347	\$ 24,486,796
Taxes receivable	<u>15,997,908</u>	<u>-</u>	<u>15,997,908</u>
TOTAL ASSETS	<u>\$ 40,268,357</u>	<u>\$ 216,347</u>	<u>\$ 40,484,704</u>
LIABILITIES			
Due to other governments	<u>\$ 40,268,357</u>	<u>\$ 216,347</u>	<u>\$ 40,484,704</u>
TOTAL LIABILITIES	<u>\$ 40,268,357</u>	<u>\$ 216,347</u>	<u>\$ 40,484,704</u>

CITY OF SUN PRAIRIE

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

	Major Community Development Authority	Non-Major Business Improvement District	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from property owners	\$ -	\$ 77,775	\$ 77,775
Received from participants	-	3,965	3,965
Paid to suppliers for goods and services	-	(50,070)	(50,070)
Net Cash Flows From Operating Activities	-	31,670	31,670
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Paid to city - cash held for BID	-	(31,777)	(31,777)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	(1,170,000)	-	(1,170,000)
Interest paid	(819,102)	-	(819,102)
Capital lease payments received	1,170,000	-	1,170,000
Net Cash Flows From Capital and Related Financing Activities	(819,102)	-	(819,102)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	819,102	107	819,209
Net Change in Cash and Cash Equivalents	-	-	-
CASH AND CASH EQUIVALENTS - Beginning of Year	-	-	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -	\$ -	\$ -

	Major Community Development Authority	Non-Major Business Improvement District	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Income from operations	\$ -	\$ 22,900	\$ 22,900
Adjustments to reconcile income to net cash flows from operating activities			
Change in assets and liabilities			
Delinquent special assessments	-	5,776	5,776
Prepaid items	-	(95)	(95)
Accounts payable	-	12,340	12,340
Unearned revenues	-	(9,251)	(9,251)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ -	\$ 31,670	\$ 31,670

NONCASH ACTIVITIES: None