

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 6, 2018

In the opinion of Quarles & Brady LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended, under existing law interest on the Bonds is excludable from gross income and is not an item of tax preference for federal income tax purposes. See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Bonds. The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

New Issue

Rating Application Made: S&P Global Ratings

**CITY OF БЕЛОIT, WISCONSIN
(Rock County)**

\$4,015,000* WATER SYSTEM REVENUE BONDS, SERIES 2018C

BID OPENING: April 16, 2018, 11:00 A.M., C.T.

CONSIDERATION: April 16, 2018, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$4,015,000* Water System Revenue Bonds, Series 2018C (the "Bonds") of the City of Beloit, Wisconsin (the "City") are being issued pursuant to Section 66.0621, Wisconsin Statutes, to provide funds for the public purpose of financing additions, improvements and extensions to the City's Water System, including water main improvements and replacement and the acquisition and installation of equipment (the "Water System"). The Bonds are not general obligations of the City but are payable only from the net revenues of the Water System. The Bonds are being issued on a parity with the City's outstanding Water System Revenue Bonds, Series 2009, dated May 28, 2009 (the "2009 Bonds"), the Water System Revenue Bonds, Series 2010, dated April 6, 2010 (the "2010 Bonds"), the Water System Revenue Refunding Bonds, Series 2013B, dated February 13, 2013 (the "2013B Bonds") and the Water System Revenue Refunding Bonds, Series 2016C, dated November 9, 2016 (the "2016C Bonds"). Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

DATE OF BONDS: May 3, 2018

MATURITY: November 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2018	\$100,000	2025	\$120,000	2032	\$300,000
2019	100,000	2026	120,000	2033	300,000
2020	100,000	2027	125,000	2034	300,000
2021	100,000	2028	125,000	2035	300,000
2022	100,000	2029	200,000	2036	300,000
2023	100,000	2030	225,000	2037	300,000
2024	110,000	2031	290,000	2038	300,000

***MATURITY ADJUSTMENTS:** The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: November 1, 2018 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on November 1, 2027 and thereafter are subject to call for prior optional redemption on November 1, 2026 or any date thereafter, at a price of par plus accrued interest.

MINIMUM BID: \$3,964,812.

MAXIMUM BID: \$4,255,900.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$80,300 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: May be named by the City.

BOND & DISCLOSURE

COUNSEL: Quarles & Brady LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.



REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers & Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Quarles and Brady LLP will serve as Disclosure Counsel to the City with respect to the Bonds. Compensation of Ehlers & Associates, Inc., payable entirely by the City, is contingent upon the sale of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers & Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY COUNCIL

		<u>Term Expires</u>
Kevin D. Leavy	Council President	April 2020
Regina Dunkin	Council Vice President	April 2020
Clinton Anderson	Council Member	April 2019
Sherry Blakeley	Council Member	April 2019
Beth Jacobson	Council Member	April 2020
Nancy V. Forbeck	Council Member	April 2019
Mark Preuschl	Council Member	April 2020

ADMINISTRATION

Lori S. Curtis Luther, City Manager
Eric R. Miller, Finance & Administrative Services Director
Lorena Rae Stottler, City Clerk/Treasurer

PROFESSIONAL SERVICES

Elizabeth A. Krueger, City Attorney, Beloit, Wisconsin
Quarles & Brady LLP, Bond Counsel and Disclosure Counsel, Milwaukee, Wisconsin
Ehlers & Associates, Inc., Municipal Advisors, Waukesha, Wisconsin
(Other offices located in Roseville, Minnesota, Chicago, Illinois and Denver, Colorado)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Beloit, Wisconsin (the "City") and the issuance of its \$4,015,000* Water System Revenue Bonds, Series 2018C (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and the sale of the Bonds (the "Authorizing Resolution") to be adopted by the City Council on April 16, 2018, which supplements a resolution adopted by the City Council on October 20, 2003 (the "Bond Resolution").

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Waukesha, Wisconsin, (262) 785-1520, the City's Municipal Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of May 3, 2018. The Bonds will mature on November 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on May 1 and November 1 of each year, commencing November 1, 2018, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Authorizing Resolution.

The City may delegate a City officer or select a bank or trust company to act as paying agent (the "Paying Agent"). If a Paying Agent is selected, the City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after November 1, 2027 shall be subject to optional redemption prior to maturity on November 1, 2026 or on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Section 66.0621, Wisconsin Statutes, to provide funds for the public purpose of financing additions, improvements and extensions to the City's Water System, including water main improvements and replacement and the acquisition and installation of equipment (the "Water System").

ESTIMATED SOURCES AND USES*

Sources

Par Amount of Bonds	\$4,015,000	
Transfers from Prior Issue Reserve Account	2,129,011	
Estimated Interest Earnings	<u>10,410</u>	
Total Sources		\$6,154,421

Uses

Project Costs	\$4,164,000	
Deposit to Reserve Account	1,874,998	
Contingency	1,460	
Estimated Underwriter's Discount	50,188	
Finance Related Expenses	<u>63,775</u>	
Total Uses		\$6,154,421

*Preliminary, subject to change

SECURITY

This section is a summary of security provisions. A detailed explanation of the security provisions is contained in the Authorizing Resolution and the Bond Resolution, which are available upon request from Ehlers.

Source of Payment: THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE payable only from the net revenues of the Water System after payment of operation and maintenance expenses on a parity with the City's outstanding Water System Revenue Bonds, Series 2009, dated May 28, 2009 (the "2009 Bonds"), the Water System Revenue Bonds, Series 2010, dated April 6, 2010 (the "2010 Bonds"), the Water System Revenue Refunding Bonds, Series 2013B, dated February 13, 2013 (the "2013B Bonds") and the Water System Revenue Refunding Bonds, Series 2016C, dated November 9, 2016 (the "2016C Bonds").

Rate Covenant: The City covenants to establish, charge and collect such lawfully established rates and charges for the services provided by the Water System so that net revenues (i.e. gross revenues derived from said rates and charges and all other revenues of the Water System less all costs of operation and maintenance, exclusive of debt service, depreciation, or local tax equivalents) will be sufficient to provide for payment of all outstanding bonds payable from the Water System and will make all good faith efforts so that net revenues will be at least 1.25 times the amount of principal and interest coming due on all outstanding bonds payable from the revenues of the Water System each year (provided that the amount of principal and interest on any variable rate bonds shall be calculated as provided in the Bond Resolution).

Additional Bonds Test: The City reserves the right and privilege to issue additional revenue bonds, from time to time, payable from Water System revenues and ranking on a parity with any outstanding Water System revenue bonds. As long as any 2009 Bonds are outstanding, before such additional parity bonds are issued, the City must demonstrate that the net revenues of the Water System during the fiscal year next preceding the issuance of such additional revenue bonds were equal to at least 1.25 times the highest combined annual debt service that will be required in any fiscal year for principal and interest on all outstanding 2009 Bonds, 2010 Bonds, 2013B Bonds, 2016C Bonds and the Bonds and the bonds then proposed to be issued (provided that the amount of principal and interest on any variable rate bonds shall be calculated as provided in the Bond Resolution). After all 2009 Bonds have been discharged, the City must demonstrate that either (1) the net revenues of the System during the fiscal year next preceding the issuance of such additional revenue bonds were equal to at least 1.25 times the average combined annual amount that will be required in any fiscal year for principal and interest on all outstanding bonds and the bonds then proposed to be issued (other than bonds being refunded), or (2) an independent certified public accountant or consulting engineer certifies that for each of the three fiscal years commencing with the fiscal year following that in which the projects financed by the additional bonds are to be completed, the projected net revenues of the Water System will be in an amount not less than 125% of the projected maximum annual debt service on all outstanding bonds payable from the revenues of the Water System and on the bonds then to be issued.

Additional parity bonds may also be issued for the purpose of refunding any bonds which have or shall mature within three months for the payment of which there are insufficient monies in the Special Redemption Fund.

Service to City: The City covenants to pay the reasonable cost and value of any services rendered to the City by the Water System, determined to be equal to the amount as may be necessary from year to year to produce net revenues equivalent to not less than 1.25 times the annual debt service requirements on the 2009 Bonds, 2010 Bonds, 2013B Bonds, 2016C Bonds, the Bonds and any other outstanding parity bonds. Such payment by the City is subject to annual appropriation by the City Council, approval by the Public Service Commission, or successors to its function, if necessary and applicable levy limitations, if any. Neither the Authorizing Resolution, Bond Resolution, nor any payment shall be construed as an obligation of the City to make any such appropriation over and above the reasonable cost and value of services rendered to the City and its inhabitants.

Bond Reserve Account: The City covenants to establish and maintain a Reserve Account for the 2009 Bonds, 2010 Bonds, 2013B Bonds, 2016C Bonds and the Bonds in an amount equal to the least of (a) the amount required to be on deposit in the Reserve Account prior to the issuance of the Bonds, plus 10% of the proceeds of the Bonds; (b) maximum annual debt service on the outstanding 2009 Bonds, 2010 Bonds, 2013B Bonds, 2016C Bonds and the Bonds in any bond year; or (c) 125% of average annual debt service on the outstanding 2009 Bonds, 2010 Bonds, 2013B Bonds, 2016C Bonds and the Bonds. If parity bonds which are to be secured by the Reserve Account are issued, the Reserve Requirements shall be an amount equal to the least of (i) the amount required to be on deposit in

the Reserve Account prior to the issuance of said parity bonds, plus 10% of the proceeds of said parity bonds, (ii) maximum annual debt service on the outstanding 2009 Bonds, 2010 Bonds, 2013B Bonds, 2016C Bonds, Bonds and the parity bonds in any bond year, or (iii) 125% of average annual debt service on the outstanding 2009 Bonds, 2010 Bonds, 2013B Bonds, 2016C Bonds, Bonds and the parity bonds, provided however that for variable rate bonds, the debt service will be calculated using an assumed long-term fixed rate as provided in the Bond Resolution. Upon issuance of the Bonds, an amount necessary to make the amount on deposit in the Reserve Account equal to the reserve requirement will be deposited in the Reserve Account.

WATER SYSTEM REVENUE DEBT OUTSTANDING

All outstanding Water System revenue debt of the City is listed on the following page. The debt service coverage ratios included on this page are calculated using unaudited 2017 Net Revenues. No guarantee can be given that the Net Revenues in future years will be the same as the Net Revenues in 2017, and future Net Revenues may be materially different.

HISTORIC WATER SYSTEM DEBT SERVICE COVERAGES

The exhibit on the Page 6 presents the three-year historic debt service coverages of the Water System.

CITY OF BELOIT, WISCONSIN
Schedule of Bonded Indebtedness
Revenue Debt Secured by Water System Revenues
(As of May 3, 2018)

Fiscal Year Ending	Water System Revenue Bonds Series 2009		Water System Revenue Refunding Bonds Series 2013B		Water System Revenue Refunding Bonds Series 2016C		Water System Revenue Bonds Series 2018C		Total Principal*	Total Interest*	Principal & Interest*	Principal Outstanding*	Principal %Paid*	Year	Coverage**
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest							
2018	5/28/2009 \$3,910,000	11/1	175,000	63,691	20,000	220,813	100,000	74,432	1,420,000	449,467	1,869,467	22,450,000	5.95%	2018	1.57
2019			185,000	113,383	15,000	440,025	100,000	148,186	1,465,000	843,306	2,308,306	20,985,000	12.09%	2019	1.53
2020			190,000	105,705	1,150,000	439,425	100,000	145,836	1,570,000	796,379	2,366,379	19,415,000	18.66%	2020	1.53
2021			200,000	97,630	1,205,000	393,425	100,000	143,306	1,630,000	734,574	2,364,574	17,785,000	25.49%	2021	1.54
2022			205,000 (1)	88,830	1,260,000	345,225	100,000	140,576	1,690,000	669,844	2,359,844	16,095,000	32.57%	2022	1.54
2023			215,000 (1)	79,605	1,330,000	294,825	100,000	137,656	1,755,000	602,299	2,357,299	14,340,000	39.92%	2023	1.54
2024			225,000 (1)	69,930	1,385,000	241,625	110,000	134,526	1,830,000	531,594	2,361,594	12,510,000	47.59%	2024	1.53
2025			230,000 (1)	59,580	1,455,000	186,225	120,000	130,940	1,910,000	457,745	2,367,745	10,600,000	55.59%	2025	1.53
2026			250,000 (1)	49,000	1,505,000	153,488	120,000	126,860	1,960,000	405,754	2,365,754	8,640,000	63.80%	2026	1.53
2027			250,000 (1)	37,000	1,560,000	115,863	125,000	122,624	2,020,000	348,174	2,368,174	6,620,000	72.27%	2027	1.53
2028			250,000 (1)	25,000	1,645,000	53,463	125,000	118,074	2,105,000	265,505	2,370,505	4,515,000	81.09%	2028	1.53
2029			250,000 (1)	12,500	725,000 (1)	65,250	200,000	113,424	1,175,000	191,174	1,366,174	3,340,000	86.01%	2029	2.66
2030							225,000	105,824	950,000	138,449	1,088,449	2,390,000	89.89%	2030	3.33
2031							290,000	97,139	290,000	97,139	387,139	2,100,000	91.20%	2031	9.37
2032							300,000	85,800	300,000	85,800	385,800	1,800,000	92.46%	2032	9.41
2033							300,000	73,920	300,000	73,920	373,920	1,500,000	93.72%	2033	9.70
2034							300,000	61,890	300,000	61,890	361,890	1,200,000	94.97%	2034	10.03
2035							300,000	49,710	300,000	49,710	349,710	900,000	96.23%	2035	10.38
2036							300,000	37,410	300,000	37,410	337,410	600,000	97.49%	2036	10.76
2037							300,000	25,020	300,000	25,020	325,020	300,000	98.74%	2037	11.17
2038							300,000	12,540	300,000	12,540	312,540	0	100.00%	2038	11.61
			2,625,000	801,854	2,685,000	1,044,919	2,015,000	61,125	23,870,000	6,877,990	30,747,990				

2017 Unaudited
Net Revenues
Available for Debt
Service
\$ 3,623,887

(1) Mandatory redemption amounts
*Preliminary, subject to change.
** The debt service coverages ratios included in this column are calculated using 2017 unaudited Net Revenues. No guarantee can be given that the Net Revenues in future years will be the same as the Net Revenues in 2017 and future Net Revenues may be materially different.

City of Beloit, Wisconsin

Revenue Debt Secured by Water System Revenues

The following table sets forth the historic comparison of Net Revenues and debt service secured by revenues of the Water System for the three year period ending December 31, 2017.

	<u>Audited 2015</u>	<u>Audited 2016</u>	<u>Unaudited 2017</u>
Operating Revenues			
Water Service Fees	\$ 4,820,236	\$ 4,920,703	\$ 5,334,719
Other Operating Revenues	<u>676,432</u>	<u>586,726</u>	<u>497,649</u>
Total Operating Revenues	\$ 5,496,668	\$ 5,507,429	\$ 5,832,368
Operating Expenses			
Operation and Maintenance	\$ 1,542,701	\$ 1,602,916	\$ 1,551,572
Contractual services	1,090,613	703,438	698,107
Depreciation	<u>1,267,520</u>	<u>1,227,645</u>	<u>1,227,645</u>
Total Operating Expenses	\$ 3,900,834	\$ 3,533,999	\$ 3,477,324
Operating Income	\$ 1,595,834	\$ 1,973,430	\$ 2,355,044
Plus:			
Depreciation	1,267,520	1,227,645	1,227,645
Interest Income	<u>38,465</u>	<u>42,584</u>	<u>46,198</u>
Net Revenues Available for Debt Service	\$ 2,901,819	\$ 3,243,659	\$ 3,628,887
Debt Service			
2007 Water Revenue Bonds	\$ 627,718	\$ 630,718	0
2009 Water Revenue Bonds	\$ 314,808	\$ 308,683	\$ 302,208
2010 Water Revenue Bonds	\$ 273,763	\$ 269,413	\$ 265,063
2013 Water Revenue Bonds	\$ 1,016,050	\$ 1,023,050	\$ 1,034,550
2016 Water Revenue Bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 457,007</u>
Total Debt Service	\$ 2,232,338	\$ 2,231,863	\$ 2,058,828
Debt Service Coverage	1.30	1.45	1.76

DESCRIPTION OF WATER SYSTEM

The City owns, operates and maintains the municipal Water System and related appurtenances serving customers located within the City and the Towns of Beloit, Turtle and the City of South Beloit, Illinois. The Water System was established in 1885 as the Beloit Waterworks Company. It was sold to Wisconsin Power & Light in 1925 and re-purchased in 2003.

The Water System is operated by the City, overseeing all projects and programs, reviewing and approving the budget, and determining Water System projects. Water System operations are directed by the Director of Water Resources.

The Water System consists of seven wells with electric pumping equipment and a water distribution system. The wells have an actual capacity of 16,667 gallons per minute. The wells pumped an average of 6.2 million gallons per day in 2017. The maximum gallons pumped in any one day during 2017 was eight million gallons and the minimum gallons pumped in any one day was 3.7 million gallons. In addition, the Water System owns three steel elevated storage tanks, a ground level reservoir and a standpipe with a total storage capacity of 5.25 million gallons.

The Water System includes other related appurtenances including 1,058,195 feet of various types of 1” - 16” water mains; 17,328 water service laterals, 17,673 utility-owned meters; and 1,491 hydrants.

History of Water Customers

Year	Residential	Commercial	Other Customers ¹	Industrial	Total
2013	13,655	1,488	15,290	13	30,446
2014	13,711	1,398	15,256	13	30,379
2015	13,999	1,519	15,671	13	31,203
2016	14,038	1,511	15,736	14	31,300
2017	13,998	1,595	15,768	12	31,373

History of Water Billings by Customer Type

Year	Residential	Commercial	Industrial	Other Services ²	Total Billings
2013	\$2,506,499	\$745,424	\$333,761	\$1,292,713	\$4,878,397
2014	2,546,697	637,299	346,144	1,289,878	4,820,018
2015	2,518,679	656,327	347,106	1,298,124	4,820,236
2016	2,525,740	672,113	397,172	1,325,679	4,920,704
2017	2,456,575	858,406	510,681	1,509,057	5,334,719

¹Includes other sales to public authorities, sales to irrigation customers, sales for resale and private or public fire protection services. Residential total includes Multifamily Residential.

²Includes all charges, including public and private fire protection services. Residential total includes Multifamily Residential. Also includes unmetered sales.

History of Water Sales

Year	No. of Customers ¹	Cubic Feet (in 00's)	Total Billings ¹
2013	30,446	2,150,645	\$4,878,397
2014	30,379	2,255,695	4,820,018
2015	31,203	2,109,168	4,820,236
2016	31,300	1,980,332	4,920,704
2017	31,373	1,605,294	5,334,719

2017 Larger Water Customers

Total 2017 Cubic Feet Sold:	160,529,400
Total 2017 Billings:	\$5,334,719

Customer	Cubic Feet Sold	Billings ²	% of Total Billings
Ecova Inc. (Frito Lay)	330,329	\$255,472	4.79%
Hormel Foods	276,463	215,069	4.03%
The City	85,631	88,902	1.67%
S-L Snacks	37,415	37,558	0.70%
Beloit Health System	32,452	33,969	0.64%
Reeseville Associates	27,447	27,830	0.52%
Kerry Ingredients	26,727	27,766	0.52%
IPMPC LLC	15,766	15,675	0.29%
ABC Supply	8,196	10,166	0.19%
Pratt Beloit Corrugated	7,920	10,082	0.19%

¹Includes charges for private fire protection services.

²Does not include charges for private fire protection services.

Water Rates and Charges

Rates and charges for the Water System are subject to approval by the Wisconsin Public Service Commission. The following monthly water rates were approved April 26, 2017 and became effective May 1, 2017.

General Service - Metered

<u>Monthly Volume Charge</u>			<u>Minimum Monthly Charge</u>	
		<u>Charge per 100 cu. ft.</u>	<u>Meter Size</u>	<u>Charge</u>
First	5,000 cubic feet	\$1.52	5/8"	\$7.00
Next	45,000 cubic feet	\$1.37	3/4"	7.00
Next	950,000 cubic feet	\$1.04	1"	13.00
Next	500,000 cubic feet	\$0.96	1-1/4"	18.00
Over	1,500,000 cubic feet	\$0.55	1-1/2"	23.00
			2"	36.00
			3"	62.00
			4"	98.00
			6"	185.00
			8"	289.00
			10"	426.00
			12"	564.00

Average Water Bill For Residential Service in 2017

Avg. Monthly Bill

\$14.62

Bills for water service are rendered monthly and become due and payable upon issuance following the period for which service is rendered. A late payment charge of 1% per month will be added to bills not paid within 20 days of issuance. This late payment charge will be applied to the total unpaid balance, including unpaid late charges. Unless payment or satisfactory arrangement for payment is made within 10 days after written notice is given, service may be disconnected pursuant to Chapter PSC 185, Wisconsin Adm. Code. Under the Wisconsin statutes, delinquent charges may be placed on the tax roll and levied as a special charge against the property.

RATING

Outstanding Water System revenue debt of the City is currently rated "A-" by S&P Global Ratings ("S&P").

The City has requested a rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist the underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"), the City shall covenant to take certain actions pursuant to the Authorizing Resolution adopted by the City Council by entering into a Continuing Disclosure Certificate (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the City to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for the Bonds are set forth in Appendix D to be executed and delivered by the City at the time of delivery of the Bonds. Such Disclosure Undertaking will be in substantially the form attached hereto.

The City did not timely file notice of certain bond insurer rating changes during the previous five years. Except to the extent the preceding is deemed to be material, in the previous five years the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

A failure by the City to comply with the Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. Ehlers is currently engaged as disclosure dissemination agent for the City.

LEGAL MATTERS

An opinion as to the validity of the Bonds and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will be issued on the basis of existing law and will state that the Bonds are valid and binding special obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). (See "FORM OF LEGAL OPINION" found in Appendix B).

Quarles & Brady LLP has also been retained by the City to serve as Disclosure Counsel to the City with respect to the Bonds. Although, as Disclosure Counsel to the City, Quarles & Brady LLP has assisted the City with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in this Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Bonds for any investor.

TAX EXEMPTION

Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the Bonds under existing law substantially in the following form:

"The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. We note, however, that the 2017 tax act (Public Law 115-97) enacted on December 22, 2017, repealed the alternative minimum tax on corporations for tax years beginning after December 31, 2017. Accordingly, any discussion herein regarding corporate alternative minimum tax is applicable only to a corporation's tax years beginning before January 1, 2018. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The City has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds."

The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors as to collateral federal income tax consequences.

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether, or in what form, any proposal that could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Bonds may be enacted. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

Original Issue Discount

To the extent that the initial public offering price of certain of the Bonds is less than the principal amount payable at maturity, such Bonds ("Discounted Bonds") will be considered to be issued with original issue discount. The original issue discount is the excess of the stated redemption price at maturity of a Discounted Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discounted Bonds were sold (issue price). With respect to a taxpayer who purchases a Discounted Bond in the initial public offering at the issue price and who holds such Discounted Bond to maturity, the full amount of original issue discount will constitute interest that is not includible in the gross income of the owner of such Discounted Bond for federal income tax purposes and such owner will not, subject to the caveats and provisions herein described, realize taxable capital gain upon payment of such Discounted Bond upon maturity.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Bond, on days that are determined by reference to the maturity date of such Discounted Bond. The amount treated as original issue discount on a Discounted Bond for a particular semiannual

accrual period is generally equal to (a) the product of (i) the yield to maturity for such Discounted Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discounted Bond at the beginning of the particular accrual period if held by the original purchaser; and less (b) the amount of any interest payable for such Discounted Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If a Discounted Bond is sold or exchanged between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

For federal income tax purposes, the amount of original issue discount that is treated as having accrued with respect to such Discounted Bond is added to the cost basis of the owner in determining gain or loss upon disposition of a Discounted Bond (including its sale, exchange, redemption, or payment at maturity). Amounts received upon disposition of a Discounted Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain.

The accrual or receipt of original issue discount on the Discounted Bonds may result in certain collateral federal income tax consequences for the owners of such Discounted Bonds. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction. In the case of corporate owners of Discounted Bonds, a portion of the original issue discount that is accrued in each year will be included in adjusted current earnings for purposes of calculating the corporation's alternative minimum tax liability. Corporate owners of any Discounted Bonds should be aware that such accrual of original issue discount may result in an alternative minimum tax liability although the owners of such Discounted Bonds will not receive a corresponding cash payment until a later year. We note, however, that the 2017 tax act (Public Law 115-97) enacted on December 22, 2017, repealed the alternative minimum tax on corporations for tax years beginning after December 31, 2017. Accordingly, any discussion herein regarding corporate alternative minimum tax is applicable only to a corporation's tax years beginning before January 1, 2018.

The Code contains additional provisions relating to the accrual of original issue discount. Owners who purchase Discounted Bonds at a price other than the issue price or who purchase such Discounted Bonds in the secondary market should consult their own tax advisors with respect to the tax consequences of owning the Discounted Bonds. Under the applicable provisions governing the determination of state and local taxes, accrued interest on the Discounted Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year. Owners of Discounted Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Bonds.

Bond Premium

To the extent that the initial offering price of certain of the Bonds is more than the principal amount payable at maturity, such Bonds ("Premium Bonds") will be considered to have bond premium.

Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. The amortizable bond premium of each Premium Bond is calculated on a daily basis from the issue date of such Premium Bond until its stated maturity date (or call date, if any) on the basis of a constant interest rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium; rather the amortizable bond premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Bonds. During each taxable year, such an owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the holder held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Bond.

Owners of Premium Bonds who did not purchase such Premium Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Bonds. Owners of Premium Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Premium Bonds.

NOT-QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a Municipal Advisor.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2016 have been audited by Baker Tilly Virchow Krause, LLP, Madison, Wisconsin, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

System Revenues: Should rates set be inadequate to cover expenses, an unusual number of delinquencies occur, or a major breakdown or other disaster cause the Water System to be inoperable, a shortfall of revenues could result in a delay of debt payments.

Larger Users: Should larger users increase or decrease usage of the water service currently provided, the revenues of the Water System will be affected proportionately.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government taxes all or a portion of the interest on municipal bonds or notes or if the State government increases its tax on interest on bonds and notes, directly or indirectly, or if there is a change in federal or state tax policy, then the value of these Bonds may fall for purposes of resale. Noncompliance by the City with the covenants in the Authorizing Resolution relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Bonds in gross income of the recipient for United States income tax purposes, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Depository Risk: Wisconsin Statutes direct the local treasurer to immediately deposit upon receipt thereof, the funds of the municipality in a public depository designated by the governing body. A public depository means a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank or national bank in Wisconsin or the local government pooled investment fund operated by the State Investment Board. It is not uncommon for a municipality to have deposits exceeding limits of federal and state insurance programs. Failure of a depository could result in loss of public funds or a delay in obtaining them. Such a loss or delay could interrupt a timely payment of municipal debt.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and

downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified. See "MUNICIPAL BANKRUPTCY" herein.

VALUATIONS

WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

Equalized Value

Section 70.57, Wisconsin Statutes, requires the Department of Revenue to annually determine the equalized value (also referred to as full equalized value or aggregate full value) of all taxable property in each county and taxation district. The equalized value is an independent estimate of value used to equate individual local assessment policies so that property taxes are uniform throughout the various subdivisions in the State. Equalized value is calculated based on the history of comparable sales and information about value changes or taxing status provided by the local assessor. A comparison of the State-determined equalized value and the local assessed value, expressed as a percentage, is known as the assessment ratio or level of assessment. The Department of Revenue notifies each county and taxing jurisdiction of its equalized value on August 15; school districts are notified on October 1. The equalized value of each county is the sum of the valuations of all cities, villages, and towns within its boundaries. Taxing jurisdictions lying in more than one municipality, such as counties, school districts, or special taxing districts, use the equalized value of the underlying units in calculating and levying their respective levies. Equalized values are also used to apportion state aids and calculate municipal general obligation debt limits.

Assessed Value

The "assessed value" of taxable property in a municipality is determined by the local assessor, except for manufacturing properties which are valued by the State. Each city, village or town retains its own local assessor, who must be certified by the State Department of Revenue. Assessed value is used by these municipalities to determine tax levy mill rates and to apportion levies among individual property owners. Each taxing district must assess property at full value at least once in every five-year period. The State requires that the assessed values must be within 10% of State equalized values at least once every four years. The local assessor values property as of January 1 each year and submits those values to each municipality by the second Monday in June. The assessor also reports any value changes taking place since the previous year, to the Department of Revenue, by the second Monday in June.

CURRENT PROPERTY VALUATIONS

2017 Equalized Value	\$1,607,119,800
2017 Equalized Value Reduced by Tax Increment Valuation	\$1,329,531,510
2017 Assessed Value	\$1,594,526,630

2017 EQUALIZED VALUE BY CLASSIFICATION

	2017 Equalized Value¹	Percent of Total Equalized Value
Residential	\$ 884,697,500	55.049%
Commercial	454,270,600	28.266%
Manufacturing	182,152,700	11.334%
Agricultural	512,800	0.032%
Undeveloped	1,200	0.000%
Personal Property	85,485,000	5.319%
Total	<u><u>\$1,607,119,800</u></u>	<u><u>100.000%</u></u>

TREND OF VALUATIONS

Year	Assessed Value	Equalized Value¹	Percent Increase/Decrease in Equalized Value
2013	\$1,578,394,400	\$1,377,134,000	-8.68%
2014	1,566,482,302	1,471,696,200	6.87%
2015	1,570,904,700 ²	1,557,937,900	5.86%
2016	1,608,833,370	1,593,559,300	2.29%
2017	1,594,526,630	1,607,119,800	0.85%

Source: Wisconsin Department of Revenue, Bureau of Equalization and Local Government Services Bureau.

¹Includes tax increment valuation.

²The City filed a corrected statement of assessment with the Wisconsin Department of Revenue.

LARGER TAXPAYERS

Taxpayer	Type of Business/Property	2017 Equalized Value¹	Percent of City's Total Equalized Value
ABC Supply/Hendricks	Wholesale Distribution	\$ 84,788,095	5.28%
Kerry Ingredients	Manufacturer of Food Additives	43,368,646	2.70%
Frito Lay Inc.	Food Processor	22,666,382	1.41%
Staples Contract & Commercial LLC	Fullfilment Center	19,344,229	1.20%
Woodmans ²	Retail Grocer	19,111,210	1.19%
Pratt Industries	Manufacturer	18,947,259	1.18%
Kettle Foods	Food Processor	16,719,256	1.04%
Beloit Health Systems	Health Services	15,682,887	0.98%
McGuire/Morgan Square	Developer of Commercial Property	13,587,119	0.85%
Walmart	Retailer	12,755,786	0.79%
Total		\$ 266,970,869	16.61%

City's Total 2017 Equalized Value³ \$1,607,119,800

Source: The City.

¹ Calculated by dividing the 2017 Assessed Values by the 2017 Aggregate Ratio of assessment for the City.

² Assessment under appeal by taxpayer.

³ Includes tax increment valuation.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total General Obligation Debt	<u>\$50,277,060</u>
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Revenue Debt (see schedules following)

Total revenue debt secured by water revenues (includes the Bonds)*	<u>\$23,870,000</u>
--	---------------------

Total revenue debt secured by sewer revenues (includes the Concurrent Obligations, as defined herein) *	<u>\$ 6,164,873</u>
--	---------------------

Total revenue debt secured by storm sewer revenues	<u>\$ 1,030,000</u>
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Lease Revenue Obligations (see schedules following)

Total Lease Revenue Obligations Paid by Annual Appropriations	<u>\$ 9,240,000</u>
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*Preliminary, subject to change.

¹Outstanding debt is as of the dated date of the Bonds.

CITY OF BELOIT, WISCONSIN
Schedule of Bonded Indebtedness
General Obligation Debt
(As of May 3, 2018)

Dated Amount	General Obligation Corporate Purpose Bonds Series 2009		State Trust Fund Loan		General Obligation Refunding Bonds Series 2011		Taxable General Obligation Refunding Bonds Series 2011B		General Obligation Corporate Purpose Bonds Series 2012A		General Obligation Refunding Bonds Series 2013A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
5/28/2009	\$7,390,000		\$1,500,000		\$11,080,000		\$4,280,000		\$7,240,000		\$7,330,000	
Maturity	5/1		3/15		4/1		3/1		3/1		5/1	
Fiscal Year Ending												
2018	28,120				63,516		30,876		68,794		42,491	
2019	175,000	53,090	161,323	18,837	1,030,000	114,415	370,000	56,665	375,000	133,838	410,000	80,881
2020	100,000	48,040	167,337	12,822	735,000	92,794	380,000	45,640	515,000	124,294	35,000	76,431
2021	100,000	44,140	173,647	6,512	765,000	74,419	400,000	33,103	515,000	112,706	35,000	75,731
2022	110,000	39,940			785,000	55,431	300,000	21,253	510,000	100,856	35,000	74,988
2023	115,000	35,383			675,000	37,546	135,000	13,539	500,000	88,550	35,000	74,156
2024	120,000	30,535			660,000	21,193	135,000	8,510	500,000	75,738	35,000	73,281
2025	125,000	25,389			535,000	6,554	145,000	2,973	530,000	61,888	855,000	61,622
2026	125,000	20,014							555,000	46,622	850,000	38,713
2027	125,000	14,514							200,000	35,644	940,000	13,513
2028	125,000	8,889							195,000	29,719		
2029	130,000	3,023							200,000	23,669		
2030									205,000	17,341		
2031									215,000	10,644		
2032									220,000	3,575		
2033												
2034												
2035												
2036												
2037												
2038												
	1,350,000	351,075	502,307	38,170	5,185,000	465,868	1,865,000	212,558	5,235,000	933,875	3,230,000	611,806

(Continued on next page.)

CITY OF BELOIT, WISCONSIN
Schedule of Bonded Indebtedness
General Obligation Debt
(As of May 3, 2018)

Dated Amount	Taxable General Obligation Refunding Bonds Series 2013C		General Obligation Corporate Purpose Bonds Series 2013D		State Trust Fund Loan		General Obligation Promissory Notes Series 2014A		General Obligation Corporate Purpose Bonds Series 2014B		General Obligation Promissory Notes Series 2015B	
	2/13/2013 \$885,000	5/1	6/13/2013 \$7,735,000	4/1	8/1/2013 \$677,100	3/15	5/15/2014 \$1,120,000	5/1	5/15/2014 \$8,165,000	5/1	3/19/2015 \$760,000	3/1
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018		3,778	80,813	80,813				7,868		80,963		5,201
2019	120,000	6,565	470,000	154,575	67,736	9,840	110,000	14,635	785,000	152,113	75,000 (1)	9,934
2020	120,000	4,225	380,000	141,825	69,576	7,999	110,000	12,435	840,000	131,800	75,000 (1)	8,846
2021	115,000	1,438	325,000	131,250	71,512	6,063	110,000	10,235	865,000	110,488	75,000 (1)	7,609
2022			335,000	121,350	73,478	4,097	125,000	7,823	860,000	91,075	75,000 (1)	6,203
2023			345,000	111,150	75,499	2,076	140,000	4,935	750,000	74,038	75,000 (1)	4,628
2024			360,000	100,575			140,000	1,680	860,000	55,925	80,000 (1)	2,880
2025			360,000 (1)	89,775					125,000	44,375	80,000 (1)	960
2026			395,000 (1)	78,450					125,000	40,625		
2027			390,000	66,675					130,000	36,800		
2028			420,000	54,263					135,000	32,825		
2029			425,000	40,794					140,000 (1)	28,525		
2030			430,000	26,900					140,000 (1)	23,975		
2031			185,000 (1)	16,791					150,000 (1)	19,075		
2032			195,000 (1)	10,378					150,000 (1)	13,825		
2033			210,000 (1)	3,544					160,000 (1)	8,400		
2034									160,000 (1)	2,800		
2035												
2036												
2037												
2038												
	355,000	16,005	5,225,000	1,229,106	357,801	30,075	735,000	59,610	6,375,000	947,625	535,000	46,260

(1) Mandatory redemption amounts
(Continued on next page.)

CITY OF BELOIT, WISCONSIN
Schedule of Bonded Indebtedness
General Obligation Debt
(As of May 3, 2018)

Fiscal Year Ending	General Obligation Corporate Purpose Bonds Series 2015C		State Trust Fund Loan		General Obligation Promissory Notes Series 2016A		General Obligation Corporate Purpose Bonds Series 2016B		General Obligation Promissory Notes Series 2017A		General Obligation Corporate Purpose Bonds Series 2017B					
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest				
2018	3/19/2015	3/1	100,000	30,594	11/23/2015	3/15	100,000	14,440	5/12/2016	4/1	130,000	63,718	6/22/2017	6/1	235,000	232,323
2019	\$2,450,000		100,000	59,688	\$200,000		20,979	5,263	\$3,235,000		75,000	73,275	\$1,715,000		270,000	152,494
2020			100,000	56,688			21,648	4,594			75,000	71,775			275,000	144,319
2021			100,000	53,688			22,364	3,878			75,000	70,275			280,000	135,994
2022			100,000	50,688			23,091	3,151			125,000	68,275			315,000	127,069
2023			100,000	47,688			23,841	2,401			150,000	65,525			350,000	117,094
2024			100,000	44,688			24,612	1,630			185,000	17,125			365,000	106,369
2025			100,000	41,688			25,416	826			200,000	12,350			385,000	95,119
2026			125,000 (1)	38,313			260,000	2,080			225,000	7,988			400,000	83,344
2027			125,000 (1)	34,563							195,000 (1)	52,588			370,000	71,794
2028			125,000 (1)	30,813							195,000 (1)	47,713			390,000	60,394
2029			125,000 (1)	27,063							195,000 (1)	42,838			175,000 (1)	51,919
2030			130,000 (1)	23,238							220,000 (1)	37,650			180,000 (1)	46,594
2031			130,000 (1)	19,338							220,000 (1)	32,150			185,000 (1)	41,119
2032			130,000 (1)	15,275							210,000 (1)	26,775			200,000 (1)	35,344
2033			135,000 (1)	10,969							210,000 (1)	21,263			200,000	29,344
2034			135,000 (1)	6,581							210,000 (1)	15,488			200,000	23,344
2035			135,000 (1)	2,194							210,000 (1)	9,450			200,000	17,344
2036											210,000 (1)	3,150			225,000	10,828
2037																
2038																
			1,995,000	593,750	161,952	21,744	1,550,000	144,220	853,775	1,715,000	261,918	5,425,000	1,585,801			

(1) Mandatory redemption amounts.
(Continued on next page.)

CITY OF BELOIT, WISCONSIN
Schedule of Bonded Indebtedness
General Obligation Debt
(As of May 3, 2018)

**General Obligation
 Promissory Notes
 Series 2018A**

Dated Amount	4/18/2018	4/18/2018
	\$2,140,000	\$3,315,000
Maturity	4/1	4/1

**General Obligation
 Corporate Purpose
 Bonds
 Series 2018B**

Dated Amount	4/18/2018	4/18/2018
	\$2,140,000	\$3,315,000
Maturity	4/1	4/1

Fiscal Year Ending	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Principal & Interest	Principal Outstanding	Principal %Paid	Year
2018					365,000	790,505	1,155,505	49,912,060	0.73%	2018
2019	90,000	108,335	25,000	154,219	4,950,037	1,426,389	6,376,426	44,962,023	10.57%	2019
2020	180,000	70,100	100,000	104,163	4,533,562	1,220,519	5,754,080	40,428,461	19.59%	2020
2021	200,000	63,400	100,000	101,163	4,597,523	1,097,195	5,694,718	35,830,938	28.73%	2021
2022	215,000	55,100	100,000	98,163	4,461,569	972,614	5,434,184	31,369,368	37.61%	2022
2023	225,000	46,300	100,000	95,163	4,209,340	857,774	5,067,115	27,160,028	45.98%	2023
2024	245,000	36,900	100,000	91,663	4,299,612	741,495	5,041,107	22,860,416	54.53%	2024
2025	245,000	27,100	100,000	87,663	4,200,416	623,824	4,824,240	18,660,000	62.89%	2025
2026	250,000	18,450	175,000	83,038	3,635,000	514,159	4,149,159	15,025,000	70.12%	2026
2027	245,000	11,025	175,000	77,788	3,145,000	417,714	3,562,714	11,880,000	76.37%	2027
2028	245,000	3,675	175,000	72,538	2,005,000	340,826	2,345,826	9,875,000	80.36%	2028
2029			175,000	67,288	1,565,000	285,116	1,850,116	8,310,000	83.47%	2029
2030			195,000	61,738	1,500,000	237,434	1,737,434	6,810,000	86.46%	2030
2031			200,000	55,813	1,285,000	194,928	1,479,928	5,525,000	89.01%	2031
2032			210,000	49,531	1,315,000	154,703	1,469,703	4,210,000	91.63%	2032
2033			215,000	42,891	1,130,000	116,409	1,246,409	3,080,000	93.87%	2033
2034			225,000	35,875	930,000	84,088	1,014,088	2,150,000	95.72%	2034
2035			225,000	28,563	770,000	57,550	827,550	1,380,000	97.26%	2035
2036			235,000	20,941	670,000	34,919	704,919	710,000	98.59%	2036
2037			240,000 (1)	12,775	465,000	16,431	481,431	245,000	99.51%	2037
2038			245,000 (1)	4,288	245,000	4,288	249,288	0	100.00%	2037
			2,140,000	440,385	50,277,060	10,188,881	60,216,653			

(1) Mandatory redemption amounts.

CITY OF BELOIT, WISCONSIN
Schedule of Bonded Indebtedness
Revenue Debt Secured by Sewerage System Revenues
(As of May 3, 2018)

Sewerage System Revenue Bonds, Series 2011 (CWF)
Sewerage System Revenue Bonds, Series 2018D

Fiscal Year Ending	5/11/2011		5/3/2018		Total Principal*	Total Interest*	Principal & Interest*	Principal Outstanding*	Principal %Paid*	Year
	Amount	Maturity	Amount	Maturity						
	\$3,481,777	5/1	\$3,775,000*	5/1						
2018						97,276	97,276	6,164,873	0.00%	2018
2019	158,827		135,000		293,827	192,602	486,428	5,871,047	4.77%	2019
2020	162,638		140,000		302,638	185,387	488,025	5,568,409	9.68%	2020
2021	166,542		140,000		306,542	177,755	484,297	5,261,867	14.65%	2021
2022	170,539		145,000		315,539	169,682	485,221	4,946,328	19.77%	2022
2023	174,632		150,000		324,632	161,075	485,707	4,621,696	25.03%	2023
2024	178,823		155,000		333,823	151,960	485,783	4,287,873	30.45%	2024
2025	183,115		160,000		343,115	142,370	485,485	3,944,759	36.01%	2025
2026	187,509		165,000		352,509	132,290	484,799	3,592,250	41.73%	2026
2027	192,010		175,000		367,010	121,639	488,648	3,225,240	47.68%	2027
2028	196,618		180,000		376,618	110,442	487,060	2,848,622	53.79%	2028
2029	201,337		185,000		386,337	98,804	485,141	2,462,286	60.06%	2029
2030	206,169		195,000		401,169	86,635	487,804	2,061,117	66.57%	2030
2031	211,117		200,000		411,117	73,954	485,071	1,650,000	73.24%	2031
2032			210,000		210,000	63,353	273,353	1,440,000	76.64%	2032
2033			215,000		215,000	54,884	269,884	1,225,000	80.13%	2033
2034			225,000		225,000	46,006	271,006	1,000,000	83.78%	2034
2035			235,000		235,000	36,621	271,621	765,000	87.59%	2035
2036			245,000		245,000	26,744	271,744	520,000	91.57%	2036
2037			255,000		255,000	16,381	271,381	265,000	95.70%	2037
2038			265,000		265,000	5,539	270,539	0	100.00%	2038
	2,389,873		3,775,000		6,164,873	1,901,872	6,416,745			

*Preliminary, subject to change.

CITY OF BELOIT, WISCONSIN
Schedule of Bonded Indebtedness
Revenue Debt Secured by Storm Sewer System Revenues
(As of May 3, 2018)

Storm Sewer System
Revenue Refunding
Bonds
Series 2015A

Dated Amount	3/4/2015 \$1,225,000	Maturity	5/1							
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Principal & Interest	Principal Outstanding	Principal %Paid	Year		
2018		15,475		15,475	15,475	1,030,000	0.00%	2018		
2019	70,000	30,250	70,000	30,250	100,250	960,000	6.80%	2019		
2020	75,000	28,425	75,000	28,425	103,425	885,000	14.08%	2020		
2021	75,000	26,550	75,000	26,550	101,550	810,000	21.36%	2021		
2022	80,000	24,600	80,000	24,600	104,600	730,000	29.13%	2022		
2023	80,000	22,200	80,000	22,200	102,200	650,000	36.89%	2023		
2024	85,000 (1)	19,725	85,000	19,725	104,725	565,000	45.15%	2024		
2025	85,000 (1)	17,175	85,000	17,175	102,175	480,000	53.40%	2025		
2026	90,000 (1)	14,550	90,000	14,550	104,550	390,000	62.14%	2026		
2027	90,000 (1)	11,850	90,000	11,850	101,850	300,000	70.87%	2027		
2028	100,000 (1)	8,750	100,000	8,750	108,750	200,000	80.58%	2028		
2029	100,000 (1)	5,250	100,000	5,250	105,250	100,000	90.29%	2029		
2030	100,000 (1)	1,750	100,000	1,750	101,750	0	100.00%	2030		
	1,030,000	226,550	1,030,000	226,550	1,256,550					

(1) Mandatory redemption amounts

CITY OF BELOIT, WISCONSIN
Schedule of Bonded Indebtedness
Community Development Authority Debt Secured by Lease Agreements
(As of May 3, 2018)

Dated Amount	Lease Revenue Refunding Bonds, Series 2007		Lease Revenue Bonds, Series 2007B		Taxable Lease Revenue Refunding Bonds, Series 2008		Lease Revenue Bonds, Series 2009		Redevelopment Lease Revenue Bonds, Series 2011A		Redevelopment Lease Revenue Bonds, Series 2011B	
	2/21/2007 \$8,915,000 (TID 10)	3/1	7/12/2007 \$2,015,000 (TID 6)	6/1	6/19/2008 \$2,640,000 (TID 10)	3/1	7/1/2009 \$5,340,000 (TID 10)	3/1	6/27/2011 \$3,175,000 (TID 5)	6/1	6/27/2011 \$1,165,000 (TID 13)	6/1
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018		50,190	240,000	16,035	200,000	51,806	350,000	64,406	500,000	7,625	75,000	28,141
2019	1,190,000 (1)	75,390	250,000	5,438	200,000	97,363	375,000	121,113			75,000	25,816
2020	1,200,000 (1)	25,200			225,000	84,813	375,000	104,788			80,000	23,295
2021					225,000	71,313	375,000	87,350			85,000	20,383
2022					225,000	56,800	385,000	69,394			90,000	17,055
2023					225,000	42,063	400,000 (1)	50,250			90,000	13,433
2024					250,000	26,263	400,000 (1)	30,250			90,000	9,675
2025					265,000	8,944	405,000 (1)	10,125			90,000	5,873
2026											90,000	1,980
	2,390,000	150,780	490,000	21,473	1,590,000	439,363	2,690,000	537,675	500,000	7,625	765,000	145,650

(1) Includes mandatory redemption amounts (Continued on next page.)

CITY OF BELOIT, WISCONSIN
Schedule of Bonded Indebtedness
Community Development Authority Debt Secured by Lease Agreements
(As of May 3, 2018)

**Redevelopment
Lease Revenue
Bonds,
Series 2012A**

Dated Amount	6/21/2012 \$1,665,000 (TID 5)	Maturity	6/1							
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Principal & Interest	Principal Outstanding	Principal %Paid	Year		
2018	815,000	7,417	1,630,000	225,620	1,855,620	7,610,000	17.64%	2018		
2019			2,065,000	325,119	2,390,119	5,545,000	39.99%	2019		
2020			1,855,000	238,095	2,093,095	3,690,000	60.06%	2020		
2021			685,000	179,045	864,045	3,005,000	67.48%	2021		
2022			700,000	143,249	843,249	2,305,000	75.05%	2022		
2023			715,000	105,745	820,745	1,590,000	82.79%	2023		
2024			740,000	66,188	806,188	850,000	90.80%	2024		
2025			760,000	24,941	784,941	90,000	99.03%	2025		
2026			90,000	1,980	91,980	0	100.00%	2026		
			9,240,000	1,309,982	10,549,982					

DEBT LIMIT

The constitutional and statutory general obligation debt limit for Wisconsin municipalities, including towns, cities, villages, and counties (Article XI, Section 3 of the Wisconsin Constitution and Section 67.03, Wisconsin Statutes) is 5% of the current equalized value.

Equalized Value	\$ 1,607,119,800
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 80,355,990
Less: General Obligation Debt	<u>(50,277,060)</u>
Unused Debt Limit	<u><u>\$ 30,078,930</u></u>

OVERLAPPING DEBT¹

Taxing District	2017 Equalized Value²	% In City	Total G.O. Debt³	City's Proportionate Share
Rock County	\$ 10,907,782,900	14.7337%	\$46,915,000	\$ 6,912,315
Blackhawk Technical College District	13,008,450,305	12.3544%	46,810,000	5,783,095
Beloit School District	1,567,814,532	94.2578%	63,684,000	60,027,137
Beloit/Turner School District	485,056,327	11.5761%	2,390,000	276,669
Clinton Community School District	527,748,722	13.8668%	2,487,000	<u>344,867</u>
City's Share of Total Overlapping Debt				<u><u>\$73,344,083</u></u>

¹Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

²Includes tax increment valuation.

³Outstanding debt based on information obtained on EMMA and the Municipal Advisor's records.

DEBT RATIOS

	G.O. Debt	Debt/Equalized Value \$1,607,119,800	Debt/ Per Capita 36,520¹
Total General Obligation Debt	\$ 50,277,060	3.13%	\$ 1,376.70
City's Share of Total Overlapping Debt	<u>73,344,083</u>	<u>4.56%</u>	<u>2,008.33</u>
Total	\$ 123,621,143	7.69%	\$ 3,385.03

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City sold its \$2,140,000 General Obligation Promissory Notes, Series 2018A and \$3,315,000 General Obligation Corporate Purpose Bonds, Series 2018B on April 2, 2018, which are expected to close on April 18, 2018. Concurrent with the Bonds, the City expects to issue \$3,775,000* Sewerage System Revenue Bonds, Series 2018D (the "Concurrent Obligations"). Aside from the preceding, the City has no plans for additional financing in the next 12 months.

*Preliminary, subject to change.

¹Estimated 2017 population.

TAX LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Levy for City Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2013/14	\$14,181,945	100%	\$12.18
2014/15	14,300,029	100%	11.53
2015/16	14,437,864	100%	11.05
2016/17	14,754,633	100%	11.21
2017/18	15,043,527	In Process	11.31

Property tax statements are distributed to taxpayers by the town, village, and city clerks in December of the levy year. Current state law requires counties to pay 100% of the real property taxes levied to cities, villages, towns, school districts and other taxing entities on or about August 20 of the collection year.

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31, unless the municipality, by ordinance, permits special assessments to be paid in installments. Real property taxes must be paid in full by January 31 or in two equal installments by January 31 and July 31. Alternatively, municipalities may adopt a payment plan which permits real property taxes to be paid in three or more equal installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31, are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. On or before January 15 and February 20 the town, city or village treasurer settles with other taxing jurisdictions for all collections through December and January, respectively. In municipalities which have authorized the payment of real property taxes in three or more installments, the town, city or village treasurer settles with the other taxing jurisdictions on January 15, February 20 and on the fifteenth day of each month following the month in which an installment payment is required. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. Any county board may authorize its county treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Uncollected personal property taxes owed by an entity that has ceased operations or filed a petition for bankruptcy, or are due on personal property that has been removed from the next assessment roll are collected from each taxing entity in the year following the levy year.

PROPERTY TAX RATES

Full value rates for property taxes expressed in dollars per \$1,000 of equalized value (excluding tax increment valuation) that have been collected in recent years have been as follows:

Year Levied/ Year Collected	Schools¹	County	Local	Other²	Total
2013/14	\$13.49	\$6.88	\$12.18	\$0.20	\$32.75
2014/15	12.69	6.67	11.53	0.20	31.09
2015/16	12.74	6.66	11.05	0.20	30.65
2016/17	10.97	6.58	11.21	0.21	28.97
2017/18	12.83	6.38	11.31	0.00	30.52

Source: Property Tax Rates were extracted from Statement of Taxes prepared by the Wisconsin Department of Revenue, Division of State and Local Finance.

LEVY LIMITS

Section 66.0602 of the Wisconsin Statutes, imposes a limit on property tax levies by cities, villages, towns and counties. No city, village, town or county is permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of either the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current or zero percent). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year. In 2018, and in each year thereafter, the base amount is the actual levy for the immediately preceding year plus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes (an amount equal to the property taxes formerly levied on certain items of personal property), and the levy limit is the base amount multiplied by the valuation factor, minus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

A political subdivision that did not levy its full allowable levy in the prior year can carry forward the difference between the allowable levy and the actual levy, up to a maximum of 1.5% of the prior year's actual levy. The use of the carry forward levy adjustment needs to be approved by a majority vote of the political subdivision's governing body (except in the case of towns) if the amount of carry forward levy adjustment is less than or equal to 0.5% and by a super majority vote of the political subdivision's governing body (three-quarters vote if the governing body is comprised of five or more members, two-thirds vote if the governing body is comprised of fewer than five members) (except in the case of towns) if the amount of the carry forward levy adjustment is greater than 0.5% up to the maximum increase of 1.5%. For towns, the use of the carry forward levy adjustment needs to be approved by a majority vote of the annual town meeting or special town meeting after the town board has adopted a resolution in favor of the adjustment by a majority vote if the amount of carry forward levy adjustment is less than or equal to 0.5%

¹The Schools tax rate reflects the composite rate of all local school districts and technical college district.

²Includes the state reforestation tax which is apportioned to each county on the basis of its full value. Counties, in turn, apportion the tax to the tax districts within their borders on the basis of full value. It also includes taxes levied for special purpose districts such as metropolitan sewerage districts, sanitary districts, and public inland lake protection districts. Tax increment values are not included. State property taxes were eliminated in the State's 2017-2019 budget act.

or by two-thirds vote or more if the amount of carry forward levy adjustment is greater than 0.5% up to the maximum of 1.5%.

Beginning with levies imposed in 2015, if a political subdivision does not make an adjustment in its levy as described in the above paragraph in the current year, the political subdivision may increase its levy by the aggregate amount of the differences between the political subdivision's valuation factor in the previous year and the actual percent increase in a political subdivision's levy attributable to the political subdivision's valuation factor in the previous year, for the five years before the current year, less any amount of such aggregate amount already claimed as an adjustment in any of the previous five years. The calculation of the aggregate amount available for such adjustment may not include any year before 2014, and the maximum adjustment allowed may not exceed 5%. The use of the adjustment described in this paragraph requires approval by a two-thirds vote of the political subdivision's governing body, and the adjustment may only be used if the political subdivision's level of outstanding general obligation debt in the current year is less than or equal to the political subdivision's level of outstanding general obligation debt in the previous year.

Special provisions are made with respect to property taxes levied to pay general obligation debt service. Those are described below. In addition, the statute provides for certain other exclusions from and adjustments to the tax levy limit. Among the items excluded from the limit are amounts levied for any revenue shortfall for debt service on a revenue bond issued under Section 66.0621. Among the adjustments permitted is an adjustment applicable when a tax increment district terminates, which allows an amount equal to the prior year's allowable levy multiplied by 50% of the political subdivision's percentage growth due to the district's termination.

With respect to general obligation debt service, the following provisions are made:

(a) If a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision and interest on outstanding obligations of the political subdivision, on debt originally issued before July 1, 2005, is less in the current year than in the previous year, the political subdivision is required to reduce its levy limit in the current year by the amount of the difference between the previous year's levy and the current year's levy.

(b) For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. This adjustment is based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact political subdivisions that experience a reduction in offsetting revenues.

(c) The levy limits do not apply to property taxes levied to pay debt service on general obligation debt authorized on or after July 1, 2005.

THE ISSUER

CITY GOVERNMENT

The City was incorporated in 1856 and is governed by a Council-Manager form of government. The City Council is the policy-making body of the City. The City Council consists of seven members who are elected to two-year terms. The City Manager, appointed by the City Council, is responsible for supervision and administration of City government. The Manager coordinates the operation of the various City divisions and departments and carries the responsibility of carrying out policies adopted by the City Council.

EMPLOYEES; PENSIONS

The City employs a staff of 324 full-time, 32 part-time, and 114 seasonal employees. All eligible employees in the City are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). The WRS is a cost-sharing multiple-employer defined benefit pension plan. The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

City employees are generally required to contribute half of the actuarially determined contributions, and the City generally may not pay the employees' required contribution. The total retirement plan contributions (including both the City's and the employees' contributions) for the fiscal year ended December 31, 2014 were \$3,976,424. During the fiscal year ended December 31, 2015 ("Fiscal Year 2015") and the fiscal year ended December 31, 2016 ("Fiscal Year 2016"), the City's portion of contributions to WRS (not including any employee contributions) totaled \$2,173,426 and \$2,012,193 respectively.

The City implemented Governmental Accounting Standards Board Statement No. 68 ("GASB 68") for Fiscal Year 2015.

GASB 68 requires calculation of a net pension liability for the pension plan. The net pension liability is calculated as the difference between the pension plan's total pension liability and the pension plan's fiduciary net position. The pension plan's total pension liability is the present value of the amounts needed to pay pension benefits earned by each participant in the pension plan based on the service provided as of the date of the actuarial valuation. In other words, it is a measure of the present value of benefits owed as of a particular date based on what has been earned only up to that date, without taking into account any benefits earned after that date. The pension plan's fiduciary net position is the market value of plan assets formally set aside in a trust and restricted to paying pension plan benefits. If the pension plan's total pension liability exceeds the pension plan's fiduciary net position, then a net pension liability results. If the pension plan's fiduciary net position exceeds the pension plan's total pension liability, then a net pension asset results.

As of December 31, 2015, the total pension liability of the WRS was calculated as \$90.1 billion and the fiduciary net position of the WRS was calculated as \$88.5 billion, resulting in a net pension liability of \$1.6 billion.

Under GASB 68, each participating employer in a cost-sharing pension plan must report the employer's proportionate share of the net pension liability or net pension asset of the pension plan. Accordingly, for Fiscal Year 2016, the City reported a liability of \$3,472,339 for its proportionate share of the net pension liability of the WRS. The net pension liability was measured as of December 31, 2015 based on the City's share of contributions to the pension plan relative

to the contributions of all participating employers. The City's proportion was 0.21368493% of the aggregate WRS net pension liability as of December 31, 2015.

The calculation of the total pension liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of net pension liability of the WRS, which may also cause the ETF Board to change the contribution requirements for employers and employees. For more detailed information regarding the WRS and such actuarial assumptions, see Note V.A. in "APPENDIX A - FINANCIAL STATEMENTS" attached hereto.

Recognized and Certified Bargaining Units

All eligible City personnel are covered by the Municipal Employment Relations Act ("MERA") of the Wisconsin Statutes. Pursuant to that law, employees have rights to organize and collectively bargain with municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32, which altered the collective bargaining rights of public employees in Wisconsin.

As a result of the 2011 amendments to MERA, the City is prohibited from bargaining collectively with municipal employees, other than public safety and transit employees, with respect to any factor or condition of employment except total base wages. Even then, the City is limited to increasing total base wages beyond any increase in the consumer price index since 180 days before the expiration of the previous collective bargaining agreement (unless City were to seek approval for a higher increase through a referendum). Ultimately, the City can unilaterally implement the wages for a collective bargaining unit.

Under the changes to MERA, impasse resolution procedures were removed from the law for municipal employees of the type employed by the City, including binding interest arbitration. Strikes by any municipal employee or labor organization are expressly prohibited. As a practical matter, it is anticipated that strikes will be rare. Furthermore, if strikes do occur, they may be enjoined by the courts. Additionally, because the only legal subject of bargaining is the base wage rates, all bargaining over items such as just cause, benefits, and terms of conditions of employment are prohibited and cannot be included in a collective bargaining agreement. Impasse resolution for public safety employees and transit employees is subject to final and binding arbitration procedures, which do not include a right to strike. Interest arbitration is available for transit employees if certain conditions are met.

The following bargaining units represent employees of the City:

Bargaining Unit	Expiration Date of Current Contract
Police	December 31, 2020
Firefighters	December 31, 2020
Department of Public Works	December 31, 2017 ¹
Police Sergeants	December 31, 2020

¹The Department of Public Works union contract is currently in negotiations.

OTHER POST EMPLOYMENT BENEFITS

The City provides "other post-employment benefits" ("OPEB") (i.e., post-employment benefits, other than pension benefits, owed to its employees and former employees) through a single-employer defined benefit plan to employees who have terminated their employment with the City and have satisfied specified eligibility standards. Membership in the plan consisted of 165 retirees receiving benefits and 326 active eligible plan members as of January 1, 2016, the date of the latest actuarial valuation.

OPEB calculations are required to be updated every two years and prepared in accordance with Statement No. 45 of the Governmental Accounting Standards Board regarding retiree health and life insurance benefits, and related standards. An actuarial study was last completed by Key Benefit Concepts, LLC, in February, 2017 with an actuarial valuation date of January 1, 2016 (the "Actuarial Report").

The City is required to expense the estimated yearly cost of providing post-retirement benefits representing a level of funding that, if paid on an ongoing basis, is projected to cover costs and amortize unfunded actuarial liabilities over a given period not to exceed 30 years. Such annual accrual expense is referred to as the "annual required contribution." As shown in the City's financial statements for Fiscal Year 2016, the City's annual required contribution for Fiscal Year 2016 was \$5,696,505. For Fiscal Year 2016, the City contributed \$2,098,850 to the plan, which was 36.84% of the annual required contribution. The City's current funding practice is to make annual contributions to the plan in the amounts at least equal to the benefits paid to retirees in a particular year on a "pay-as-you-go" basis.

As shown in the Actuarial Report, as of January 1, 2016, the actuarial accrued liability for the benefits was \$102,502,429 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$102,502,429 and a funded ratio of actuarial value of assets to actuarial accrued liability of 0%. For more information, see Note V.D. in "APPENDIX A - FINANCIAL STATEMENTS."

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Wisconsin law contains no express authority for municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future, while the Bonds are outstanding, in a way that would allow the City to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the City to file for relief under Chapter 9. If, in the future, the City were to file a bankruptcy case under Chapter 9, the relevant bankruptcy court would need to consider whether the City could properly do so, which would

involve questions regarding State law authority as well as other questions such as whether the City is a municipality for bankruptcy purposes. If the relevant bankruptcy court concluded that the City could properly file a bankruptcy case, and that determination was not reversed, vacated, or otherwise substantially altered on appeal, then the rights of holders of the Bonds could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Bonds, and there could ultimately be no assurance that holders of the Bonds would be paid in full or in part on the Bonds. Further, under such circumstances, there could be no assurance that the Bonds would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Bonds could be viewed as having no priority (a) over claims of other creditors of the City; (b) to any particular assets of the City, or (c) to revenues otherwise designated for payment to holders of the Bonds.

Moreover, if the City were determined not to be a "municipality" for the purposes of the Bankruptcy Code, no representations can be made regarding whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. In any such case, there can be no assurance that the consequences described above for the holders of the Bonds would not occur.

FUNDS ON HAND (as of February 28, 2018)

Fund	Total Cash and Investments
General	\$ 14,912,140
Special Revenue	7,635,286
Debt Service	447,883
Capital Projects	9,515,509
Enterprise Funds	17,485,277
 Total Funds on Hand	 <u><u>\$ 49,996,095</u></u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2015	2016	2017 (Unaudited)
Water			
Total Operating Revenues	\$ 5,496,668	\$ 5,507,429	\$ 5,832,368
Less: Operating Expenses	<u>(3,900,834)</u>	<u>(3,533,999)</u>	<u>(3,477,324)</u>
Operating Income	\$ 1,595,834	\$ 1,973,430	\$ 2,355,044
Plus: Depreciation	1,267,520	1,227,645	1,227,645
Interest Income	<u>38,465</u>	<u>42,584</u>	<u>46,198</u>
Revenues Available for Debt Service	<u><u>\$ 2,901,819</u></u>	<u><u>\$ 3,243,659</u></u>	<u><u>\$ 3,628,887</u></u>
Sewer			
Total Operating Revenues	\$ 6,751,680	\$ 7,167,202	\$ 7,547,957
Less: Operating Expenses	<u>(9,109,199)</u>	<u>(8,742,949)</u>	<u>(8,551,028)</u>
Operating Income	\$ (2,357,519)	\$ (1,575,747)	\$ (1,003,071)
Plus: Depreciation	2,633,789	2,640,722	2,640,722
Interest Income	<u>147,925</u>	<u>130,664</u>	<u>138,722</u>
Revenues Available for Debt Service	<u><u>\$ 424,195</u></u>	<u><u>\$ 1,195,639</u></u>	<u><u>\$ 1,776,373</u></u>
Storm Sewer			
Total Operating Revenues	\$ 964,592	\$ 1,124,771	\$ 1,127,563
Less: Operating Expenses	<u>(993,082)</u>	<u>(925,309)</u>	<u>(866,260)</u>
Operating Income	\$ (28,490)	\$ 199,462	\$ 261,303
Plus: Depreciation	146,320	146,468	146,468
Interest Income	<u>7,925</u>	<u>7,082</u>	<u>10,192</u>
Revenues Available for Debt Service	<u><u>\$ 125,755</u></u>	<u><u>\$ 353,012</u></u>	<u><u>\$ 417,963</u></u>

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete audited financial statements are available upon request. See Appendix A for the City's 2016 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2014 Audited	2015 Audited	2016 Audited	2017 Unaudited ¹	2018 Adopted Budget ²
Revenues					
Taxes and special assessments	\$ 6,950,211	\$ 6,988,293	\$ 7,202,750	\$ 8,010,174	\$ 8,330,931
Intergovernmental	19,350,993	19,626,259	19,406,099	18,734,698	18,715,000
Licenses and permits	886,989	904,072	840,394	674,251	697,010
Fines, forfeitures and penalties	1,075,940	937,079	743,548	747,647	838,100
Fees and service charges	748,040	759,889	779,191	812,812	1,024,946
Rent	19,178	47,003	57,804	47,651	48,666
Investment income ³	385,466	8,775	80,442	138,809	501,132
Miscellaneous general revenues	40,159	41,421	41,776	893,663	943,050
Total Revenues	\$ 29,456,976	\$ 29,312,791	\$ 29,152,004	\$ 30,059,705	\$ 31,098,835
Expenditures					
Current:					
General government	\$ 3,705,212	\$ 3,739,168	\$ 3,594,944	\$ 4,089,649	\$ 4,726,875
Community development	1,394,655	1,461,140	1,342,378	1,093,594	1,068,704
Public safety	19,442,554	19,502,193	19,218,338	19,315,734	19,126,545
Public works	6,276,704	5,847,128	5,705,137	5,374,913	6,176,711
Total Expenditures	\$ 30,819,125	\$ 30,549,629	\$ 29,860,797	\$ 29,873,890	\$ 31,098,835
Excess of revenues over (under) expenditures	\$ (1,362,149)	\$ (1,236,838)	\$ (708,793)	\$ 185,815	\$ 0
Other Financing Sources (Uses)					
Proceeds from sale of property	231,362	40,801	1,608		
Proceeds of long-term debt	0	0	0		
Operating transfers in	848,775	860,854	790,273		
Operating transfers out	0	0	0		
Total Other Financing Sources (Uses)	\$ 1,080,137	\$ 901,655	\$ 791,881	\$ 0	
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ (282,012)	\$ (335,183)	\$ 83,088	\$ 185,815	
General Fund Balance January 1	10,416,369	10,134,357	9,799,174	9,882,262	
Prior Period Adjustment	0	0	0		
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance December 31	\$ 10,134,357	\$ 9,799,174	\$ 9,882,262	\$ 10,068,077	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	2,071,820	1,791,582	1,578,930		
Restricted	0	0	0		
Committed	0	0	0		
Assigned	300,000	0	0		
Unassigned	7,762,537	8,007,592	8,303,332		
Total	\$ 10,134,357	\$ 9,799,174	\$ 9,882,262		

¹Unaudited data is as of December 31, 2017.

²The 2018 budget was adopted on November 6, 2017.

³Investment income is net of unrealized loss on investments. See Appendix A for more information.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 36,966 and a current estimated population of 36,520 comprises an area of 17.64 square miles and is located on the Wisconsin/Illinois border in Rock County, Wisconsin

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Beloit Health System	Medical Services	1,600
School District of Beloit	Public Education	938
Bird's Eye Foods	Frozen Foods Specialty Manufacturer	800
Kerry Americas	Dehydrated Food Products	740
Frito-Lay	Snack Foods	663
Blackhawk Technical College	Technical College	600
Taylor Company	Food Service Industry	525
The City	Municipal Government	470
Beloit College	Liberal Arts College	408
ABC Supply Company	Roofing, Siding and Building Products	406

Source: *ReferenceUSA, The City, written and telephone survey (April 2017), Greater Beloit EDC, Wisconsin Manufacturers Register, and the Wisconsin Department of Workforce Development.*

¹This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.

BUILDING PERMITS

	2014	2015	2016	2017	2018 ¹
<u>New Single Family Homes</u>					
No. of building permits	6	7	10	12	6
Valuation	\$595,170	\$725,220	\$1,212,760	\$1,599,620	\$768,500
<u>New Multiple Family Buildings</u>					
No. of building permits	0	0	0	5	0
Valuation	\$0	\$0	\$0	\$4,480,200	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	9	10	4	9	0
Valuation	\$21,365,500	\$22,434,077	\$3,905,000	\$7,147,200	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	1,074	1,002	1,009	945	202
Valuation	\$31,561,015	\$37,811,996	\$17,847,535	\$21,675,091	\$13,830,816

Source: The City.

¹As of March 6, 2018.

U.S. CENSUS DATA

Population Trend: City

2000 U.S. Census	35,775
2010 U.S. Census	36,966
2017 Estimated Population	36,520
Percent of Change 2000 - 2010	3.33%

Income and Age Statistics

	City	Rock County	State of Wisconsin	United States
2016 per capita income	\$19,228	\$25,884	\$29,253	\$29,829
2016 median household income	\$37,779	\$50,968	\$54,610	\$55,322
2016 median family income	\$43,883	\$61,315	\$69,925	\$67,871
2016 median gross rent	\$727	\$749	\$789	\$949
2016 median value owner occupied units	\$85,000	\$132,500	\$167,000	\$184,700
2016 median age	34.5 yrs.	39.1 yrs.	39.1 yrs.	37.7 yrs.

	State of Wisconsin	United States
City % of 2016 per capita income	65.73%	64.46%
City % of 2016 median family income	62.76%	64.66%

Housing Statistics

	<u>City</u>		
	2000	2016	Percent of Change
All Housing Units	14,262	15,457	8.38%

Source: 2000 and 2010 Census of Population and Housing, and 2016 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (www.factfinder2.census.gov).

EMPLOYMENT/UNEMPLOYMENT DATA

Year	<u>Average Employment</u>		<u>Average Unemployment</u>		
	City	Rock County	City	Rock County	State of Wisconsin
2014	15,666	77,314	7.5%	6.1%	5.4%
2015	16,002	79,075	6.5%	5.2%	4.5%
2016	16,298	80,538	5.6%	4.6%	4.0%
2017	16,622	82,531	4.7%	3.7%	3.3%
2018, January	16,525	82,050	3.6%	3.3%	3.1%

Source: Wisconsin Department of Workforce Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

CITY OF BELOIT

Beloit, Wisconsin

COMPREHENSIVE ANNUAL FINANCIAL REPORT

As of and for the Year Ended
December 31, 2016

Prepared By:

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES

Eric Miller, Director

Dawn DeuVall, Director of Accounting and Purchasing

CITY OF BELOIT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2016

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CITY OF BELOIT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2016

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CITY OF BELOIT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2016

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CITY OF BELOIT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
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City Manager
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 100 State Street
 Beloit, Wisconsin 53511

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CITY OF БЕЛОИТ

COMPREHENSIVE ANNUAL FINANCIAL REPORT
 As of and for the Year Ended December 31, 2016

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June 23, 2017

To the City Council and
 Citizens of the City of Beloit, Wisconsin

It is our pleasure to submit to you the comprehensive annual financial report (CAFR) of the City of Beloit for the fiscal year ended December 31, 2016. Wisconsin State Statutes, the Wisconsin Administrative Code, and the Municipal Code of the City of Beloit require that, at the end of the fiscal year, a full and complete examination of all books and accounts of the City be made by a certified public accountant and that the report be filed with the City Clerk/Treasurer as a matter of public record. This CAFR fulfills these requirements.

This CAFR was prepared by the City's finance department and consists of management's representations concerning the finances of the City of Beloit. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. Management has established a comprehensive internal control framework that is designed to provide sufficient reliable information for the preparation of the City of Beloit's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The system of internal control has been designed to provide reasonable assurance that the financial statements will be free from material misstatement. The cost of an internal control should not exceed the anticipated benefit; therefore, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements of fact. To the best of our knowledge and belief, the presented financial information is complete and reliable in all material aspects and is reported in a manner that presents fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial position have been included in this CAFR.

In compliance with the above statutory requirements, the City has retained the services of Baker Tilly Virchow Krause, LLP, Certified Public Accountants, to audit all books and accounts of the City. They have concluded, based upon auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, that the City's financial statements for the year ended December 31, 2016, are fairly presented in all material respects in accordance with GAAP. Their report is located at the beginning of the financial section of this CAFR.

Management's discussion and analysis (MD&A) immediately follows the independent auditors report and provides an introduction, overview and analysis of the basic financial statements. MD&A complements this transmittal letter and should be read in conjunction with it.

PROFILE of the CITY OF BELOIT

Beloit is located in Rock County Wisconsin just north of the Wisconsin/Illinois border along Interstate Highway 39/90, which travels south to Chicago and north to the state capitol Madison, and is directly connected to Milwaukee to the east via Interstate Highway 43. The City covers approximately 17 square miles. The most recent estimate indicates the City is home to 36,792 residents as well as more than 90 industrial firms, 850 retail establishments, several corporate headquarters, a minor league baseball team, and several museums. The City is also home to Beloit College; founded in 1846 it is Wisconsin's oldest college in continuous operation and is internationally renowned for its scholastic excellence. The college's approximate 1,300 students come from nearly every state and 40 nations worldwide.

The City was officially founded in 1836, incorporated as a village February 24, 1846, and incorporated as a city by the State of Wisconsin on March 31, 1856. The citizens adopted the Council-Manager form of government in 1929. The City Council is the policy making and legislative body. The Council consists of seven members that are elected at large for two-year staggered terms. At an organizational meeting following each general City election, the Council selects, by majority vote of its members, its president and vice-president for the ensuing Council year. The President acts as the presiding officer of the Council and in his/her absence the Vice-President presides. The Council, in its legislative role, adopts all ordinances and resolutions and establishes the general policies for the City. The Council also sets the tax rate and adopts the annual budget.

The City Manager is appointed by the Council to act as the executive and administrative head of the City. The Manager serves at the pleasure of the Council, carries out its policies, directs business procedures, and has the power of appointment and removal of all employees. Duties and responsibilities of the Manager include preparation, submission and administration of the annual budget, advising Council on the affairs of the City, enforcement of the ordinances and direction and supervision of all departments. The City provides typical municipal services including general administrative and financial services, police, fire, public works, sanitation, parks and recreation, planning and economic development, transit system and water and sewer utilities.

This report includes all of the funds and component units of the City of Beloit. The criteria used in determining the reporting entity is consistent with criteria established by the Governmental Accounting Standards Board (GASB) as outlined in the Codification of Governmental Accounting and Financial Reporting Standards. This report includes the general fund, which accounts for the general administration of the City, and the special revenue funds

relating to economic and community development, the public library, solid waste and recycling. The report also includes the City's enterprise funds that account for the water, storm water, and sanitary sewer utilities, ambulance services, cemeteries, transit, and the municipal golf course. Internal service funds provide information on the operations of the risk management, employee health benefits, and centralized equipment functions.

Financial data for the Beloit Public Library Foundation and Community Development Authority are included in the reporting entity by discrete presentation because they are component units of the City. The Beloit Public Library Foundation was formed to raise and provide support monies for the Beloit Public Library. The Community Development Authority was formed to engage in the development and operation of low-income housing. The United States Department of Housing and Urban Development (HUD) regulates such projects.

The annual budget provides the foundation for the City's financial planning and control. The budget is prepared by fund, function and department. Departmental budgets are prepared by department heads and are submitted each year in July for examination. After review by the Manager and Budget committee, the proposed budget is prepared and submitted to the Council for consideration by their first meeting in October. Workshops and a public hearing are held by the Council in October. The Council normally adopts the budget by their first meeting in November for the ensuing fiscal year. Once adopted, transfers among departments or supplemental appropriations require approval of the Council; the Manager is authorized to make adjustments within departments. Budget to actual comparisons are provided in this CAFR for each governmental fund for which an annual budget has been adopted. This information can be found in the Required Supplementary Information and Supplementary Information sections of the CAFR beginning on page 97.

ECONOMIC CONDITION / MAJOR INITIATIVES

The local economy continues its recovery from the recent recession. The City's unemployment rate, at 4.8% in April, is the second highest in the State of Wisconsin. This is a significant improvement from a recession high rate of 18.3% in 2009. Although improving, the City still lags behind both the State and National averages which are 3.2% and 4.4% respectively. Fortunately, the City's large cluster of food processing industries continued to experience strong performance during this period. Several of these industries actually added employees and production lines in response to growing sales, despite the generally weak economy.

The City's Tax Increment District No. 10 continues to be its major economic development driver. Several major employers are now located in the TID including Kerry America's headquarters, Diamond Foods Kettle Brands, Pratt Industries, and the Staples Order Fulfillment Center; collectively all development in the TID has added \$171 million to the City's tax base and has provided over 1,000 new jobs with more to come. We continue to remain optimistic about the City's economic future and devote considerable time and resources to

To the City Council and
Citizens of the City of Beloit, Wisconsin
June 23, 2017

economic development. The City currently has nine active Tax Increment Districts with over 1,200 acres of land available for development.

The City's economy historically and presently remains largely reliant on manufacturing and industry while offering a diversified employment base in the areas of metal fabrication, food processing, medical services, biotechnology, retail, and education. Located at the intersections of Interstates 90/39, that serves Chicago to the south and Madison to the north, and Interstate 43, providing a direct link east to Milwaukee, the City is marketed as the location of one of the Midwest's major distribution centers.

Additional economic and demographic data can be found in the MD&A and Statistical Sections of this report.

LONG-TERM FINANCIAL PLANNING

Each year the City prepares, as part of the budget process, a formal five year capital improvement plan for upgrades and replacement of public infrastructure and the management of related costs. This plan includes a funding methodology for each project utilizing the City's ability to borrow and other sources, primarily operating budgets and Federal and State grants. For budgetary and planning purposes, the City has policy guidelines establishing the appropriate levels and uses of unrestricted fund balance (15% of operating revenues or three months average expenditures whichever is greater). The City also has a debt service policy, which is consistent with its long range Financial Management Plan that was approved in 1998. This Plan established bond-rating objectives, use of debt policies, and debt load indicators that are reviewed annually. Standard and Poor's has assigned an "A+" rating to the City's general obligation debt and Stormwater utility revenue bonded debt and an "A-" for its Water utility revenue bonded debt. The general obligation rating was affirmed by Standard and Poor's on June 1, 2017.

AWARDS and ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Beloit for its CAFR for the fiscal year ended December 31, 2015. This was the fourteenth consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

To the City Council and
Citizens of the City of Beloit, Wisconsin
June 23, 2017

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning January 1, 2017. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document must be judged and determined to be proficient as a policy document, a financial plan, an operations guide, and a communication device. This is the nineteenth year the City has received this award and is also valid for only one year.

The preparation of the CAFR would not have been possible without the efficient and dedicated service of the entire staff of the Finance and Administrative Services Department. We would like to express our appreciation to all the members of the department who assisted and contributed to the preparation of this report with particular recognition to Dawn DevVal, Director of Accounting/Purchasing, Lisa White, Senior Accountant, and Jessica Tison, Budget Analyst. Credit is also given to the City Council for their support in maintaining the highest standards of professionalism in the management of the City of Beloit's finances.

Respectfully submitted,



Lori S. Curtis Luther
City Manager



Eric R. Miller
Finance and Administrative Services Director



Government Finance Officers Association

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Presented to

**City of Beloit
Wisconsin**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Jeffrey R. Egan
Executive Director/CEO

**City of Beloit, Wisconsin
List of Elected and Appointed Officials
December 31, 2016**

CITY COUNCIL MEMBERS

David F. Luebke – President
Kevin Leavy – Vice President
Sheila De Forest
Regina Dunkin
Regina Hendrix
Mark Preuschl
Marilyn Stoniker

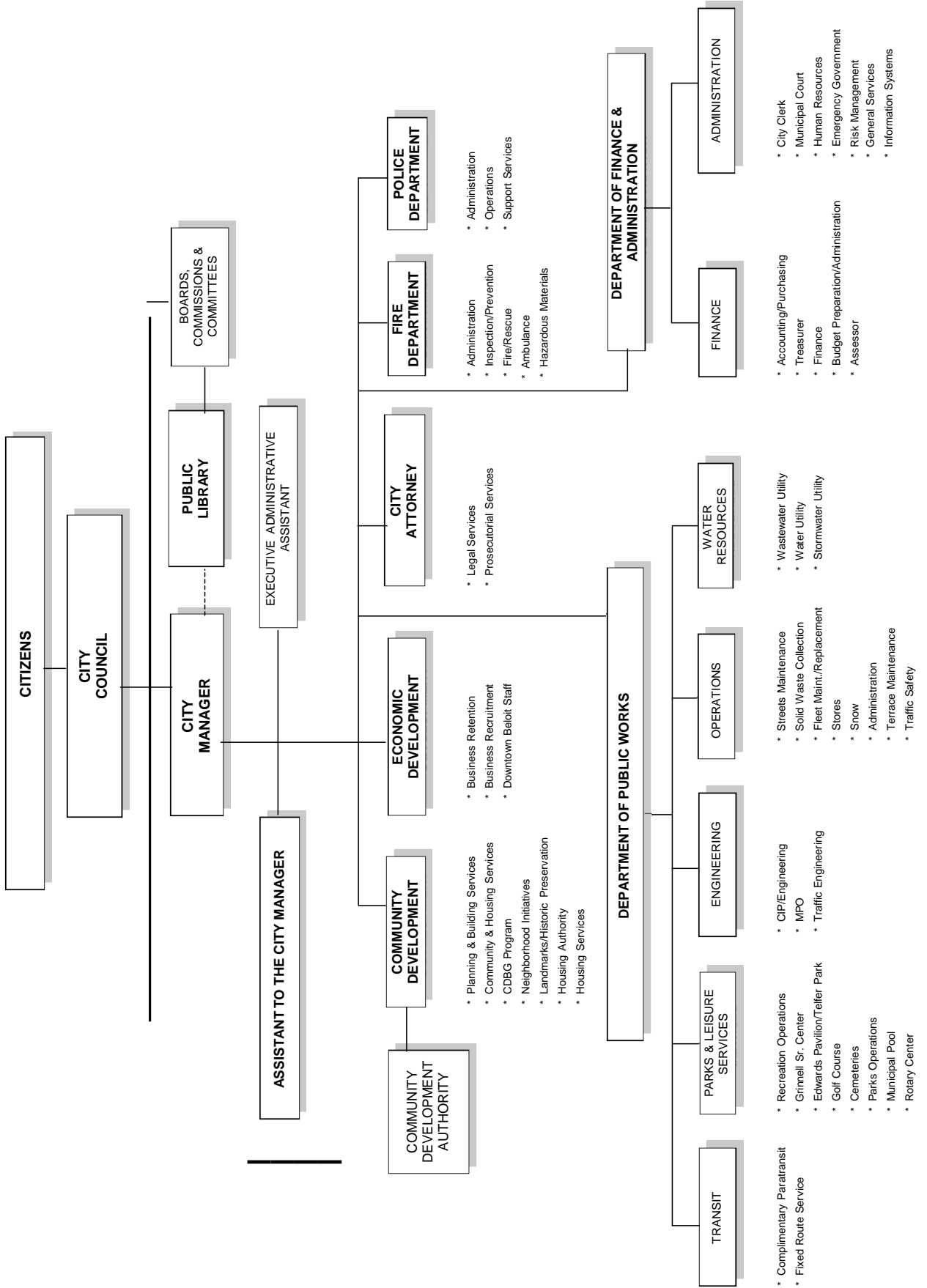
CITY MANAGER

Lori S. Curtis Luther

DEPARTMENT DIRECTORS

Eric Miller – Finance & Administrative Services Director
Gregory Boysen – Public Works Director
Julie Christensen – Community Development Director
Elizabeth Krueger – City Attorney
Andrew Janke – Economic Development Director
Bradley J. Liggett – Fire Chief
David Zibolski – Police Chief

CITY OF БЕЛОIT, WISCONSIN ORGANIZATIONAL CHART 2016



INDEPENDENT AUDITORS' REPORT

To the City Council
City of Beloit
Beloit, 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 Beloit, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Beloit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Beloit Public Library Foundation, Inc., or the limited liability corporations (LLCs) presented as component units of the City of Beloit Community Development Authority (CDA). The Beloit Public Library Foundation Inc. represents 2 percent, 4 percent and 6 percent, respectively, of the assets, net position and revenues of the discretely presented component units. The LLCs of the CDA represent 59 percent, 69 percent, and 11 percent, respectively, of the assets, net position, and operating revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Beloit Public Library Foundation, Inc., and the limited liability corporations (LLCs) presented as component units of the City of Beloit Community Development Authority (CDA), is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Beloit Public Library Foundation, Inc., a component unit of the City of Beloit and the LLCs of the CDA were not audited in accordance with *Government Auditing Standards*.

To the City Council
City of Beloit

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 over financial reporting relevant to the City of Beloit'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 Beloit'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.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Beloit, Wisconsin, as of December 31, 2016 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beloit's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is 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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

To the City Council
City of Beloit

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beloit's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2017 on our consideration of the City of Beloit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Beloit's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
June 23, 2017

CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

For Year Ended December 31, 2016

As management of the City of Beloit, Wisconsin, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, the basic financial statements, and related notes, all of which are contained in this comprehensive annual financial report (CAFR).

FINANCIAL HIGHLIGHTS

- > The assets and deferred outflows of resources of the City of Beloit exceeded its liabilities and deferred inflows of resources as of December 31, 2016, by \$123,366,950 (net position). Of this amount, \$(7,627,256) is an unrestricted deficit.
- > The City's total net position decreased \$2,520,790 largely due to operating losses in the Sewer Utility and Health Insurance Funds as well as depreciation of the City's capital assets and infrastructure exceeding its reduction in outstanding debt related to those assets.
- > In accordance with GASB Statement No. 68 which requires governmental entities participating in the Wisconsin Retirement System (WRS) to report their proportionate share of the plan's activity and net pension liability, the City recorded a pension liability of \$3,410,268 in 2016. This is a decrease from the pension amount reported in 2015 which was a \$5,160,932 asset. As of the December 31, 2015 measurement date used for the 2016 financial statements, WRS reported total resources available to provide pension benefits of \$88.5 billion. They also reported a total liability for pensions of \$90.1 billion, resulting in a net pension liability of \$1.6 billion. The City's proportionate share of this liability is \$3,410,268.
- > As of December 31, 2016, the City's governmental funds reported combined ending fund balances of \$28,751,451, an increase of \$243,433 from the prior year. Of this amount, \$4,630,654 or 16.1% is unassigned and is available for spending at the government's discretion. The increase in fund balance was mostly due to a positive change in fund balance of \$687,532 in TIF District No. 6 and \$313,055 in TIF District No. 13.
- > As of December 31, 2016, the unassigned fund balance for the general fund was \$8,303,332 or 27.8% of total general fund expenditures.
- > The business-type activities total net position at December 31, 2016 was \$68,192,639, which represents a decrease of \$1,488,825 from the prior year. Of this amount, \$53,967,808 represents the business-type activities net investment in capital assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This CAFR also includes supplementary information intended to provide additional detail to support the basic financial statements themselves.

CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)

For Year Ended December 31, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

Government-Wide Statements

The **government-wide financial statements** are designed to provide information about the City as a whole using the economic resources measurement focus and the accrual basis of accounting, in a manner similar to those of a private-sector business.

The **statement of net position** presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the net amount 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 is improving or deteriorating. Additionally, to assess the overall financial health of the City one must also consider non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

The **statement of activities** presents information showing how the City's net position changed during the year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, economic development, parks, recreation, and education, public safety, public works, and community development. The business-type activities of the City include the water and sewer utilities, which are considered major funds.

The government wide statements include not only the City itself (known as the primary government), but also two discretely presented component units that are separate legal entities for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 1 to 3 of this CAFR.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. These are explained in more detail as follows:

Governmental Funds – Most of the City's basic services are included in governmental funds. Fund based statements for these funds focus on how resources flow into and out of those funds and the balances left at year end that are available for future spending. These funds are reported on the modified accrual basis of accounting, this measures cash and other liquid assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term or current financial resources view that helps the reader determine the financial resources that can be spent in the near future to finance the City's programs and services.

CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)

For Year Ended December 31, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 23 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, general debt service fund, capital improvements fund, and TIF district No. 10 – special revenue fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this CAFR.

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

The governmental funds financial statements can be found on pages 4 to 6 of this CAFR.

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government wide financial statements. The City uses enterprise funds to account for its water, storm water, and sewer utilities, transit system, ambulance service, cemeteries, and golf course. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and for its general liability and health insurance programs. Because internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide statements.

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds are reported using the full accrual basis of accounting method. The City's proprietary funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows. The City uses enterprise funds to account for its water, sewer, and storm utilities, which are considered major funds. Data from the other proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of combining statements elsewhere in this CAFR.

The basic proprietary fund financial statements can be found on pages 8 to 12 of this CAFR.

CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)

For Year Ended December 31, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

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

The basic agency fund financial statements can be found on page 13 of this CAFR.

Other Information – In addition to the basic financial statements and accompanying notes, this CAFR also presents certain required supplementary information. This other information provides detailed budgetary comparison schedules for the general fund and TIF District No. 10 to demonstrate compliance with their budgets. These schedules and all other required supplementary information can be found on pages 97 to 105 of this CAFR. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information and can be found on pages 106 to 111 of this CAFR.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

An analysis of the City's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the City's net position and changes therein. It should be noted that the City's financial position can also be affected by non-financial factors, including economic conditions, population growth, and new regulations.

As noted earlier, over time net position may serve as a useful indicator of the City's financial position. In the case of the City of Beloit, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$123,366,950 as of December 31, 2016. This is a decrease of \$2,520,970 from the previous year. This decrease is largely due to operating losses in the Sewer Utility and Health Insurance Funds as well as depreciation of the City's capital assets and infrastructure exceeding its reduction in outstanding debt related to those assets.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)

For Year Ended December 31, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

The largest portion of the City of Beloit's net position (approximately 94%) reflects its investment in capital assets (e.g., land, buildings, machinery, improvements, construction in progress, and equipment) net of any debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available to fund City operations. Although the City of Beloit's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Summary of Net Position
as of December 31**
(\$ in millions)

	Governmental Activities		Business-Type Activities		Total
	2015	2016	2015	2016	
Current and other assets	\$ 72.0	\$ 67.9	\$ 17.3	\$ 89.8	\$ 85.2
Capital assets	105.7	107.5	84.9	190.6	188.9
Total Assets	177.7	175.4	102.7	280.4	274.1
Deferred outflows of resources	5.7	17.2	0.9	2.9	6.6
Long-term liabilities	100.8	104.6	32.4	31.0	133.2
Other liabilities	4.8	4.2	0.8	0.6	5.6
Total Liabilities	105.6	108.8	33.2	31.6	138.8
Deferred inflows of resources	21.6	28.7	0.7	1.7	22.3
Net position:					
Net investment in capital assets,	59.8	65.8	55.6	54.0	110.8
Restricted	18.0	13.2	4.0	2.1	22.0
Unrestricted (deficit)	(21.6)	(23.9)	10.1	12.1	(6.9)
Total Net Position	\$ 56.2	\$ 55.2	\$ 69.7	\$ 68.2	\$ 125.9

The net position section includes an adjustment for capital assets owned by the business-type activities, but financed by the debt of the governmental activities column. Columns may not total due to rounding.

An additional portion of the City's net position (approximately 12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (deficit) is \$(7,627,256).

Analysis of City Operations – The following table provides a summary of the City's operations for the year ended December 31, 2016. Governmental activities decreased the City's net position by \$1.0 million and business-type activities decreased the City's net position by \$1.5 million.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)

For Year Ended December 31, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

**Summary of Changes in Net Position
for the Fiscal Year Ended December 31**
(\$ in millions)

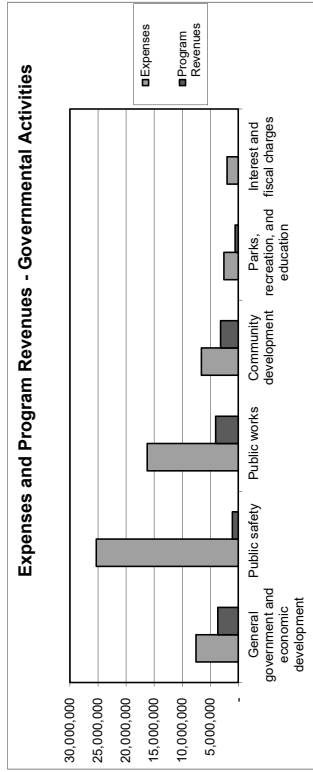
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
REVENUES						
Program Revenues:						
Charges for services	\$ 5.4	\$ 7.7	\$ 15.1	\$ 15.6	\$ 20.5	\$ 23.3
Operating grants & contributions	1.0	4.1	1.2	1.2	2.2	5.3
Capital grants & contributions	0.2	0.6	0.1	-	0.3	0.6
General Revenues:						
Property taxes	20.7	21.5	0.7	0.7	21.4	22.2
Other taxes	0.7	0.7	-	-	0.7	0.7
Intergovernmental	22.2	21.9	-	-	22.2	21.9
Investment income	0.3	0.3	0.3	0.3	0.6	0.6
Gain on the sale of property	0.1	1.0	-	-	0.1	1.0
Miscellaneous	0.9	1.0	-	-	0.9	1.0
Total Revenues	51.5	58.8	17.4	17.8	68.9	76.6
EXPENSES						
General government	0.8	0.8	-	-	0.8	0.8
Finance and Administration	5.5	6.4	-	-	5.5	6.4
Community development	3.0	6.5	-	-	3.0	6.5
Economic development	0.3	0.4	-	-	0.3	0.4
Police services	15.0	16.0	-	-	15.0	16.0
Fire services	10.7	9.4	-	-	10.7	9.4
Public works	13.0	16.2	-	-	13.0	16.2
Parks, recreation, and education	2.3	2.5	-	-	2.3	2.5
Interest & fiscal charges	2.2	2.0	-	-	2.2	2.0
Water utility	-	-	4.9	4.8	4.9	4.8
Sewer utility	-	-	9.2	8.9	9.2	8.9
Other non-major proprietary funds	-	-	5.4	5.2	5.4	5.2
Total Expenses	52.8	60.2	19.5	18.9	72.3	79.1
Change in net position before transfers	(1.3)	(1.4)	(2.1)	(1.1)	(3.4)	(2.5)
Transfers	0.6	0.4	(0.6)	(0.4)	-	-
Change in net position	(0.7)	(1.0)	(2.7)	(1.5)	(3.4)	(2.5)
Net position – beginning	56.9	56.2	72.4	69.7	129.3	125.9
Net position – ending	\$ 56.2	\$ 55.2	\$ 69.7	\$ 68.2	\$ 125.9	\$ 123.4

Columns may not total due to rounding.

CITY OF BELOIT, WISCONSIN
 MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
 (UNAUDITED)
 For Year Ended December 31, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

For 2016, revenues increased by approximately \$7,700,000 or 11% due primarily to charges for service and higher operating grants and contributions. Expenses increased by approximately \$6,800,000 or 9% compared to the prior year due primarily to increases in the Public Works Department and Community Development.

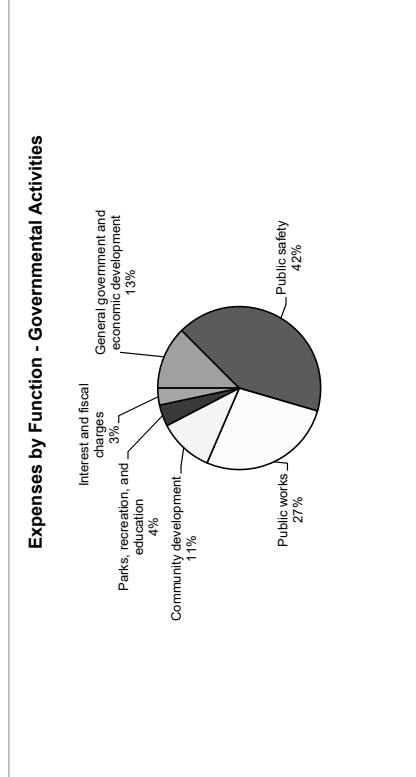
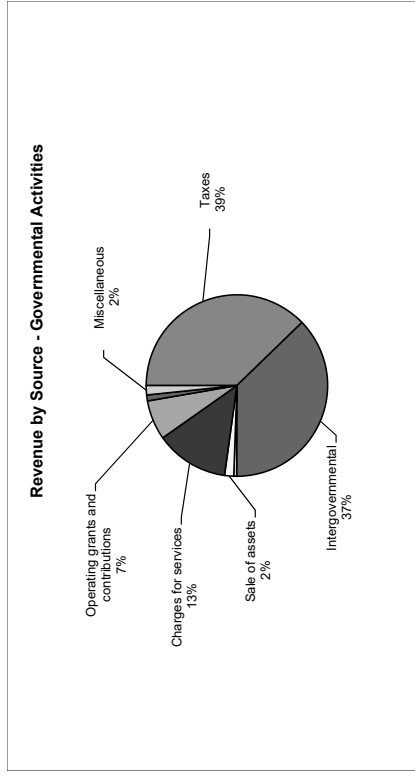


Intergovernmental revenue, such as state shared revenue, and property taxes are biggest sources of revenue for the City. Combined they make up 76% of the total revenue for Governmental Activities. The Public Safety and Public Works departments make up 42% and 27% of Governmental Activity Expenses respectively.

Charges for services account for 88% of the revenue for Business-type Activities. The Water and Sewer Utilities combine to make up 72% of the total Business-type Activities expenses.

CITY OF BELOIT, WISCONSIN
 MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
 (UNAUDITED)
 For Year Ended December 31, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)



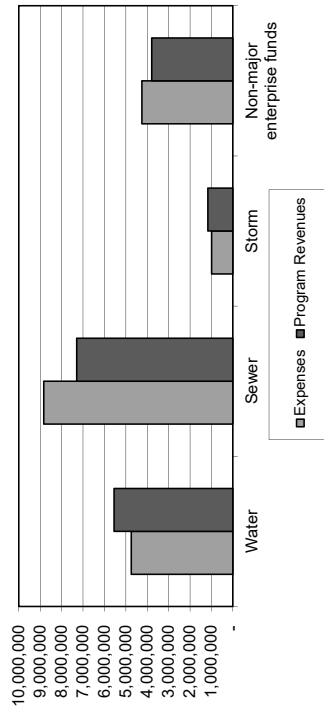
CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)

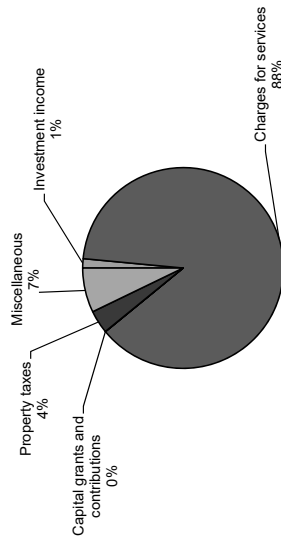
For Year Ended December 31, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)

For Year Ended December 31, 2016

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As was noted previously, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Fund accounting and financial reporting focuses on short-term spendable resources and balances of spendable resources available at year-end.

Governmental Funds

The focus of the City of Beloit's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2016, the City of Beloit's governmental funds reported combined ending fund balances of \$28,751,451. This is an increase of \$243,433 from the previous year. Approximately 16% of this total or \$4,630,654 constitutes unassigned fund balance, which is available for spending at the government's discretion. The increase in fund balance was mostly due to a positive change in fund balance of \$687,532 in TIF District No. 6 and \$313,055 in TIF District No. 13.

The remainder of fund balance is restricted, assigned or non-spendable. Restricted fund balance totals \$12,697,326 and can be used for only those purposes established by parties outside the government. The largest single component being \$4,501,197 restricted for economic development. Other restrictions in this category are for debt service, capital projects, grant programs, library operations, solid waste, and cemetery perpetual care. Assigned fund balance totals \$9,844,541 and reflects the governments intended use of fund balances with such uses established by the City Council. This primarily includes funds assigned for capital projects and equipment replacement. The non-spendable portion of fund balance totals \$1,578,930 and is comprised primarily of advances to other funds, prepaids and supply inventories. Due to the inherent nature of these resources, they are considered non-spendable in their current form.

General Fund: The general fund is the primary operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund has a detailed fund balance reserve policy that insures financial stability for the City of Beloit. The policy stipulates that the unrestricted fund balance will be either 15% of operating revenues or 3 months of estimated General Fund expenditures whichever is greater. As of December 31, 2016, the total fund balance of the general fund was \$9,882,262 of which \$8,303,332 was unrestricted (*assigned and unassigned*). This unrestricted fund balance represents 28% of general fund expenditures. The City's total general fund balance increased \$83,088 from the prior year. The City budgeted for a change in fund balance of \$0.

Capital Improvements Fund: The capital improvements fund is used account for and report financial resources that are restricted, committed, or assigned for expenditures for capital improvement projects. It has a fund balance of \$5,263,135 of which \$2,190,884 is restricted for unspent bond proceeds with the remainder being assigned for capital improvement projects.

CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)

For Year Ended December 31, 2016

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

Tax Increment Financing District No. 10: This tax increment district accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing. It includes the Gateway Business Park, a mixed-use project comprising over 1,227 acres of land.

Since its inception in 2000, the TID has accounted for over 1,000 new jobs and additional tax base valued in excess of \$171 million. The premier projects in the TID are Diamond Foods Kettle Brands, Kerry Americas Headquarters, Priatt Industries, and the Staples Order Fulfillment Center. The district is scheduled to close in 2023. The annual tax increment of the TID exceeds \$4.4 million.

General Debt Service Fund: The general debt service fund is used to accumulate resources for the payments of general long-term debt principal, interest, and related costs. It has a fund balance of \$2,098,792 which is restricted for the payment of principal and interest on outstanding debt.

The aggregate non-major governmental funds column includes several special revenue and capital projects funds that are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Most of these are the remaining tax incremental financing districts. The cumulative fund balances for these funds is \$11,023,979, an increase of \$435,917 from last year. There are three tax increment districts that have deficit fund balances as of December 31, 2016.

Proprietary Funds

The City of Beloit's major proprietary funds consist of the water and sewer utility funds. These activities are supported solely by fees assessed to the users of these services. Revenues generated by these funds are sufficient to provide for annual operating costs as well as long-term debt service payments as prescribed by the bond agreements.

Water Utility: The water utility realized a \$377,596 or 24% increase in operating income of \$1,973,430 in 2016 from \$1,595,834 in 2015. This increase was the result of decreased contractual service costs for maintenance in 2016. The change in net position in 2016 was an increase of \$125,581. The City serves 15,358 water customers and maintains eight wells and approximately 200 miles of water mains.

Sewer Utility: The sewer utility realized an operating loss of \$1,575,747 in 2016 compared to a loss of \$2,357,519 for 2015. This loss is largely the result of depreciation expense and increased contractual services to maintain the plant and equipment. Operating revenues increased slightly in 2016 as a result of increased industrial billings. There were no changes in the user fees assessed for sanitary sewer service. The rates for sewer services have not changed since 2003 and have not increased since the 1990's. Net position decreased \$1,230,729 due primarily to the increase in operating costs and depreciation. Cash flow remains positive for the sewer utility with an increase in cash and cash equivalents of \$712,345 from the prior year. The City serves 13,252 sewer customers with a wastewater treatment facility that has the capacity to treat 11 MGD of flow. The City maintains approximately 186 miles of sanitary sewer mains.

Storm Utility: The storm utility realized a \$227,952 increase in operating income of \$199,462 in 2016 from \$28,490 in 2015. This increase was the result of increased charges for services and decrease in operation and maintenance costs in 2016. The change in net position in 2016 was an increase of \$174,338.

CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)

For Year Ended December 31, 2016

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

The net position of the City's Enterprise Funds as of December 31, 2016 was \$68,084,235. The water, sewer, and storm utility's net position accounted for \$62,739,902 or 92% of this total.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget appropriations totaled \$30,502,476. The final actual expenditures of \$29,860,797 were \$641,679 less than the final budget appropriations.

The actual revenues and other financing sources were \$29,943,885, which were \$558,591 less than the budgeted amount. Investment income in 2016 was \$235,156. Interest rates continue to remain very low but have shown signs of improvement. At \$7,202,750 the property tax levy is the second largest local source revenue in the general fund. Total taxes were greater than the final budget by \$43,750. The most significant revenue items in the general fund are the Aids to Local Government payments the City receives from the State of Wisconsin. In 2016, these payments totaled \$19,406,099. This represents 65% of total general fund revenues and other financing sources and is consistent with prior year's totals. Revenues and other financing sources were \$83,088 greater than expenditures and other financing uses, which is the net change in fund balance for 2016. As was previously mentioned, no change in fund balance was budgeted for the general fund in 2016.

Some of the highlights of comparing the final budget to actual for the fiscal year include the following:

- > General government expenditures were \$437,488 less than budget largely related to reduced personnel costs, and using fewer contracted services in the Finance and Administrative Services department.
- > Actual expenditures for the Public Safety departments were \$199,777 more than the final budget amount. This was due mainly to increases in overtime and legal fees.
- > Public Works department expenditures were \$325,047 less than budget due to the reduction in contracted services, vehicle maintenance and fuel costs, as well as lower snow and ice removal expenses related to less severe winter weather.
- > Overall, general fund expenditures and other financing uses were \$641,679 less than budgeted amounts.
- > Tax revenues were slightly higher than budget primarily due to increased motel tax collections.
- > The City's largest source of revenue for its general fund comes from funding it receives from the State of Wisconsin. In 2016 the City received \$19,406,099 in intergovernmental aid from the State to support municipal services and transportation. This amounts to 67% of total general fund revenues and other financing sources.
- > License and permit revenues were \$22,036 less than budget due to fewer sales of liquor licenses and decrease in cable TV franchise fees.
- > Fines, forfeitures and penalties were \$328,652 less than budget largely due to decreased fines collected for traffic and non-traffic related offenses and parking violations.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

(UNAUDITED)

For Year Ended December 31, 2016

CAPITAL ASSETS

The City of Beloit's investment in capital assets for its governmental and business-type activities as of December 31, 2016, was \$188,920,940 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery, and equipment, park facilities, roads, bridges, highways and related fixtures and represents a decrease in net book value of \$1,649,621 from last year. This decrease is the result of current year depreciation exceeding current year additions to capital assets.

Major capital assets completed or started during the year include the following:

- > The City added over \$4.1 million in vehicles and equipment in 2016.
- > Currently \$2,682,361 in CWIP at year-end related to the Coley Rd and Wisconsin Ave reconstruction projects.
- > The City added over \$1 million of various improvements to its water and sewer utility funds including replacements and expansions to the water distribution system and the sewer collection system as well as customary infrastructure improvements to the water pollution control facility.

**Capital Assets
Net of Accumulated Depreciation
as of December 31
(\$ in millions)**

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Land	\$ 5.0	\$ 5.0	\$ 3.7	\$ 3.7	\$ 8.7	\$ 8.7
Construction in progress	-	2.7	-	-	-	2.7
Buildings	14.6	14.2	7.5	7.2	22.1	21.4
Machinery & equipment	11.6	12.8	3.5	3.2	15.1	16.0
Other improvements	3.5	3.1	-	-	3.5	3.1
Streets	54.5	53.4	-	-	54.5	53.4
Street lights	5.3	5.2	-	-	5.3	5.2
Traffic signals	0.7	0.6	-	-	0.7	0.6
Bridges	10.5	10.3	-	-	10.5	10.3
Storm sewer infrastructure	-	-	9.4	9.3	9.4	9.3
Water plant & equipment	-	-	27.4	26.9	27.4	26.9
Sewer plant & equipment	-	-	33.3	31.1	33.3	31.1
Totals	\$ 105.7	\$ 107.5	\$ 84.8	\$ 81.4	\$ 190.5	\$ 188.9

Columns may not total due to rounding.

Additional information on the City's capital assets can be found in note IV.D on pages 39-41 of this CAFR.

CITY OF BELOIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

(UNAUDITED)

For Year Ended December 31, 2016

LONG-TERM OBLIGATIONS

In 2016, the City issued \$17,515,000 in general obligation and revenue debt and retired \$20,401,105 resulting in \$75,525,850 in outstanding general obligation and revenue bonds at the end of 2016. Of the total bonded debt outstanding, \$50,514,403 is backed by the full faith and credit of the government. Under Wisconsin State Statutes, the City's aggregate general obligation indebtedness may not exceed 5% of the equalized assessed value of taxable property located within the City. The total debt applicable to the statutory limit is 63% of the maximum allowed of \$79,677,965. The City's Stormwater utility revenue bonds and general obligation notes and bonds are rated "A-" and the Water utility revenue bonds are rated "A-" by Standard and Poor's. The general obligation debt rating was affirmed in 2016.

**Outstanding Long-Term Debt
as of December 31
(\$ in millions)**

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
General obligation bonds	\$ 46.8	\$ 46.8	\$ 4.2	\$ 3.7	\$ 51.0	\$ 50.5
Revenue bonds	-	-	27.4	25.0	27.4	25.0
Debt Outstanding	\$ 46.8	\$ 46.8	\$ 31.6	\$ 28.7	\$ 78.4	\$ 75.5

Columns may not total due to rounding.

Additional information on the City of Beloit's long-term debt and capital leases can be found in footnote IV.F and IV.G on pages 44-52 of this CAFR.

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

The City's economy historically and currently remains largely reliant on manufacturing and industry which are sectors of the economy that were most negatively impacted by the recent recession. As of late there have been improvements to the local economy and the City remains on a path to full recovery. In April 2009, the City's unemployment rate was 18.3%, which was the highest in the State. As of April 2017, the rate was 4.8%, which was second highest in the State. This trend is positive and has continued to improve, yet still lags behind both State and National averages which are 3.2% and 4.4% respectively.

Due to the City's proximity to metropolitan Chicago to the southeast and Madison to the north via Interstates 39/90, and Milwaukee to the east via Interstate 43, there is reason to be optimistic that the City's economy stands to continue to improve. Beloit has a unique opportunity to serve the Midwestern United States as a center for industry and manufacturing.

CITY OF БЕЛОIT, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
(UNAUDITED)

For Year Ended December 31, 2016

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS (cont.)

This fact has become obvious from the economic development activity and growth being realized in the City's Tax Increment District No. 10 which is located at the intersection of these highways. Since its inception in 2000, TID No. 10 has realized an additional tax base value in excess of \$171 million with over 1,000 new jobs. We are optimistic that this linkage will further enhance the development potential of TID #10 and provide additional economic development opportunities for the City.

Another project that will have a profound impact on the City's economy is the potential for an Indian gaming casino in the City. Five years ago, the Ho Chunk Nation entered into an Inter-governmental Agreement with the City and Rock County to construct and operate a gaming casino in the City. They have submitted an application to the United States Department of the Interior Bureau of Indian Affairs seeking approval to operate a full class III gaming casino in Beloit. If approved, the tribe plans to construct a 700,000 sq. ft. facility for the casino and a 300 room hotel, conference and convention facility. The projected total investment is expected to be close to \$200 million. Once operational the facility is expected to provide approximately 2,000 new jobs in the City. The City will receive impact fee payments amounting to several million dollars to cover the costs of new infrastructure improvements to serve the facility as well as a share of net gaming proceeds. It is estimated the net gaming proceeds could possibly total \$5 to \$7 million per year. Four years ago the City entered into a contract with the Ho Chunk Nation for the purchase of 41.6 acres of City owned land which is contiguous to the casino site which the tribe expects to develop as part of the casino project. These additional development opportunities will further add to the impact of the casino on the City's economy by creating more jobs and adding to the tax base.

In 2016, the City's tax base increased \$35,621,400 or 2.3% to \$1,593,559,300. Most of this increase occurred in commercial property values and was attributable to new economic development projects and increased economic conditions. Property values continued to stabilize in 2016 and have shown positive growth in net new construction for the City. Several commercial and manufacturing construction projects were completed in 2016.

REQUESTS FOR INFORMATION

This CAFR is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions concerning any of the information provided in this CAFR or need additional information, please contact the City of Beloit, Attn: Finance Director, 100 State Street, Beloit, Wisconsin, 53511.

General information relating to the City of Beloit, Wisconsin, is available on the City's website, <http://www.ci.beloit.wi.us>.

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CITY OF БЕЛОIT

STATEMENT OF NET POSITION
As of December 31, 2016

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Totals	
ASSETS				
Cash and investments	\$ 26,705,457	\$ 9,230,502	\$ 35,935,959	\$ 1,949,649
Receivables (net of allowance for uncollectibles)				
Taxes	22,553,619	662,833	23,216,452	-
Delinquent personal property taxes	38,394	-	38,394	-
Accounts	1,040,857	3,443,511	4,484,368	71,555
Pledges	-	-	-	7,433
Special assessments	1,335,777	-	1,335,777	-
Loans	3,103,911	-	3,103,911	-
Accrued interest	83,819	-	83,819	540
Land contract	1,545,961	-	1,545,961	-
Other	65,264	549,030	614,294	-
Due from other governmental units	1,147,652	151,356	1,299,008	21,930
Internal balances - interfunds	61,858	(61,858)	-	-
Internal balances - advances	1,481,862	(1,481,862)	-	-
Due from component unit	94,048	-	94,048	-
Inventories	507,427	228,917	736,344	-
Tax credit fees	-	-	-	153,929
Prepaid items	56,466	-	56,466	1,726
Lease receivable from primary government	-	-	-	11,473,188
Restricted Assets				
Temporarily Restricted				
Cash and investments	-	4,379,763	4,379,763	2,919,498
Deposit with risk pool	1,575,475	-	1,575,475	-
Other assets	-	175,074	175,074	-
Land held for resale	6,522,175	-	6,522,175	-
Capital Assets				
Land	4,971,936	3,707,005	8,678,941	601,285
Construction in progress	2,682,361	-	2,682,361	-
Capital assets net of depreciation	99,844,744	77,714,894	177,559,638	16,794,102
Total Assets	<u>175,419,063</u>	<u>98,699,165</u>	<u>274,118,228</u>	<u>33,994,835</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on advanced refunding	1,127,937	62,688	1,190,625	-
Pension related amounts	16,130,521	2,808,066	18,938,587	337,330
Total Deferred Outflows of Resources	<u>17,258,458</u>	<u>2,870,754</u>	<u>20,129,212</u>	<u>337,330</u>
LIABILITIES				
Accounts payable	1,575,628	304,799	1,880,427	43,398
Accrued liabilities	352,902	158,479	511,381	1,162,037
Claims payable	2,278,750	-	2,278,750	-
Due to primary government	-	-	-	94,045
Due to other governmental units	-	-	-	-
Other liabilities	-	149,741	149,741	-
Deposits	-	26,000	26,000	160,981
Noncurrent liabilities				
Due within one year	9,744,728	2,300,635	12,045,363	2,625,000
Due in more than one year	94,844,969	28,707,875	123,552,844	11,889,894
Total Liabilities	<u>108,796,977</u>	<u>31,647,529</u>	<u>140,444,506</u>	<u>15,975,355</u>
DEFERRED INFLOWS OF RESOURCES				
Property tax levied for next period	22,536,819	659,475	23,196,294	1,406,851
Pension related amounts	6,169,414	1,070,276	7,239,690	131,403
Total Deferred Inflows of Resources	<u>28,706,233</u>	<u>1,729,751</u>	<u>30,435,984</u>	<u>1,538,254</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	65,844,049	53,967,808	115,643,805	17,395,387
Restricted for debt service	1,745,892	514,032	2,259,924	-
Restricted for library operations	569,923	-	569,923	-
Restricted for replacement	-	1,595,400	1,595,400	-
Restricted for economic development	4,501,197	-	4,501,197	-
Restricted for grant programs	3,864,390	-	3,864,390	5,447,903
Restricted for solid waste	318,565	-	318,565	-
Restricted for cemetery perpetual care	2,241,002	-	2,241,002	-
Unrestricted (deficit)	(23,910,707)	12,115,399	(7,627,256)	(6,024,734)
TOTAL NET POSITION	<u>\$ 55,174,311</u>	<u>\$ 68,192,639</u>	<u>\$ 123,366,950</u>	<u>\$ 16,818,556</u>

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government				
City Council, Manager, Attorney	\$ 782,031	\$ 43,065	\$ -	\$ -
Finance and Administrative Services	6,391,553	3,433,164	171,591	-
Community Development	6,574,221	147,455	3,004,777	-
Economic Development	368,492	-	-	-
Public Safety				
Police Services	15,906,565	970,757	860	-
Fire Services	9,395,681	11,972	67,277	-
Public works	16,224,141	2,780,201	624,057	626,960
Parks, recreation, and education	2,571,609	279,608	278,679	-
Interest and fiscal charges	2,011,442	-	-	-
Total Governmental Activities	60,225,735	7,666,222	4,147,241	626,960
Business-type Activities				
Water	4,761,331	5,507,429	-	6,490
Sewer	8,873,499	7,167,202	-	-
Golf course	424,392	360,638	-	-
Cemeteries	307,592	144,906	-	-
Ambulance	1,233,792	1,110,999	-	-
Storm sewer	998,387	1,124,771	-	-
Transit	2,320,457	189,917	1,234,089	-
Total Business-type Activities	18,919,450	15,605,862	1,234,089	6,490
Total Primary Government	\$ 79,145,185	\$ 23,272,084	\$ 5,381,330	\$ 633,450
Component Units - Business-type Activities				
Community Development Authority	\$ 5,742,639	\$ 324,320	\$ 3,951,853	\$ 15,143
Beloit Public Library Foundation, Inc.	160,562	-	259,667	-
Total Component Units	\$ 5,903,201	\$ 324,320	\$ 4,211,520	\$ 15,143

General Revenues

- Taxes
 - Property taxes, levied for general purposes
 - Property taxes, levied for debt service
 - Property taxes, tax increment
 - Property taxes, levied for other
 - Other taxes
- Intergovernmental revenues not restricted to specific programs
- Investment income
- Gain on sale of property
- Miscellaneous
- Transfers
 - Total General Revenues and Transfers

Change in net position

NET POSITION - Beginning

NET POSITION - ENDING

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Units
\$ (738,966)	\$ -	\$ (738,966)	\$ -
(2,786,798)	-	(2,786,798)	-
(3,421,989)	-	(3,421,989)	-
(368,492)	-	(368,492)	-
(14,934,948)	-	(14,934,948)	-
(9,316,432)	-	(9,316,432)	-
(12,192,923)	-	(12,192,923)	-
(2,013,322)	-	(2,013,322)	-
(2,011,442)	-	(2,011,442)	-
<u>(47,785,312)</u>	<u>-</u>	<u>(47,785,312)</u>	<u>-</u>
-	752,588	752,588	-
-	(1,706,297)	(1,706,297)	-
-	(63,754)	(63,754)	-
-	(162,686)	(162,686)	-
-	(122,793)	(122,793)	-
-	126,384	126,384	-
-	(896,451)	(896,451)	-
-	<u>(2,073,009)</u>	<u>(2,073,009)</u>	<u>-</u>
<u>(47,785,312)</u>	<u>(2,073,009)</u>	<u>(49,858,321)</u>	<u>-</u>
-	-	-	(1,451,323)
-	-	-	99,105
-	-	-	<u>(1,352,218)</u>
7,080,809	662,833	7,743,642	-
4,769,154	-	4,769,154	-
7,688,407	-	7,688,407	-
1,936,877	-	1,936,877	-
724,441	-	724,441	-
21,936,614	-	21,936,614	-
292,699	265,580	558,279	679,591
961,838	-	961,838	-
974,468	43,811	1,018,279	106,777
388,040	(388,040)	-	-
<u>46,753,347</u>	<u>584,184</u>	<u>47,337,531</u>	<u>786,368</u>
(1,031,965)	(1,488,825)	(2,520,790)	(565,850)
<u>56,206,276</u>	<u>69,681,464</u>	<u>125,887,740</u>	<u>17,384,406</u>
<u>\$ 55,174,311</u>	<u>\$ 68,192,639</u>	<u>\$ 123,366,950</u>	<u>\$ 16,818,556</u>

See accompanying notes to financial statements.

CITY OF BELOIT

BALANCE SHEET - GOVERNMENTAL FUNDS
As of December 31, 2016

	General	TIF District No. 10	General Debt Service	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 8,062,493	\$ -	\$ 724,389	\$ 3,107,993	\$ 13,563,739	\$ 25,458,614
Receivables						
Taxes	7,350,019	5,147,563	4,850,000	197,845	5,008,192	22,553,619
Delinquent personal property taxes	38,394	-	-	-	-	38,394
Accounts (net)	265,310	-	-	-	615,439	880,749
Special assessments	-	-	-	1,335,777	-	1,335,777
Loans	-	-	-	-	3,103,911	3,103,911
Accrued interest	69,334	-	-	-	14,485	83,819
Land contract	-	-	-	-	1,545,961	1,545,961
Other	65,264	-	-	-	-	65,264
Due from other governmental units	-	719,435	-	133,759	294,458	1,147,652
Due from other funds	837,230	-	-	-	-	837,230
Due from component units	-	-	-	-	94,048	94,048
Inventories	507,427	-	-	-	-	507,427
Prepaid items	56,466	-	-	-	-	56,466
Advances to other funds	976,643	-	1,375,403	2,253,875	1,042,787	5,648,708
TOTAL ASSETS	\$ 18,228,580	\$ 5,866,998	\$ 6,949,792	\$ 7,029,249	\$ 25,283,020	\$ 63,357,639
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 814,265	\$ 137,642	\$ 1,000	\$ 232,492	\$ 332,013	\$ 1,517,412
Due to other funds	-	98,510	-	-	568,458	666,968
Advances from other funds	-	-	-	-	3,629,278	3,629,278
Total Liabilities	814,265	236,152	1,000	232,492	4,529,749	5,813,658
Deferred Inflows of Resources						
Property tax levied for next period	7,350,019	5,147,563	4,850,000	197,845	4,991,392	22,536,819
Unavailable revenue	182,034	-	-	1,335,777	4,737,900	6,255,711
Total Deferred Inflows of Resources	7,532,053	5,147,563	4,850,000	1,533,622	9,729,292	28,792,530
Fund Balances (Deficit)						
Nonspendable	1,578,930	-	-	-	-	1,578,930
Restricted	-	483,283	2,098,792	2,190,884	7,924,367	12,697,326
Assigned	-	-	-	3,072,251	6,772,290	9,844,541
Unassigned (deficit)	8,303,332	-	-	-	(3,672,678)	4,630,654
Total Fund Balances	9,882,262	483,283	2,098,792	5,263,135	11,023,979	28,751,451
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 18,228,580	\$ 5,866,998	\$ 6,949,792	\$ 7,029,249	\$ 25,283,020	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note II.A.	107,495,216
Land held for resale is not reported in the funds	6,522,175
Some receivables that are not currently available 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.	6,255,711
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	15,895,494
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(6,079,887)
Internal service funds are reported in the statement of net position as governmental funds	106,523
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.	(104,900,309)
A deferred charge on refunding represents a consumption of net position that applies to a future period and, therefore, is not reported in the funds.	1,127,937
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 55,174,311

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended December 31, 2016

	General	TIF District No. 10
REVENUES		
Taxes	\$ 7,202,750	\$ 4,482,569
Intergovernmental	19,406,099	847,145
Licenses and permits	840,394	-
Fines, forfeitures and penalties	743,548	-
Fees and service charges	779,191	-
Rent	57,804	-
Special assessments	-	-
Investment income	235,156	18,141
Unrealized gain (loss) on investments	(154,714)	-
Public charges for services	-	-
Other	41,776	51,392
Total Revenues	29,152,004	5,399,247
EXPENDITURES		
Current		
General government	3,594,944	-
Community development	1,342,378	-
Public safety	19,218,338	-
Public works	5,705,137	-
Parks, recreation, and education	-	-
Capital Outlay	-	3,090,916
Debt Service		
Principal retirement	-	1,625,440
Interest and fiscal charges	-	512,318
Total Expenditures	29,860,797	5,228,674
Excess (deficiency) of revenues over (under) expenditures	(708,793)	170,573
OTHER FINANCING SOURCES (USES)		
Debt issued	-	-
Debt premium	-	-
Sale of city property	1,608	19,435
Transfers in	790,273	-
Transfers out	-	(291,528)
Total Other Financing Sources (Uses)	791,881	(272,093)
Net Change in Fund Balances	83,088	(101,520)
FUND BALANCES - Beginning	9,799,174	584,803
FUND BALANCES - ENDING	\$ 9,882,262	\$ 483,283

General Debt Service	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,769,154	\$ -	\$ 5,163,379	\$ 21,617,852
-	133,759	2,577,290	22,964,293
-	-	68,343	908,737
-	52,450	-	795,998
-	-	39,297	818,488
-	-	-	57,804
-	280,934	-	280,934
351	17,958	241,772	513,378
-	-	(71,490)	(226,204)
-	-	2,512,226	2,512,226
155	657,816	1,423,858	2,174,997
<u>4,769,660</u>	<u>1,142,917</u>	<u>11,954,675</u>	<u>52,418,503</u>
-	-	-	3,594,944
-	-	1,616,718	2,959,096
-	-	919,256	20,137,594
-	-	2,640,913	8,346,050
-	-	2,236,552	2,236,552
-	6,700,437	1,757,757	11,549,110
5,032,721	-	902,862	7,561,023
<u>1,255,837</u>	<u>124,055</u>	<u>119,657</u>	<u>2,011,867</u>
<u>6,288,558</u>	<u>6,824,492</u>	<u>10,193,715</u>	<u>58,396,236</u>
<u>(1,518,898)</u>	<u>(5,681,575)</u>	<u>1,760,960</u>	<u>(5,977,733)</u>
-	4,960,000	-	4,960,000
-	130,133	-	130,133
-	11,303	308,413	340,759
1,277,735	647,250	37,584	2,752,842
-	-	(1,671,040)	(1,962,568)
<u>1,277,735</u>	<u>5,748,686</u>	<u>(1,325,043)</u>	<u>6,221,166</u>
(241,163)	67,111	435,917	243,433
<u>2,339,955</u>	<u>5,196,024</u>	<u>10,588,062</u>	<u>28,508,018</u>
<u>\$ 2,098,792</u>	<u>\$ 5,263,135</u>	<u>\$ 11,023,979</u>	<u>\$ 28,751,451</u>

See accompanying notes to financial statements.

CITY OF BELOIT

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, 2016

Net change in fund balances - total governmental funds	\$	243,433
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 with depreciation expense reported in the statement of activities.</p>		
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		11,549,110
Less: Some items are reported as capital outlay but not capitalized		(4,796,497)
Depreciation is reported in the government-wide statements		(3,754,988)
Change in land held for resale		(481,162)
Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins to decrease net position.		(1,210,461)
Receivables not currently available are reported as unearned revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.		857,718
Debt and lease issues provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt issues (\$4,960,000 G.O. debt) were less than payments (\$4,989,116 G.O. debt, \$10,000 other debt, and \$2,561,907 capital leases).		2,601,023
Other post-employment benefit liability		(3,440,412)
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.		(104,392)
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		(122,337)
Accrued interest on debt		(25,318)
Net pension liability		(7,189,192)
Deferred outflows of resources related to pensions		11,519,245
Deferred inflows of resources related to pensions		(6,063,314)
Internal service funds are used by management to charge the costs of insurance, printing services, engineering and equipment maintenance to other funds. The decrease in net position of the internal service funds is reported in the governmental activities.		(614,421)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(1,031,965)</u>

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
As of December 31, 2016

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Storm Utility	Nonmajor Enterprise Funds		
ASSETS						
Current Assets						
Cash and investments	\$ 998,551	\$ 7,609,255	\$ 621,536	\$ 1,160	\$ 9,230,502	\$ 1,246,843
Receivables						
Taxes	-	-	-	662,833	662,833	-
Accounts	840,886	1,886,450	189,659	526,516	3,443,511	160,108
Other	74,941	474,089	-	-	549,030	-
Due from other governmental units	-	-	55,205	96,151	151,356	-
Inventories	67,337	38,040	-	123,540	228,917	-
Restricted Assets						
Bond redemption account	383,039	112,563	49,250	-	544,852	-
Total Current Assets	<u>2,364,754</u>	<u>10,120,397</u>	<u>915,650</u>	<u>1,410,200</u>	<u>14,811,001</u>	<u>1,406,951</u>
Noncurrent Assets						
Restricted Assets						
Bond reserve account	2,129,011	-	110,500	-	2,239,511	-
Replacement account	-	1,595,400	-	-	1,595,400	-
Deposit with risk pool	-	-	-	-	-	1,575,475
Total Restricted Assets	<u>2,129,011</u>	<u>1,595,400</u>	<u>110,500</u>	<u>-</u>	<u>3,834,911</u>	<u>1,575,475</u>
Capital Assets						
Land	1,050,724	1,386,281	-	1,270,000	3,707,005	-
Land improvements	-	-	-	702,418	702,418	-
Buildings	5,449,135	71,479,781	-	4,870,297	81,799,213	-
Machinery, equipment, and vehicles	2,791,952	1,640,972	-	4,450,075	8,882,999	67,165
Infrastructure	42,326,358	18,081,795	12,409,705	-	72,817,858	-
Less: Accumulated depreciation	(18,658,092)	(59,735,075)	(3,095,000)	(4,999,427)	(86,487,594)	(63,340)
Total Capital Assets, Net	<u>32,960,077</u>	<u>32,853,754</u>	<u>9,314,705</u>	<u>6,293,363</u>	<u>81,421,899</u>	<u>3,825</u>
Other Assets						
Preliminary survey and engineering	-	175,074	-	-	175,074	-
Total Other Assets	<u>-</u>	<u>175,074</u>	<u>-</u>	<u>-</u>	<u>175,074</u>	<u>-</u>
Total Noncurrent Assets	<u>35,089,088</u>	<u>34,624,228</u>	<u>9,425,205</u>	<u>6,293,363</u>	<u>85,431,884</u>	<u>1,579,300</u>
Total Assets	<u>37,453,842</u>	<u>44,744,625</u>	<u>10,340,855</u>	<u>7,703,563</u>	<u>100,242,885</u>	<u>2,986,251</u>
DEFERRED OUTFLOWS OF RESOURCES						
Unamortized loss on advance refunding	58,435	2,691	-	1,562	62,688	-
Pension related amounts	<u>211,355</u>	<u>1,032,852</u>	<u>49,485</u>	<u>1,514,374</u>	<u>2,808,066</u>	<u>235,027</u>
Total Deferred Outflows of Resources	<u>269,790</u>	<u>1,035,543</u>	<u>49,485</u>	<u>1,515,936</u>	<u>2,870,754</u>	<u>235,027</u>

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Storm Utility	Nonmajor Enterprise Funds		
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 101,500	\$ 113,227	\$ 27,424	\$ 62,648	\$ 304,799	\$ 58,216
Accrued liabilities	8,408	3,883	3,547	1,321	17,159	-
Claims payable	-	-	-	-	-	2,278,750
Due to other funds	-	-	-	170,262	170,262	-
Compensated absences	34,756	164,138	5,877	142,137	346,908	-
Current maturities of general obligation debt	176,576	104,908	77,806	77,968	437,258	-
Customer deposits	26,000	-	-	-	26,000	-
Other current liabilities	-	-	-	5,145	5,145	-
Current Liabilities Payable From Restricted Assets						
Current maturities of revenue debt	1,300,000	151,469	65,000	-	1,516,469	-
Accrued interest	124,834	10,786	5,700	-	141,320	-
Total Current Liabilities	1,772,074	548,411	185,354	459,481	2,965,320	2,336,966
Noncurrent Liabilities						
General obligation debt, less current maturities (including unamortized premium)	2,466,720	678,372	817,028	318,457	4,280,577	-
Compensated absences	32,210	176,593	-	40,318	249,121	-
Other post-employment benefits	19,050	84,142	15,876	59,965	179,033	-
Revenue debt, less current maturities	19,855,000	2,544,978	1,095,000	-	23,494,978	-
Deferred credits	144,596	-	-	-	144,596	-
Advances from other funds	-	-	-	1,481,862	1,481,862	537,568
Net pension liability	37,647	183,547	8,970	274,002	504,166	42,290
Total Noncurrent Liabilities	22,555,223	3,667,632	1,936,874	2,174,604	30,334,333	579,858
Total Liabilities	24,327,297	4,216,043	2,122,228	2,634,085	33,299,653	2,916,824
DEFERRED INFLOWS OF RESOURCES						
Property tax levied for next period	-	-	-	659,475	659,475	-
Pension related amounts	79,914	389,715	19,041	581,606	1,070,276	89,527
Total Deferred Inflows of Resources	79,914	389,715	19,041	1,241,081	1,729,751	89,527
NET POSITION (DEFICIT)						
Net investment in capital assets	11,349,227	29,376,718	7,259,871	5,981,992	53,967,808	3,825
Restricted for debt service	258,205	101,777	154,050	-	514,032	-
Restricted for replacement	-	1,595,400	-	-	1,595,400	-
Unrestricted (deficit)	1,708,989	10,100,515	835,150	(637,659)	12,006,995	211,102
TOTAL NET POSITION	\$ 13,316,421	\$ 41,174,410	\$ 8,249,071	\$ 5,344,333	68,084,235	\$ 214,927
Amounts reported for business-type activities in the statement of net position are different because:						
Portion of internal service fund net position reported in the business-type activities as an interfund					108,404	
NET POSITION OF BUSINESS-TYPE ACTIVITIES					\$ 68,192,639	

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Storm Utility	Nonmajor Enterprise Funds		
OPERATING REVENUES						
Charges for services	\$ 4,920,703	\$ 6,982,311	\$ 1,124,771	\$ 1,770,403	\$ 14,798,188	\$ 12,363,306
Other	586,726	184,891	-	36,057	807,674	955
Total Operating Revenues	5,507,429	7,167,202	1,124,771	1,806,460	15,605,862	12,364,261
OPERATING EXPENSES						
Operation and maintenance	1,602,916	4,746,569	585,459	3,728,949	10,663,893	12,562,796
Contractual services	703,438	1,355,658	193,382	170,851	2,423,329	512,939
Depreciation	1,227,645	2,640,722	146,468	336,713	4,351,548	2,295
Total Operating Expenses	3,533,999	8,742,949	925,309	4,236,513	17,438,770	13,078,030
Operating Income (Loss)	1,973,430	(1,575,747)	199,462	(2,430,053)	(1,832,908)	(713,769)
NONOPERATING REVENUES (EXPENSES)						
Intergovernmental revenues	-	-	-	1,234,089	1,234,089	-
Investment income	42,584	130,664	7,082	85,250	265,580	-
Interest expense	(912,485)	(90,518)	(66,501)	(10,786)	(1,080,290)	-
Amortization of loss on refunding	(32,497)	(584)	-	-	(33,081)	-
General property taxes	-	-	-	662,833	662,833	-
Debt issuance expense	(267,961)	-	-	-	(267,961)	-
Miscellaneous	-	9,516	34,295	-	43,811	-
Total Nonoperating Revenues (Expenses)	(1,170,359)	49,078	(25,124)	1,971,386	824,981	-
Income (loss) before contributions and transfers	803,071	(1,526,669)	174,338	(458,667)	(1,007,927)	(713,769)
Capital contributions - municipal	106,293	235,830	-	-	342,123	-
Capital contributions - TIF	-	60,110	-	-	60,110	-
Capital contributions	6,490	-	-	-	6,490	-
Transfers out	(790,273)	-	-	-	(790,273)	-
Change in Net Position	125,581	(1,230,729)	174,338	(458,667)	(1,389,477)	(713,769)
TOTAL NET POSITION - Beginning	13,190,840	42,405,139	8,074,733	5,803,000		928,696
TOTAL NET POSITION - ENDING	\$ 13,316,421	\$ 41,174,410	\$ 8,249,071	\$ 5,344,333		\$ 214,927

Amounts reported for business-type activities in the Statement of Activities are different because:

Portion of internal service funds change in net position reported in business-type activities (99,348)

CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES \$ (1,488,825)

CITY OF BELOIT

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Storm Sewer	Nonmajor Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES						
Received from customers	\$ 5,669,630	\$ 7,266,501	\$ 1,135,697	\$ 1,877,713	\$ 15,949,541	\$ 12,372,697
Customer deposits received	26,000	-	-	-	26,000	-
Paid to suppliers for goods and services	(1,611,666)	(4,205,034)	(488,190)	(1,544,336)	(7,849,226)	(12,179,599)
Payments to employees for services	(722,784)	(1,896,968)	(287,074)	(2,176,219)	(5,083,045)	(590,346)
Net Cash Flows from Operating Activities	<u>3,361,180</u>	<u>1,164,499</u>	<u>360,433</u>	<u>(1,842,842)</u>	<u>3,043,270</u>	<u>(397,248)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating grants received	-	-	-	1,355,493	1,355,493	-
Transfers in (out)	(790,273)	-	-	-	(790,273)	-
Property taxes received	-	-	-	662,833	662,833	-
Noncapital advance (and repayment)	-	-	-	(145,617)	(145,617)	309,618
Net Cash Flows from Noncapital Financing Activities	<u>(790,273)</u>	<u>-</u>	<u>-</u>	<u>1,872,709</u>	<u>1,082,436</u>	<u>309,618</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Debt retired	(14,866,617)	(252,971)	(142,135)	(150,265)	(15,411,988)	-
Interest paid	(1,017,985)	(91,616)	(66,969)	(11,143)	(1,187,713)	-
Proceeds from issuance of new debt	13,507,049	-	-	-	13,507,049	-
Debt issuance costs	(267,961)	-	-	-	(267,961)	-
Acquisition and construction of capital assets	(418,458)	(298,341)	(8,560)	-	(725,359)	-
Construction grants received	-	-	-	46,291	46,291	-
Contributions received for construction	6,490	60,110	-	-	66,600	-
Net Cash Flows from Capital and Related Financing Activities	<u>(3,057,482)</u>	<u>(582,818)</u>	<u>(217,664)</u>	<u>(115,117)</u>	<u>(3,973,081)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	42,584	130,664	7,082	85,250	265,580	-
Net Cash Flows from Investing Activities	<u>42,584</u>	<u>130,664</u>	<u>7,082</u>	<u>85,250</u>	<u>265,580</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(443,991)	712,345	149,851	-	418,205	(87,630)
CASH AND CASH EQUIVALENTS - Beginning	<u>3,954,592</u>	<u>8,604,873</u>	<u>631,435</u>	<u>1,160</u>	<u>13,192,060</u>	<u>1,334,473</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 3,510,601</u>	<u>\$ 9,317,218</u>	<u>\$ 781,286</u>	<u>\$ 1,160</u>	<u>\$ 13,610,265</u>	<u>\$ 1,246,843</u>

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Storm Sewer	Nonmajor Enterprise Funds		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (Loss)	\$ 1,973,430	\$ (1,575,747)	\$ 199,462	\$ (2,430,053)	\$ (1,832,908)	\$ (713,769)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities						
Nonoperating income	-	9,516	34,295	-	43,811	-
Depreciation charged to other funds	120,432	-	-	-	120,432	-
Depreciation expense	1,227,645	2,640,722	146,468	336,713	4,351,548	2,295
Changes in Assets and Liabilities						
Accounts receivable	16,769	89,783	(23,369)	72,321	155,504	(1,132)
Inventories	125	-	-	5,384	5,509	-
Accounts payable	(60,741)	(180,103)	(2,627)	23,462	(220,009)	18,470
Customer deposits	26,000	-	-	-	26,000	-
Deferred credits	24,700	-	-	-	24,700	-
Other current liabilities	11,670	47,675	534	(4,122)	55,757	-
Pension related deferrals and assets/liabilities	21,150	132,653	5,670	153,453	312,926	24,063
Claims payable	-	-	-	-	-	272,825
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 3,361,180	\$ 1,164,499	\$ 360,433	\$ (1,842,842)	\$ 3,043,270	\$ (397,248)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS						
Cash and investments - statement of net position	\$ 998,551	\$ 7,609,255	\$ 621,536	\$ 1,160	\$ 9,230,502	\$ 1,246,843
Restricted cash and investments - statement of net position						
Bond redemption account	383,039	112,563	49,250	-	544,852	-
Replacement account	-	1,595,400	-	-	1,595,400	-
Bond reserve account	2,129,011	-	110,500	-	2,239,511	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,510,601	\$ 9,317,218	\$ 781,286	\$ 1,160	\$ 13,610,265	\$ 1,246,843

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During 2016, \$106,293 of water capital assets were contributed by the municipality.
During 2016, \$12,555,000 of water revenue bonds were issued to refund \$13,445,000 of debt.
During 2016, \$235,830 of sewer capital assets were contributed by the municipality.

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
As of December 31, 2016

	<u>Agency Fund</u> <u>Tax Collection Fund</u>
ASSETS	
Cash and investments	\$ 6,000,392
Property taxes receivable	<u>17,463,521</u>
TOTAL ASSETS	<u>\$ 23,463,913</u>
LIABILITIES	
Due to other taxing units	<u>\$ 23,463,913</u>
TOTAL LIABILITIES	<u>\$ 23,463,913</u>

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF NET POSITION - COMPONENT UNITS
As of December 31, 2016

	<u>Major</u>	<u>Nonmajor</u>	
	Community	Beloit Public	
	Development	Library	
	Authority	Foundation, Inc.	Totals
ASSETS			
Current Assets			
Cash and investments	\$ 1,230,480	\$ 719,169	\$ 1,949,649
Receivables			
Accounts	71,209	346	71,555
Pledges	-	3,750	3,750
Accrued interest	-	540	540
Lease receivable from primary government	2,625,000	-	2,625,000
Due from other governmental units	21,930	-	21,930
Prepaid items	1,726	-	1,726
Tax credit fees	153,929	-	153,929
Total Current Assets	<u>4,104,274</u>	<u>723,805</u>	<u>4,828,079</u>
Noncurrent Assets			
Restricted Assets			
Cash and investments	2,919,498	-	2,919,498
Capital Assets			
Land	601,285	-	601,285
Land improvements	561,467	-	561,467
Buildings	2,046,944	-	2,046,944
Building improvements	17,613,559	-	17,613,559
Machinery, equipment, furnishings and vehicles	796,711	-	796,711
Less: Accumulated depreciation	<u>(4,224,579)</u>	<u>-</u>	<u>(4,224,579)</u>
Total Capital Assets, Net	<u>17,395,387</u>	<u>-</u>	<u>17,395,387</u>
Other Assets			
Pledges	-	3,683	3,683
Lease receivable from primary government	8,848,188	-	8,848,188
Total Other Assets	<u>8,848,188</u>	<u>3,683</u>	<u>8,851,871</u>
Total Noncurrent Assets	<u>29,163,073</u>	<u>3,683</u>	<u>29,166,756</u>
Total Assets	<u>33,267,347</u>	<u>727,488</u>	<u>33,994,835</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	337,330	-	337,330
LIABILITIES			
Current Liabilities			
Accounts payable	43,398	-	43,398
Accrued liabilities	1,162,037	-	1,162,037
Due to primary government	94,045	-	94,045
Deposits	160,981	-	160,981
Lease revenue bonds payable	2,625,000	-	2,625,000
Total Current Liabilities	<u>4,085,461</u>	<u>-</u>	<u>4,085,461</u>
Noncurrent Liabilities			
Compensated absences	45,599	-	45,599
Loans payable	99,134	-	99,134
Other notes payable	738,091	-	738,091
Net pension liability	62,070	-	62,070
Lease revenue bonds payable	10,945,000	-	10,945,000
Total Noncurrent Liabilities	<u>11,889,894</u>	<u>-</u>	<u>11,889,894</u>
Total Liabilities	<u>15,975,355</u>	<u>-</u>	<u>15,975,355</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	1,406,851	-	1,406,851
Pension related amounts	131,403	-	131,403
Total Deferred Inflows of Resources	<u>1,538,254</u>	<u>-</u>	<u>1,538,254</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	17,395,387	-	17,395,387
Restricted for grant programs	5,323,103	124,800	5,447,903
Unrestricted (deficit)	<u>(6,627,422)</u>	<u>602,688</u>	<u>(6,024,734)</u>
TOTAL NET POSITION	<u>\$ 16,091,068</u>	<u>\$ 727,488</u>	<u>\$ 16,818,556</u>

See accompanying notes to financial statements.

CITY OF BELOIT

STATEMENT OF ACTIVITIES - COMPONENT UNITS For the Year Ended December 31, 2016

	<u>Major</u>	<u>Nonmajor</u>	
	Community Development Authority	Beloit Public Library Foundation, Inc.	<u>Totals</u>
EXPENSES			
Community development	\$ 4,886,889	\$ -	\$ 4,886,889
Library services	-	160,562	160,562
Total Expenses	<u>4,886,889</u>	<u>160,562</u>	<u>5,047,451</u>
PROGRAM REVENUES			
Charges for services	324,320	-	324,320
Operating grants and contributions	3,951,853	259,667	4,211,520
Other revenue	80,621	-	80,621
Total Program Revenues	<u>4,356,794</u>	<u>259,667</u>	<u>4,616,461</u>
Net Revenues (Expenses)	<u>(530,095)</u>	<u>99,105</u>	<u>(430,990)</u>
GENERAL REVENUES (EXPENSES)			
Investment income	634,348	45,243	679,591
Interest and amortization expense	(855,750)	-	(855,750)
Miscellaneous	26,156	-	26,156
Total General Revenues (Expenses)	<u>(195,246)</u>	<u>45,243</u>	<u>(150,003)</u>
Revenues (Expenses) Before Contributions	(725,341)	144,348	(580,993)
Capital contributions	15,143	-	15,143
Change in Net Position	(710,198)	144,348	(565,850)
TOTAL NET POSITION - Beginning	<u>16,801,266</u>	<u>583,140</u>	<u>17,384,406</u>
TOTAL NET POSITION - ENDING	<u>\$ 16,091,068</u>	<u>\$ 727,488</u>	<u>\$ 16,818,556</u>

See accompanying notes to financial statements

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

CITY OF BELOIT
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As of and for the Year Ended December 31, 2016

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NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Beloit, Wisconsin (the "City") conform to generally accepted accounting principles 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. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and is able to impose its will on that organization; (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government; (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit 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, or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or had the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and its component unit have substantially the same governing body and a financial benefit or burden relationship exists; (2) the primary government and the component unit have substantially the same governing body and management of the primary government has operational responsibility for the component unit; (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens; or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

Discretely Presented Component Units

City of Beloit Community Development Authority

The government-wide financial statements include the City of Beloit Community Development Authority ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the city council. Wisconsin Statutes provide for circumstances whereby the City can impose their will on the CDA, and also create a potential financial benefit to or burden on the City (see Note IV.). As a component unit, the CDA's financial statements are shown as a discrete column (proprietary) in the financial statements. The CDA's financial statements include transactions of two limited liability companies which are used to promote redevelopment of CDA properties. The information presented is for the fiscal year ended December 31, 2016. The CDA does not issue separate financial statements. Additional information may be obtained from the CDA's office.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

Discretely Presented Component Units (cont.)

City of Beloit Business Improvement District (the "district")

The district was created under the provisions of Wisconsin Statute Section 66.608. The district, created in 1989, is a legally separate entity with a separate thirteen member board appointed and approved by the city council. Wisconsin Statutes provide circumstances whereby the City can impose its will on the district, and also create a potential financial benefit to or burden on the City. The members serve staggered terms as designated by the city council. A majority of the members own or occupy real property in the district. The district has its own budgetary authority and assessment capabilities. The district's financial statements are not included in these financial statements as the activity of the district was deemed to be immaterial to the City. Separately issued financial statements of the district may be obtained from the City of Beloit Business Improvement District.

Beloit Public Library Foundation, Inc. (the "Foundation")

The government-wide financial statements include the Beloit Public Library Foundation, Inc. as a component unit. The Foundation is a legally separate organization. The economic resources of the Foundation are held for the direct benefit of the City of Beloit library and are significant to the City. As a component unit, the Foundation'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, 2016 (see Note IV.1). Separately issued financial statements of the Foundation may be obtained from the Foundation's office.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

In August 2015, the GASB issued statement No. 77 – *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. This standard was implemented January 1, 2016.

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.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

Government-Wide Financial Statements (cont.)

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

Fund Financial Statements

Financial statements of the City 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, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

Separate financial statements are provided for governmental funds, 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.

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 fund 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.

The City reports the following major governmental funds:

General Fund – accounts for the City's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.
TIF District No. 10 – Special Revenue Fund – accounts for receipts of district "incremental" property taxes and other revenues that are legally restricted or committed to supporting expenditures of the district.

General Debt Service – used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of principal and interest on long-term debt other than TIF or enterprise fund debt.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

Fund Financial Statements (cont.)

Capital Improvements – Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditure to be used capital improvement projects.

The City reports the following major enterprise funds:

- Water Utility – accounts for operations of the water system
- Sewer Utility – accounts for operations of the sewer system
- Storm Sewer – accounts for operations of the storm sewer system

The City reports the following nonmajor governmental and enterprise 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).

- | | |
|-----------------------------------|------------------------|
| Rental Rehab (WRRP/HOME) | TIF District No. 14 |
| Community Development Block Grant | Fire Multi-Year Grants |
| TIF District No. 5 | DPW Multi-Year Grants |
| TIF District No. 6 | Community Development |
| TIF District No. 8 | Library |
| TIF District No. 9 | Police |
| TIF District No. 11 | Solid Waste |
| TIF District No. 12 | Perpetual Care |
| TIF District No. 13 | |

Capital Projects Funds – used to account for financial resources that are restricted, committed, or assigned to be used for the acquisition or construction of equipment and/or major capital facilities.

- | | |
|----------------------|-----------------------|
| Computer Replacement | Equipment Replacement |
|----------------------|-----------------------|

Enterprise Funds – may be used to report any activity for which a fee is charged to external users for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

- Golf Course
- Cemeteries
- Ambulance
- Transit System

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

Fund Financial Statements (cont.)

In addition, the City reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

- Equipment Operations
- General Liability Insurance
- Health Insurance
- Retiree Health Insurance

Agency funds are used to account for assets held by the City in a trustee capacity for other governmental units for tax collections.

- Tax Collections

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 recorded as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. 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 water and sewer utility and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

Fund Financial Statements

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

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

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

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 unavailable revenues. At December 31, 2016, there were \$1,126,951 of unrecorded anticipated future assessments which are not recorded as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

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

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

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are water, sewer, and storm funds 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 BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 – 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, 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 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.

Additional restrictions may arise from local charters, ordinances, resolutions and grant resolutions.

Investment of most trust funds, including the cemetery perpetual care fund, is regulated by Chapter 881 of the Wisconsin Statutes. This section gives broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

The City has adopted an investment policy. That policy follows the state statute for allowable investments. The policy includes custodial credit risk, credit risk, and concentration of credit risk.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note IV.A. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as unrealized gain (loss) on investments. Investments in come on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank 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, 2016, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV.A. for further information.

2. Receivables

Property Taxes

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 statement of assets and liabilities – agency fund.

Property tax calendar – 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	March 31, 2017
Third installment due	May 31, 2017
Fourth installment due	July 31, 2017
Personal property taxes in full	January 31, 2017
Tax sale – 2016 delinquent real estate taxes	October 2018

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

Uncollectible Accounts

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 water, sewer or storm sewer utilities 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.

Interfund Loans

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 government-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.

Loans

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as economic development and housing rehabilitation loans receivable has been reduced by an allowance for uncollectible accounts of \$11,902. The loans receivable balance within the fund statements also includes conditional-type loans in the amount of \$878,697 which are not expected to be repaid unless conditional use or other provisions occur as part of the loan agreement. For these types of loans an allowance was established.

It is the City's policy to record unavailable revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. 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.

Land Contract

During 2016, the City entered into a land contract which shows up as a receivable and unavailable revenue in TIF No. 8 in the fund statements. A monthly payment schedule has been setup charging 4% interest over 20 years. The receivable balance related to this land contract is \$1,545,961 as of December 31, 2016.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

3. Inventories and Prepaid Items

Governmental fund inventory, if material, are recorded at cost based on an average cost method using the consumption method or accounting. Proprietary fund inventories are generally used for construction and 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 accordance with the consumption method in both government-wide and fund financial statements.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$10,000 for general capital assets and infrastructure, 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. There was no interest that 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 of depreciation. The range of estimated useful lives by type of asset is as follows:

Land Improvements	25 Years
Buildings	5-53 Years
Machinery, Equipment and Vehicles	4-45 Years
Sewer Mains	100 Years
Sewer Treatment Facility	30 Years
Water Mains	77 Years
Infrastructure	20-100 Years

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets (cont.)

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. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arises from advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of the debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

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, or are payable with expendable available resources.

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, 2016 are determined on the basis of current salary rates and include salary related payments.

8. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) is 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, significant bond premiums and discounts are amortized over the life of the issue using the effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

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

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 \$443,916 made up of one issue.

9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

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 position that does not meet the definition 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 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 of \$4,168,052.

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 balances are displayed as follows:

- a. Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted – Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements (cont.)

- c. Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (ordinance) 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 do not meet the criteria to be classified as restricted or committed. The council may take official action to assign amounts. Assignments may take place after the end of the reporting period.
- e. Unassigned – Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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

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

It is the desire of the City to maintain adequate General Fund fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. The City has adopted a financial standard to maintain a General Fund minimum unrestricted fund balance of 15% of operating revenue or three months of General Fund operating expenditures, whichever is greater.

See Note IV. H. for further information.

11. Basis for Existing Rates

Water Utility

The water utility was authorized current rates by the Public Service Commission (PSC) effective December 1, 2010 and is allowed to earn a 5.05% rate of return.

Sewer Utility

Current sewer rates were approved by the council and effective on November 1, 2003.

Storm Sewer Utility

Current storm sewer rates were approved by the council and effective on January 1, 2007.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

12. Pension

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

Land	\$ 4,971,936
Land improvements	67,864
Buildings and improvements	20,930,395
Machinery and equipment	25,830,223
Other improvements	6,168,407
Infrastructure	91,629,543
Construction in progress	2,682,361
Less: Accumulated depreciation	(44,781,878)
Less: Internal service fund capital assets, net of depreciation	<u>(3,825)</u>
Capital Assets	<u>\$ 107,495,216</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

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

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. One element of that reconciliation explains that some liabilities, including long-term debt, 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.* The details of this \$104,900,309 difference in liabilities are as follows:

Bonds and notes payable	\$ 46,798,538
Unamortized debt premium	530,646
Compensated absences	3,000,157
Other post-employment benefit liabilities	39,538,245
Other debt	40,000
Capital leases	11,776,009
Net pension liability	2,863,812
Accrued interest	<u>352,902*</u>
Net Adjustment to Reduce Fund Balance – Total Governmental Funds to Arrive at Net Position – Governmental Activities	<u>\$ 104,900,309</u>

* This amount is included in other accrued liabilities on the Statement of Net Position.

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for all funds with the exception of the Perpetual Care special revenue fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

C. DEFICIT BALANCES

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

As of December 31, 2016, the following individual funds held a deficit balance:

Fund	Amount	Reason
Special Revenue – Rental Rehab (WRRP/HOME)	\$ 20,336	Excess expenditures over revenues
Special Revenue – TIF District No. 5	171,447	Excess expenditures over revenues
Special Revenue – TIF District No. 8	1,156,340	Excess expenditures over revenues
Special Revenue – TIF District No. 9	2,249,047	Excess expenditures over revenues
Special Revenue – Community Development	43,021	Excess expenditures over revenues
Special Revenue – Police	32,487	Excess expenditures over revenues
Enterprise – Golf Course	141,988	Excess expenses over revenues
Internal Service – Retiree Health Insurance	508,191	Excess expenses over revenues
Internal Service – Health Insurance	1,343,877	Excess expenses over revenues

Tax incremental 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 through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27) 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

Wisconsin law 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. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The City's cash and investments at year end were comprised of the following:

	Carrying Value	Statement Balance	Associated Risks
Demand deposits	\$ 7,857,113	\$ 9,272,083	Custodial credit risk
U.S. agencies – implicitly guaranteed	996,190	996,190	Custodial credit risk, interest rate risk, credit risk, concentration of credit risk
U.S. agencies – explicitly guaranteed	1,237,813	1,237,813	Custodial credit risk, interest rate risk
Municipal bonds	6,406,534	6,406,534	Custodial credit risk, interest rate risk, credit risk, concentration of credit risk
Corporate bonds	6,198,650	6,198,650	Custodial credit risk, credit risk, concentration of credit risk, interest rate risk
LGIP	23,611,183	23,611,183	Credit risk
Petty cash	8,631	-	N/A
Total Cash and Investments	\$ 46,316,114	\$ 47,722,453	

Reconciliation to financial statements

Per statement of net position	\$ 35,935,959
Unrestricted cash and investments	4,379,763
Restricted cash and investments	
Per statement of assets and liabilities – agency fund	6,000,392
Cash and investments	
Total Cash and Investments	\$ 46,316,114

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) and \$250,000 for demand deposit amounts (interest-bearing and noninterest-bearing). 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 deposits.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing the amounts in Category 1 above.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

A. DEPOSITS AND INVESTMENTS (cont.)

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. Additionally, through Lloyds of London, City accounts have additional securities coverage of \$150 million per customer, subject to a \$600 million aggregate firm limit. \$500,000 of the City's investments are covered by SIPC.

The City maintains collateral agreements with its banks. At December 31, 2016, the banks had pledged various government securities in the amount of \$8,837,914 to secure the City's deposits.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- > Market approach – prices or other information from market transactions involving identical or similar assets

Investment Type	December 31, 2016			Total
	Level 1	Level 2	Level 3	
US agencies – implicitly guaranteed	\$ -	\$ 996,190	\$ -	\$ 996,190
US agencies – explicitly guaranteed	-	1,237,813	-	1,237,813
Corporate bonds	-	6,198,650	-	6,198,650
Municipal bonds	-	6,406,534	-	6,406,534
Totals	\$ -	\$ 14,839,187	\$ -	\$ 14,839,187

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk

For a deposit, 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.

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.

As of December 31, 2016, the City had no bank balances exposed to custodial credit risk.

As of the December 31, 2016, the City had no investments exposed to custodial credit risk.

The City's investment policy states that securities will be held by a custodian designated by the Director of Finance and evidenced by safekeeping receipts. The policy does not address the risk for deposits.

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, 2016, the City's investments were rated as follows:

Investment Type	Standard & Poor's	Fitch Ratings	Moody's Investor Service
U.S. agencies – implicitly guaranteed	AA+	N/A	AAA
Municipal bonds	AA	N/A	A3 to AA3
Corporate bonds	A- to AA-	N/A	A1 to AAA

The City also had investments in the following which are not rated:

LGP – external pool

The City's investment policy states the City shall invest in those securities having a rating which is the highest or second highest rating category assigned by S&P Corp, Moody's investors service or similar nationally recognized rating agency.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

A. DEPOSITS AND INVESTMENTS (cont.)

Concentration of Credit Risk

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

As of December 31, 2016, of the City's total portfolio, 6.9% was invested in FHLB investments and 5.6% was invested in Wisconsin State Municipal bonds.

Concentration of Credit Risk (by Dealer):

Dealer	Fair Value	Percentage of Portfolio
Multi-Bank Securities, Inc.	\$ 4,270,245	11%
Vining Sparks	6,654,945	17
Coastal Securities	2,264,680	6
BOSC, Inc.	1,649,316	4
Total Concentrated Investments	\$ 14,839,186	38%

According to the City's investment policy, the City will diversify its investments by security type and institution. No more than 40% of the City of Beloit's total investment portfolio will be invested in a single security type or with a single financial institution. The portfolio is currently in compliance with the City's investment policy.

Interest Rate Risk

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

As of December 31, 2016, the City's investments were as follows:

Investment Type	Fair Value	Percentage of Portfolio	Maturity		
			Less than 1 Yr.	1 to 5 Yrs.	6 to 10 Yrs. More Than 10
U.S. agencies – implicitly guaranteed	\$ 996,190	16%	\$ -	\$ -	\$ 996,190
U.S. agencies – explicitly guaranteed	1,237,813	3	-	237,703	1,000,110
Municipal bonds	6,406,534	17	849,626	1,720,639	3,582,031
Corporate bonds	6,198,650	3	3,549,745	2,648,905	-
Totals	\$ 14,839,187		\$ 4,399,371	\$ 4,607,447	\$ 5,578,331

The City's investment policy does not specifically mention interest rate risk.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

B. RECEIVABLES

Accounts receivables not expected to be collected within one year as follows:

General Fund – delinquent personal property taxes	\$ 38,394
Capital Projects – equipment replacement – loans	13,139
Capital Projects – capital improvement – special assessments	1,335,777
Special Revenue – TIF No. 8 – land contract	1,490,496
Nonmajor Governmental Funds – loans	2,541,271
Total Amount Not Expected to be Collected Within One Year	\$ 5,419,077

Allowances on receivables as of year-end are as follows:

Governmental Fund Types – municipal court receivable	\$ 293,532
Governmental Fund Types – economic development loans	11,902
Business Type – ambulance receivables	166,316
Total Uncollectibles	\$ 471,750

Governmental funds report *unavailable* or *unearned 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 *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 22,536,819	\$ -
Loans receivable	-	3,005,367
Accounts receivable – noncurrent	-	248,482
Investment income – noncurrent	-	100,974
Special assessments	-	1,354,927
Land contract receivable	-	1,545,961
Total Unearned/Unavailable Revenue for Governmental Funds	\$ 22,536,819	\$ 6,255,711

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long Term Debt Accounts

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

Equipment Replacement Account

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

Following is a list of restricted cash and investments at December 31, 2016:

Bond redemption account	Water	Sewer	Storm
Equipment replacement account	\$ 383,039	\$ 112,563	\$ 49,250
Bond reserve account	-	1,595,400	-
	2,129,011	-	110,500
Total Enterprise Fund Restricted Assets	\$ 2,512,050	\$ 1,707,963	\$ 159,750

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 4,971,936	\$ -	\$ -	\$ 4,971,936
Construction in progress	-	2,682,361	-	2,682,361
Total Capital Assets	4,971,936	2,682,361	-	7,654,297
Capital assets being depreciated				
Land improvements	67,854	-	-	67,854
Buildings	20,930,395	-	-	20,930,395
Machinery, equipment, and vehicles	25,057,450	4,070,252	3,297,479	25,830,223
Other improvements	6,168,407	-	-	6,168,407
Streets	69,268,561	-	-	69,268,561
Structures	405,684	-	-	405,684
Street lights	6,578,339	-	-	6,578,339
Traffic signals	2,562,159	-	-	2,562,159
Bridges	12,814,800	-	-	12,814,800
Total Capital Assets	143,853,649	4,070,252	3,297,479	144,626,422
Being Depreciated				

Less: Accumulated depreciation for

Land improvements	(61,070)	-	-	(61,070)
Buildings	(6,377,662)	(394,316)	-	(6,771,978)
Machinery, equipment, and vehicles	(13,474,004)	(1,657,294)	(2,087,018)	(13,044,280)
Other improvements	(2,922,210)	(128,966)	-	(3,051,176)
Streets	(14,723,774)	(1,161,020)	-	(15,884,794)
Structures	(72,415)	(17,578)	-	(89,993)
Street lights	(1,284,839)	(126,842)	-	(1,411,681)
Traffic signals	(1,879,085)	(86,675)	-	(1,965,760)
Bridges	(2,316,354)	(184,592)	-	(2,500,946)
Total Accumulated Depreciation	(43,111,413)	(3,757,283)	(2,087,018)	(44,781,678)
Net Capital Assets				
Being Depreciated	100,742,236	312,969	1,210,461	99,844,744
Total Governmental Activities – Capital Assets	\$ 105,714,172			\$ 107,499,041

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities					
Finance and administrative services					\$ 172,305
Finance and administrative services (internal service)					2,295
Public safety – police					220,937
Public safety – fire					324,619
Public works, which includes the depreciation of infrastructure					2,899,172
Library					137,955
Total Governmental Activities Depreciation Expense					<u>\$ 3,757,283</u>

Business-type Activities

Capital assets not being depreciated	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 3,707,005	\$ -	\$ -	\$ 3,707,005
Total Capital Assets Not Being Depreciated	3,707,005	-	-	3,707,005
Other capital assets				
Land improvements	702,418	-	-	702,418
Buildings	10,372,342	-	-	10,372,342
Machinery, equipment, and vehicles	8,717,551	116,958	4,418	8,830,091
Sewer mains	17,754,699	371,726	22,315	18,104,110
Sewer treatment facility	71,457,465	-	-	71,457,465
Water mains	41,961,519	534,026	189,188	42,326,357
Storm infrastructure	12,394,926	14,779	-	12,409,705
Total Capital Assets Being Depreciated	163,360,920	1,037,489	195,921	164,202,488

Less: Accumulated depreciation for

Land improvements	(693,699)	(4,118)	-	(697,817)
Buildings	(2,890,400)	(266,903)	-	(3,157,303)
Machinery, equipment, and vehicles	(5,234,970)	(388,927)	4,418	(5,619,479)
Sewer mains	(4,604,982)	(179,944)	22,315	(4,762,611)
Sewer treatment facility	(51,292,370)	(2,393,563)	-	(53,685,933)
Water mains	(14,546,583)	(1,092,056)	189,188	(15,469,451)
Storm infrastructure	(2,948,532)	(146,468)	-	(3,095,000)
Total Accumulated Depreciation	(82,211,536)	(4,471,979)	195,921	(86,487,594)
Business-type Capital Assets, Net of Depreciation	81,149,384	(3,434,490)	-	77,714,894
Total Business-type Capital Assets, Net of Depreciation	\$ 84,856,389			\$ 81,421,899

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities		
Water		\$ 1,227,645
Sewer		2,640,722
Storm		146,468
Transit		322,227
Golf Course		12,470
Cemetery		2,016
Total Business-type Activities Depreciation Expense		<u>\$ 4,351,548</u>

Depreciation expense may be different from business-type activity accumulated depreciation additions because of joint metering, salvage, cost of removal, internal allocators, or costs associated with the disposal of assets.

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES, AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
General	Special Revenue – TIF District No. 5	\$ 171,447
General	Special Revenue – TIF District No. 10	98,510
General	Special Revenue – Fire Multi-Year Grants	9,540
General	Special Revenue – Community Development	224,553
General	Special Revenue – Solid Waste	106,613
General	Special Revenue – Police	52,433
General	Special Revenue – Rental Rehab (WRRP/HOME)	3,872
General	Enterprise – Transit System	95,073
General	Enterprise – Ambulance	75,189
Sub-total – Fund Financial Statements		837,230
Less: Allocation of Internal Service funds		(108,404)
Less: Fund eliminations		<u>(666,968)</u>
Total – Government-Wide Statement of Net Position		<u>\$ 61,858</u>

All amounts are due within one year.

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

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

Advances

The general debt service fund and the capital improvement program funds are advancing funds to various tax incremental districts. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. The general fund is advancing funds to the golf course. The equipment replacement fund is advancing funds to the retiree health insurance fund, transit fund, and cemetery fund. The purpose of these advances is for deficit cash balances at year end. No repayment schedules have been established for these advances.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Totals	Amount Not Due in One Year
General	Enterprise – Golf course fund	\$ 976,643	\$ 976,643
Equipment replacement	Enterprise – Cemeteries	171,494	171,494
Equipment replacement	Enterprise – Transit system	333,725	333,725
General debt service	Internal Service – Retiree health insurance	537,568	537,568
General debt service	Special Revenue – TIF District No. 8	1,183,738	1,183,738
Capital improvements	Special Revenue – TIF District No. 9	191,665	191,665
	Special Revenue – TIF District No. 9	2,253,875	2,253,875
Sub-Totals		5,648,708	5,648,708
Less: Fund eliminations		(4,166,846)	(4,166,846)
Totals		\$ 1,481,862	\$ 1,481,862

The principal purpose of these advances is due to expenditures/expenses exceeding revenues.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Purpose
General	Water Utility	\$ 790,273	Payment in lieu of tax
Debt Service – General	Special Revenue – TIF District No. 5	342,200*	Debt service
Debt Service – General	Special Revenue – TIF District No. 6	170,165	Debt service
Debt Service – General	Special Revenue – TIF District No. 8	215,649	Debt service
Debt Service – General	Special Revenue – TIF District No. 9	16,675	Debt service
Debt Service – General	Special Revenue – TIF District No. 10	291,528	Debt service
Debt Service – General	Special Revenue – TIF District No. 11	99,930	Debt service
Debt Service – General	Special Revenue – TIF District No. 12	65,900	Debt service
Debt Service – General	Special Revenue – TIF District No. 13	75,688	Debt service
Total Debt Service – General		1,277,735	
Capital Improvements	Equipment Replacement	647,250	Capital asset purchases
Equipment Replacement	Solid Waste	37,584	Capital asset purchases
Sub-Total – Fund Financial Statements		2,752,842	
Less: Capital contributions from Governmental Activities to Business-type Activities		(402,233)	
Less: Fund eliminations		(1,962,589)	
Total – Government-wide Statement of Activities		\$ 388,040	

* Note that the scheduled transfer was for \$532,150; however, this difference of \$189,950 was paid via levy due to insufficient increment collected in the TIF.

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 БЕЛОИТ

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable					
General Obligation Debt	\$ 46,827,654	\$ 4,989,116	\$ 4,989,116	\$ 46,798,538	\$ 5,323,352
Premium on debt	568,900	38,254	-	530,546	-
Sub-totals	<u>47,396,554</u>	<u>4,960,000</u>	<u>5,027,370</u>	<u>47,329,184</u>	<u>5,323,352</u>
Other Liabilities					
Compensated Absences	1,304,234	334,122	180,034	1,458,322	199,108
Sick leave	1,541,635	1,573,586	1,573,586	1,541,635	1,541,635
Vacation	36,097,833	3,440,412	-	39,538,245	-
Other post-employment benefit liability	50,000	-	10,000	40,000	10,000
Town of Turtle	13,991,490	-	2,518,202	11,473,188	2,625,000
Private Pensions	346,426	7,294,753	43,605	3,021,821	45,433
Other capital leases	(4,388,651)	12,611,122	4,325,827	2,906,102	-
Net pension liability (asset)	<u>48,974,918</u>	<u>12,611,122</u>	<u>4,325,827</u>	<u>57,260,513</u>	<u>4,421,376</u>
Total Other Liabilities					
Total Governmental Activities	\$ 96,371,472	\$ 17,571,122	\$ 9,352,897	\$ 104,589,697	\$ 9,744,728

The liabilities for compensated absences, net pension liability and the other post employment benefit liability will be liquidated primarily from the General Fund.

BUSINESS-TYPE ACTIVITIES

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable					
General obligation debt	\$ 4,224,935	\$ 12,555,000	\$ 609,070	\$ 3,715,865	\$ 437,258
Revenue bonds	24,515,000	-	14,755,000	22,315,000	1,365,000
CWFL revenue bond	2,844,366	-	147,919	2,696,447	151,469
Add/(Subtract) Deferred Amounts For					
Premiums	124,094	952,049	74,173	1,001,970	-
Sub-total	<u>31,708,395</u>	<u>13,507,049</u>	<u>15,486,162</u>	<u>29,729,282</u>	<u>1,953,727</u>
Other Liabilities					
Compensated absences	539,204	366,458	309,633	596,029	346,908
Other post-employment benefit liability	179,033	-	-	179,033	-
Net pension liability (asset)	(772,281)	1,276,447	-	504,166	-
Sub-total	<u>(64,044)</u>	<u>1,642,905</u>	<u>309,633</u>	<u>1,279,228</u>	<u>346,908</u>
Total Business-type Activities	\$ -31,654,351	\$ 15,149,954	\$ 15,795,795	\$ 31,008,510	\$ 2,300,635

CITY OF БЕЛОИТ

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

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, 2016, was \$79,677,966. Total general obligation debt outstanding at year end was \$50,514,403.

Governmental Activities –	Date of Issue	Due Date	Interest Rates	Original Indebtedness	Balance 12-31-16
General Obligation Debt					
General obligation corporate purpose bonds Series 2008	6-19-08	6-1-28	3.75-4.10%	\$ 2,260,670	\$ 1,461,525
General obligation corporate purpose bonds Series 2009	5-28-09	5-1-29	1.10-4.60	7,057,000	1,611,000
General obligation refunding bonds Series 2011A	10-21-11	4-1-25	2.45	9,726,168	6,214,762
General obligation refunding bonds Series 2011B	12-8-11	3-1-25	1.00-4.10	4,280,000	2,575,000
2011 state trust fund loan	8-1-11	3-15-21	3.75	1,500,000	807,670
General obligation corporate purpose bonds Series 2012A	6-21-12	3-1-32	2.00-3.25	7,130,000	5,850,000
2012 state trust fund loan	10-1-12	3-15-17	2.50	330,000	86,527
General obligation refunding bonds Series 2013A	2-13-13	5-1-27	2.00-3.00	6,729,000	4,519,500
General obligation refunding bonds Series 2013C	2-13-13	5-1-21	0.55-2.50	885,000	600,000
General obligation corporate purpose bonds Series 2013D	6-13-13	4-1-33	2.00-3.38	7,485,000	6,120,000
2013 State trust fund loan	8-1-13	3-15-23	2.75	667,100	480,677
General obligation promissory notes Series 2014A	5-15-14	5-1-24	2.00-2.40	850,000	735,000
General obligation corporate purpose bonds Series 2014B	5-15-14	5-1-34	2.00-3.50	7,777,275	7,586,877
General obligation promissory notes Series 2015B	3-19-15	3-1-25	0.80-2.40	720,000	655,000
General obligation corporate purpose bonds Series 2015C	3-19-15	3-1-35	2.00-3.25	2,450,000	2,335,000
2015 State trust fund loan	11-23-15	3-15-25	3.25	200,000	200,000
General obligation promissory notes Series 2016A	5-12-16	4-1-26	1.60-2.00	1,725,000	1,725,000
General obligation corporate purpose bonds Series 2016B	5-12-16	4-1-36	2.00-3.00	3,235,000	3,235,000
Total Governmental Activities – General Obligation Debt				\$ 46,798,538	

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

	Date of Issue	Due Date	Interest Rates	Original Indebtedness	Balance 12-31-16
Business-type Activities – General Obligation Debt					
General obligation corporate purpose bonds Series 2008	6-19-08	6-1-28	3.75-4.10%	\$ 1,954,330	\$ 1,263,475
General obligation corporate purpose bonds Series 2009	5-28-09	5-1-29	1.10-4.60	333,000	189,000
General obligation refunding bonds Series 2011A	10-21-11	4-1-25	2.45	1,353,832	940,239
General obligation corporate purpose bonds Series 2012A	6-21-12	3-1-26	2.00-3.25	110,000	110,000
2012 state trust fund loan	10-1-12	3-15-17	2.50	47,000	12,323
General obligation refunding bonds Series 2013A	2-13-13	5-1-27	2.00-3.00	601,000	370,500
General obligation corporate purpose bonds Series 2013D	6-13-13	4-1-30	2.00-3.38	250,000	190,000
2013 state trust fund loan	8-1-13	3-15-23	2.75	129,600	7,205
General obligation promissory notes Series 2014A	5-15-14	5-1-24	2.00-2.40	270,000	220,000
General obligation corporate purpose bonds Series 2014B	5-15-14	5-1-24	2.00-3.50	387,725	383,123
General obligation promissory notes Series 2015B	3-19-15	3-1-25	0.80-2.40	40,000	30,000
Total Business-type Activities – General Obligation Debt					<u>\$ 3,715,865</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities – General Obligation Debt		Business-type Activities – General Obligation Debt	
	Principal	Interest	Principal	Interest
2017	\$ 5,323,352	\$ 1,255,603	\$ 437,258	\$ 107,790
2018	4,470,086	1,082,926	341,647	96,323
2019	4,353,115	970,196	351,922	86,211
2020	3,721,616	865,567	311,946	76,684
2021	3,747,855	766,138	314,669	67,720
2022 – 2026	15,893,335	2,479,115	1,557,603	194,473
2027 – 2031	6,609,179	852,637	400,820	18,363
2032 – 2036	2,680,000	153,666	-	-
Totals	<u>\$ 46,798,538</u>	<u>\$ 8,425,948</u>	<u>\$ 3,715,865</u>	<u>\$ 647,564</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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 commitments are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

A statutory mortgage lien upon the City's utility system and any additions, improvements and extensions thereto is created by Section 66.066 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The City'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.

Other Debt – Governmental Activities

In May 1999, the City of Beloit and the Town of Turtle entered a Cooperative Boundary Plan. Under this plan, the City of Beloit is obligated to pay the Town of Turtle \$10,000 per year until December 31, 2020. The original amount owed was \$200,000.

	Balance 1-1-16	Increases	Decreases	Balance 12-31-16
Town of Turtle	\$ 50,000	\$ -	\$ 10,000	\$ 40,000
Total Other Debt	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 40,000</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities – Other Debt	
	Principal	Interest
2017	\$ 10,000	\$ -
2018	10,000	-
2019	10,000	-
2020	10,000	-
Totals	<u>\$ 40,000</u>	<u>\$ -</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt

Business-type activities revenue bonds are payable only from revenues derived from the operation of the responsible proprietary fund.

The water utility has pledged future sales revenues, net of specified operating expenses, to repay revenue bonds issued in 2009, 2010, 2013 and 2016. Proceeds from the bonds provided financing for the water systems. The bonds are payable solely from water revenues and are payable through 2030. Annual principal and interest payments on the bonds are expected to require 60% of net revenues. The total principal and interest remaining to be paid on the bonds is \$27,068,458. Principal and interest paid for the current year and total customer net revenues were \$2,263,725 and \$3,243,659, respectively.

The stormwater utility has pledged future sales revenues, net of specified operating expenses, to repay revenue bonds issued in 2015. Proceeds from the bonds provided financing for the stormwater system. The bonds are payable solely from stormwater revenues and are payable through 2030. Annual principal and interest payments on the bonds are expected to require 29% of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,435,900. Principal and interest paid for the current year and total customer net revenues were \$99,850 and \$353,012, respectively.

The sewer utility has pledged future sales revenues, net of specified operating expenses, to repay a clean water fund loan issued in 2011. Proceeds from the loan provided financing for the sewer system. The loan is payable solely from sewer revenues and is payable through 2031. Annual principal and interest payments on the bonds are expected to require 18% of net revenues. The total principal and interest remaining to be paid on the loan is \$3,210,396. Principal and interest paid for the current year and total customer net revenues were \$214,409 and \$1,195,639, respectively.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

	Date of Issue	Due Date	Interest Rates	Original Indebtedness	Balance 12-31-16
Water Utility					
Revenue bonds	5-28-09	11-1-29	3.50-5.00%	\$ 3,910,000	\$ 2,800,000
Revenue bonds	4-6-10	11-1-30	2.00-4.50	4,025,000	2,830,000
Refunding revenue bonds	2-13-13	11-1-19	2.00-3.00	5,745,000	2,970,000
Refunding revenue bonds	11-9-16	11-1-28	4.00-4.50	12,555,000	12,555,000
Total Water Utility Revenue Debt					21,155,000
Stormwater Utility					
Refunding revenue bonds	3-4-15	5-1-30	2.00-3.50	1,225,000	1,160,000
Total Stormwater Utility Revenue Debt					1,160,000
Total Revenue Bonds					\$ 22,315,000

Debt service requirements to maturity are as follows:

Years	Business-type Activities – Revenue Debt	
	Principal	Interest
2017	\$ 1,365,000	\$ 792,052
2018	1,385,000	768,970
2019	1,435,000	725,370
2020	1,545,000	678,968
2021	1,605,000	617,818
2022 – 2026	9,015,000	2,095,226
2027 – 2030	5,965,000	510,956
Totals	\$ 22,315,000	\$ 6,189,360

Clean Water Fund Loan Revenue Bond

The sewer utility has entered into a loan agreement with the Wisconsin Department of Natural Resources for a loan up to and not exceeding \$3,481,777 at a fixed rate of 2.40% to fund the cost of constructing improvements to the City's sewerage system. The loan is payable from sewer revenues and is payable through 2031. As of December 31, 2016, the City has received \$3,397,675 in loan proceeds and paid \$147,919 and \$66,490 in principal and interest, respectively, in 2016.

Fund Retired By	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Sewer	\$ 2,844,366\$	-	-	147,919	\$ 2,696,447
					\$ 151,469

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

Clean Water Fund Loan Revenue Bond (cont.)

Annual debt service requirements to maturity for the revenue bond are as follows:

Year Ending	Principal	Interest	Business-Type Activities
2017	\$ 151,469	\$ 62,897	\$ 214,366
2018	155,104	59,218	214,322
2019	158,827	55,451	214,278
2020	162,638	51,593	214,231
2021	166,542	47,643	214,185
2022 – 2026	894,617	175,567	1,070,184
2027 – 2031	1,007,250	61,580	1,068,830
Totals	\$ 2,696,447	\$ 513,949	\$ 3,210,396

Current Refunding

On November 9, 2016, the water utility issued \$12,555,000 in revenue bonds with an average coupon rate of 2.96% to refund \$13,390,000 of outstanding 2007 revenue bonds with an average coupon rate of 2.68%. The net proceeds along with existing funds of the City were used to prepay the outstanding debt.

The cash flow requirements on the refunded bonds prior to the current refunding was \$18,164,455 from 2016 through 2030. The cash flow requirements on the refunding bonds are \$16,091,419 from 2017 through 2028. 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 \$1,576,478.

G. LEASE DISCLOSURES

Capital Leases

	Balance 1-1-16	Increases	Decreases	Balance 12-31-16
Governmental Activities (to Note IV.F.)	\$ 13,991,490	\$ -	\$ 2,518,302	\$ 11,473,188
Payable to component unit	346,426	-	43,605	302,821
Other capital leases	-	-	-	-
Totals	\$ 14,337,916	\$ -	\$ 2,561,907	\$ 11,776,009

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

G. LEASE DISCLOSURES (cont.)

Lessee – Community Development Authority

The City, through TIF District No. 13, TIF District No. 10, TIF District No. 6, and TIF District No. 5, is obligated to make lease payments to the Community Development Authority of Beloit (CDA) to retire debt issued by the CDA for TIF purposes.

Each lease obligation is directly attributable to the underlying debt issues noted.

Lessee – Capital Asset Capital Leases

The Lease Rental Payments are expressly limited to: (i) tax increments generated by the tax incremental district No. 13, tax incremental district No. 10, tax incremental district No. 6, and tax incremental district No. 5; (ii) special assessments, as may be levied by the City for eligible projects; (iii) proceeds from a portion of land sales as provided in the Development Agreement by and among the City, the Authority, and the Lease; and (iv) gas and electric reimbursement amounts generated by the tax incremental district No. 13, tax incremental district No. 10, tax incremental district No. 6, and tax incremental district No. 5 (the "Rental Payments").

The future minimum lease payments are required as follows:

Calendar Year	TIF No. 13	TIF No. 10	TIF No. 6	TIF No. 5
2017	\$ 100,213	\$ 2,108,124	\$ 250,976	\$ 702,944
2018	103,141	2,075,193	256,035	1,330,042
2019	100,816	2,033,865	255,438	-
2020	103,295	1,989,800	-	-
2021	105,383	758,663	-	-
2022	107,055	736,194	-	-
2023	103,433	717,313	-	-
2024	99,675	706,513	-	-
2025	95,873	689,069	-	-
2026	91,980	-	-	-
Sub-Totals	1,010,864	11,814,734	762,449	2,032,986
Less: Reserve funds to be applied to final principal payment	(90,517)	(1,650,240)	(94,015)	(282,044)
Less: Amount representing interest	(175,863)	(1,774,731)	(47,449)	(52,986)
Present Value of Minimum Lease Payments	\$ 744,484	\$ 8,389,763	\$ 620,985	\$ 1,717,956
Total TIF No. 13, TIF No. 10, TIF No. 6, and TIF No. 5				\$ 11,473,188

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

G. LEASE DISCLOSURES (cont.)

Lessee – Other Capital Leases

In 2008, the City entered into a lease agreement to finance a lighting improvement project; heating, ventilating, and air conditioning improvement project; and a building envelope improvement project. The total lease amount was \$640,614. Only \$394,912 of assets were capitalized and are depreciable. The remaining amount was expensed in 2007.

	Governmental Activities
Asset	
Building improvements	\$ 394,912
Less: Accumulated depreciation	(365,294)
Total	\$ 29,618

The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2016, are as follows:

	Principal	Interest	Governmental Activities
2017	\$ 45,433	\$ 12,697	\$ 58,130
2018	47,338	10,792	58,130
2019	49,323	8,807	58,130
2020	51,391	6,739	58,130
2021	53,546	4,584	58,130
2022	55,790	2,340	58,130
	<u>\$ 302,821</u>	<u>\$ 45,959</u>	<u>\$ 348,780</u>
Less: Amount representing interest		(45,959)	
Present Value of Minimum Lease Payments			<u>\$ 302,821</u>

Lessee – Operating Lease

In 2012 the City entered into a four year lease agreement for the use of golf carts. Current year principal and interest payments totaled \$28,417 and \$1,743, respectively. Future principal and interest payments as of December 31, 2016 are as follows:

2017	Principal	Interest	Business-Type Activities
	<u>\$ 49,452</u>	<u>\$ 2,061</u>	<u>\$ 79,930</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2016 includes the following:

Governmental Activities

Net investment in capital assets	\$ 4,971,936
Land	2,682,361
Construction in progress	99,844,744
Other capital assets, net of accumulated depreciation	(33,603,687)
Less: Related long-term debt outstanding	(10,839,480)
Less: Capital leases – payable to component unit	(530,646)
Less: Unamortized premium on debt	1,127,937
Add: Unamortized loss on advance refunding	2,190,884
Add: Unspent capital bond proceeds	<u>65,844,049</u>
Total Net Investment in Capital Assets	

Restricted

General debt service	1,745,892
TIF District No. 6 – economic development	1,160,033
TIF District No. 10 – economic development	483,283
TIF District No. 11 – economic development	629,452
TIF District No. 12 – economic development	298,615
TIF District No. 13 – economic development	1,844,225
TIF District No. 14 – economic development	85,589
Rental rehab (WRRP/HOME) grant	1,012,688
Community Development Block Grant	2,423,483
Fire – multi-year grants	15,538
DPW – multi-year grants	237,955
Community development grants	174,746
Library operations	569,923
Cemetery perpetual care	2,241,002
Solid waste	318,565
Total Restricted	<u>13,240,969</u>
Unrestricted (deficit)	<u>(23,910,707)</u>
Total Governmental Activities Net Position	<u>\$ 55,174,311</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Activities (cont.)

Governmental fund balances reported on the fund financial statements at December 31, 2016 include the following:

	General	TIF District No. 10	General Debt Service	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances						
Nonspendable:						
Delinquent personal property taxes	\$ 38,394	\$ -	\$ -	\$ -	\$ -	\$ 38,394
Inventories	507,427	-	-	-	-	507,427
Prepaid items	56,466	-	-	-	-	56,466
Advances to other funds	976,643	-	-	-	-	976,643
Total Nonspendable	1,578,930	-	-	-	-	1,578,930
Restricted for:						
Debt service	-	-	2,098,792	-	-	2,098,792
Capital projects	-	-	-	2,190,884	-	2,190,884
Economic development	-	483,283	-	-	4,017,914	4,501,197
Grant programs	-	-	-	-	791,446	791,446
Library operations	-	-	-	-	569,923	569,923
Solid waste	-	-	-	-	316,965	316,965
Cemetery perpetual care	-	-	-	-	2,226,517	2,226,517
Total Restricted	-	483,283	2,098,792	2,190,884	7,924,367	12,697,326
Assigned to:						
Capital projects	-	-	-	3,072,251	6,772,290	9,844,541
Total Assigned	-	-	-	3,072,251	6,772,290	9,844,541
Unassigned:						
	8,303,332	-	-	-	(3,672,678)	4,630,654
Total Fund Balances	\$ 9,882,262	\$ 483,283	\$ 2,098,792	\$ 5,263,135	\$ 11,023,979	\$ 28,751,451

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

	Water	Sewer	Storm	Nonmajor Proprietary Funds	Totals
Net investment in capital assets					
Land	\$ 1,050,724	\$ 1,386,281	\$ -	\$ 1,270,000	\$ 3,707,005
Other capital assets, net of accumulated depreciation	31,909,353	31,467,473	9,314,705	5,023,363	77,714,894
Less: Long-term debt outstanding	(22,796,326)	(3,479,727)	(2,054,834)	(397,933)	(28,728,820)
Add: Noncapital debt outstanding	-	-	-	85,000	85,000
Add: Unamortized loss on advance refunding	58,435	2,691	-	1,562	62,688
Less: Unamortized premium on debt	(1,001,970)	-	-	-	(1,001,970)
Add: Restricted assets not funded by revenues	2,129,011	-	-	-	2,129,011
Total Net Investment in Capital Assets	11,349,227	29,376,718	7,259,871	5,981,992	53,967,808
Restricted Net Position					
Redemption account	383,039	112,563	49,250	-	544,852
Replacement account	-	1,595,400	-	-	1,595,400
Reserve account	2,129,011	-	110,500	-	2,239,511
Pension	-	-	-	-	-
Less: Restricted assets not funded by revenues	(2,129,011)	-	-	-	(2,129,011)
Less: Current liabilities payable from restricted assets	(124,834)	(10,786)	(5,700)	-	(141,320)
Total Restricted Net Position	258,205	1,697,177	154,050	-	2,109,432
Unrestricted (Deficit)	1,708,989	10,100,515	835,150	(637,659)	12,006,995
Total Enterprise Funds Net Position	\$ 13,316,421	\$ 41,174,410	\$ 8,249,071	\$ 5,344,333	\$ 68,084,235
Add: Portion of internal service funds net position allocated to business-type activities					108,404
Total Business-type Activities Net Position					\$ 68,192,639

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS

This report contains the City of Beloit Community Development Authority ("CDA"), the Beloit Apartments Redevelopment – Phase 1 and 2, LLC's, component units of the CDA, and the Beloit Public Library Foundation, Inc. ("foundation") which are included as component units. 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.

Community Development Authority – Primary Government

a. Basis of Accounting/Measurement Focus

The CDA prepares its financial statements in accordance with generally accepted accounting principles. The accounting records are kept on the accrual basis of accounting and flow of economic resources measurement focus.

b. Cash and Investments

The CDA's cash and investments (not including its component units) at year end were comprised of the following:

	Carrying Value	Statement Balance	Associated Risks
Demand deposits	\$ 3,015,089	\$ 3,023,215	Custodial credit risk
Total Cash and Investments	<u>\$ 3,015,089</u>	<u>\$ 3,023,215</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 918,277		
Restricted cash and investments	<u>2,096,812</u>		
Total Cash and Investments	<u>\$ 3,015,089</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) and \$250,000 for demand deposit amounts (interest-bearing and noninterest bearing). 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 deposits.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in calculating custodial credit risk.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority – Primary Government (cont.)

b. Cash and Investments (cont.)

Although the CDA has an investment policy, it does not discuss any of the risks below.

Custodial Credit Risk

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

As of December 31, 2016, \$426,403 of the CDA's total bank balances of \$926,403 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized \$ 426,403

c. Restricted Assets

Restricted assets at December 31, 2016, consist of the following:

Cash and cash equivalents – bond redemption \$ 2,096,812
Total Restricted Assets \$ 2,096,812

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority – Primary Government (cont.)

d. Capital Assets

The useful life assigned to buildings is 40 years. Machinery and equipment are assigned useful lives ranging from 5-10 years. The change in capital assets for 2016 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated	\$ 414,539	\$ -	\$ -	\$ 414,539
Land				
Buildings	835,189	6,775	-	841,964
Furniture, equipment, and machinery-dwellings	46,406	12,714	-	59,120
Furniture, equipment, and machine-administrative	167,196	-	-	167,196
Total Capital Assets Being Depreciated	1,048,791	19,489	-	1,068,280
Less: Accumulated Depreciation	(676,162)	(27,610)	-	(703,772)
Total Capital Assets, Net of Depreciation	\$ 815,595			\$ 779,047

e. Long-Term Obligations

Lease Revenue Bonds

The CDA has pledged future revenues from the City of Beloit resulting from TIF increments to repay \$24,915,000 in lease revenue bonds issued between 2007-2012. Proceeds from the bonds provided financing for infrastructure improvements and other TIF district investments. The bonds are payable solely from TIF increment revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require 100% of TIF increment lease payments. The total principal and interest remaining to be paid on the bonds is \$15,621,028. Principal and interest paid for the current year and total pledged revenues were both \$3,181,973.

The following is a summary of the lease revenue bond transactions for the year ended December 31, 2016.

	Balance 1-1-16	Increases	Decreases	Balance 12-31-16
Lease revenue bonds	\$ 16,120,000	\$ -	\$ 2,550,000	\$ 13,570,000

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority – Primary Government (cont.)

e. Long-Term Obligations (cont.)

Lease Revenue Bonds (cont.)

Title of Issue	Date of Issue	Due Date	Interest Rates	Original Indebtedness	Balance 12-31-16
2007A Lease Revenue Refunding Bonds	2-21-07	3-1-20	3.50-4.20%	\$ 8,915,000	\$ 4,760,000
2007B Lease Revenue Bonds	7-12-07	6-1-19	3.70-4.35	2,015,000	715,000
2008A Lease Revenue Refunding Bonds	6-19-08	3-1-25	4.00-6.75	2,640,000	1,915,000
2009A Lease Revenue Bonds	7-1-09	3-1-25	1.30-5.00	5,340,000	3,365,000
2011A Lease Revenue Bonds	6-27-11	6-1-18	1.00-3.05	3,175,000	975,000
2011B Lease Revenue Bonds	6-27-11	6-1-26	2.90-4.40	1,165,000	835,000
2012A Lease Revenue Bonds	6-21-12	6-1-18	0.80-1.82	1,685,000	1,005,000
Totals				\$ 13,570,000	\$ 13,570,000

Debt service requirements to maturity are as follows:

Calendar Year	Principal	Interest	Totals
2017	\$ 2,625,000	\$ 537,257	\$ 3,162,257
2018	3,335,000	429,410	3,764,410
2019	2,065,000	325,119	2,390,119
2020	1,855,000	238,095	2,093,095
2021	685,000	179,045	864,045
2022	700,000	143,249	843,249
2023	715,000	105,745	820,745
2024	740,000	66,188	806,188
2025	760,000	24,940	784,940
2026	90,000	1,980	91,980
Totals	\$ 13,570,000	\$ 2,051,028	\$ 15,621,028

CITY OF БЕЛОИТ

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority – Primary Government (cont.)

- f. Employee Retirement System
All eligible authority employees participate in the Wisconsin Retirement System ("system"), a cost-sharing defined benefit multiple-employer public employee retirement system (PERS). All authority employees are considered to be City employees. Refer to Note V.A. for details.
- g. Lease Disclosures
Refer to Note IV.G.
- h. Net Position
Net position at December 31, 2016 includes the following:

Net investment in capital assets	
Land	\$ 414,539
Other capital assets, net of accumulated depreciation	364,508
Total Net Investment in Capital Assets	<u>779,047</u>
Restricted	
Low Rent Public Housing	5,323,103
Total Restricted	<u>5,323,103</u>
Unrestricted	544,056
Total Net Position	<u>\$ 6,646,206</u>

CITY OF БЕЛОИТ

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC

- a. Nature of Business and Significant Accounting Policies

Nature of Business

Beloit Apartments Redevelopment – Phase 1, LLC (the company) was organized on January 14, 2009, as a limited liability company (LLC) formed under the Wisconsin Limited Liability Company Act (the Act). The company was formed to acquire, rehabilitate, and operate a 39 building, 65-unit duplex and single family home complex located on scattered sites in Beloit, Wisconsin, called Beloit Apartments Redevelopment, Phase 1 (the project). The project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The original property, including the buildings and land, was acquired under a capital lease dated September 22, 2010. The company completed the rehabilitation of 14 units on various dates in December 2010 and completed the rehabilitation of the remaining 51 units on various dates from January through July of 2011.

The company consists of one managing member and three investor members, with rights, preferences, and privileges as described in the Amended and Restated Operating Agreement (operating agreement). Each member's liability for the debts and obligations of the company shall be limited to the maximum extent permitted by the Act and other applicable laws.

The company shall be operated in a manner consistent with its treatment as a partnership for federal and state income tax purposes. Therefore, the accompanying financial statements do not include the personal or corporate assets and liabilities of the members, their obligation for income taxes on their distributive shares of the net income of the company or their rights to refunds on its net loss, nor any provision for income tax expense.

The operating agreement states that the company shall be perpetual unless sooner terminated in accordance with the operating agreement.

Significant Accounting Policies

A summary of significant accounting policies follows:

Use of Estimates

The preparation of financial statements 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 expenses during the reporting period. Actual results could differ from those estimates.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC (cont.)

- a. Nature of Business and Significant Accounting Policies (cont.)

Significant Accounting Policies (cont.)

Cash and Cash Equivalents

For purposes of reporting cash flows, the company considers all investments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash not available to the project due to restrictions placed on it.

The company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable and Revenue Recognition

The company utilizes the direct write-off method of accounting for bad debts. The use of this method has no material effect on the financial statements. A receivable is considered past due if payments have not been received by the company for 10 days. Accounts are generally written off as uncollectible if no payments are received after 30 days. No fee is charged to customers for late payment.

Rental revenue is recognized when earned. The company leases apartments to eligible applicants under operating leases which are substantially all on a yearly basis.

Rental Property

Rental property is stated at cost. Depreciation of rental property is computed on the straight-line method based upon the following estimated useful lives of the assets:

	Years
Land and buildings under capital lease	98
Building improvements	15-40
Land improvements	15
Furnishings and equipment	5

Maintenance and repairs of rental property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of rental property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

It is the company's policy to include amortization expense on assets acquired under capital leases with depreciation expense on owned assets.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 1, LLC (cont.)

- a. Nature of Business and Significant Accounting Policies (cont.)

Significant Accounting Policies (cont.)

Impairment of Long-Lived Assets

The company reviews long-lived assets, including rental property and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Financing Costs

Financing costs incurred by the company totaled \$15,000. The company is amortizing these costs into interest expense on the straight-line method over 39 years and 9 months, the life of the loans. The use of the straight-line method rather than the effective interest method has no material effect on the financial statements.

Amortized costs included in interest expense amounted to \$377 for the year ended December 31, 2016.

Tax Credit Fees

In connection with obtaining an allocation of low-income housing tax credits, the company paid fees totaling \$114,034 to the Wisconsin Housing and Economic Development Authority (WHEDA). The company is amortizing these fees over the related tax credit compliance period of 15 years using the straight-line method.

Unearned Revenue

Governmental agencies have provided grant funding to the company to encourage the development of affordable housing. The company received funds under the Tax Credit Exchange Program (TCEP) (See Note 1.h. in this section). The unearned revenue relating to this grant is recognized as other income in the statement of operations (shown as amortization of unearned revenue) under the straight-line method over the estimated useful lives of the underlying assets purchased or constructed.

Current Vulnerability Due to Certain Concentrations

The project's operations are concentrated in the low-income, public housing residential real estate market. In addition, the project operates in a heavily regulated environment. The operations of the project are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies including, but not limited to, the Community Development Authority of the City of Beloit (CDA) under the Regulatory & Operating Agreement (R&O Agreement). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the CDA. Such changes may occur with little or inadequate funding to pay for the related cost, including additional administrative burden to comply with a change.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment- Phase 1, LLC (cont.)

- a. Nature of Business and Significant Accounting Policies (cont.)

Significant Accounting Policies (cont.)

Subsequent Events

These financial statements have not been updated for subsequent events occurring after March 15, 2017, which is the date these financial statements were available to be issued. The company has no responsibility to update these financial statements for events and circumstances occurring after this date.

- b. Restricted Cash

Restricted cash is comprised of the following:

Replacement reserve	\$ 58,643
Operating reserve	145,499
Tenants' security deposits	<u>32,172</u>
Total	<u>\$ 236,314</u>

Replacement Reserve

The operating agreement and R&O Agreement require the company to make monthly deposits to the replacement reserve initially equal to \$300 per unit per year, and increasing annually by 3%. Disbursements are restricted to capital improvements and repairs of the project. Disbursements in excess of \$5,000 or 10% of the balance in the reserve at such time will require written approval of the investor members. Any funds remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement.

Balance, beginning	\$ 15,341
Monthly deposits	43,257
Interest earned	<u>45</u>
Balance, Ending	<u>\$ 58,643</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment- Phase 1, LLC (cont.)

- b. Restricted Cash (cont.)

Operating Reserve

The R&O Agreement and the operating agreement require the company to fund and maintain an operating reserve in the amount of \$100,000. To the extent funds in the reserve fall below the initial deposit, the managing member must replenish the reserve from available cash flow as defined in the operating agreement. Disbursements in excess of \$10,000 or 10% of the then balance of the reserve require written approval from the investor members.

Balance, beginning	\$ 100,295
Interest earned	129
Deposits	<u>45,075</u>
Balance, Ending	<u>\$ 145,499</u>

Rent-up Reserve

The operating agreement requires the managing member to establish a rent-up reserve in the amount of \$45,000. The funds shall be used to pay for costs incurred during the initial lease-up period. Any funds remaining after the initial lease up period is completed shall be deposited in the operating reserve.

Balance, beginning	\$ 45,067
Interest earned	8
Withdrawals	<u>(45,075)</u>
Balance, Ending	<u>\$ -</u>

- c. Rental Property, Net

Rental property, net is comprised of the following:

Land	\$ 11,349
Land and buildings under capital lease	1,950,000
Building improvements	8,397,386
Land improvements	164,412
Furnishings and equipment	<u>260,764</u>
Less: Accumulated depreciation	<u>(10,783,911)</u>
Total	<u>\$ 9,130,571</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment- Phase 1, LLC (cont.)

d. Mortgage and Other Notes Payable

Mortgage and other notes payable consists of the following:

CDA; managing member; non-recourse mortgage note payable under the capital lease described in Note K.e.; due in one installment on September 21, 2050, together with interest at 4.47% compounded annually; collateralized by a mortgage on the project's rental property; interest expense totaled \$109,871 for the year ended December 31, 2016; accrued interest was \$617,828 as of December 31, 2016.

\$ 1,950,000

CDA; nonrecourse mortgage note in the original amount of \$500,000; noninterest bearing; due in one installment on September 21, 2040; collateralized by a mortgage on the project's rental property.

500,000

CDA; nonrecourse mortgage note in the original amount of \$619,253; noninterest bearing; due in one installment on September 21, 2040; collateralized by a mortgage on the project's rental property.

430,559

CDA; nonrecourse mortgage note in the original amount of \$350,000; due in one installment on September 23, 2040, together with interest at 4.0% compounded annually; collateralized by a security interest on the project's rental property; interest expense totaled \$16,273 for the year ended December 31, 2016; accrued interest was \$73,099 as of December 31, 2016.

350,000

City of Beloit; nonrecourse mortgage note in the original amount of \$170,639; noninterest bearing; principal due in one installment on September 21, 2040; collateralized by a mortgage on the project's rental property; the mortgage note was not funded as of December 31, 2016.

-

3,230,559

12,737

\$ 3,217,822

In 2016, the company retrospectively adopted the requirements in FASB Accounting Standards Codification 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Mortgage notes payable as of December 31, 2015 was previously reported in the balance sheet as \$3,230,559 with the associated \$13,114 unamortized financing costs included in assets.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment- Phase 1, LLC (cont.)

d. Mortgage and Other Notes Payable (cont.)

Repayment of principal on the mortgage and other notes payable as of December 31, 2016, is as follows:

Year Ending December 31,	
2017	\$ -
2018	-
2019	-
2020	-
2021	-
Thereafter	3,230,559
Total	\$ 3,230,559

e. Capital Lease

The company has entered into a capital lease agreement with the CDA dated September 22, 2010, to operate and manage the project during the term of the capital lease in accordance with all applicable public housing requirements. Rental property recorded under this non-cancellable capital lease consists of:

Land	\$ 409,500
Buildings	1,540,500
Total	\$ 1,950,000

In accordance with accounting principles generally accepted in the United States of America, the land and building are capitalized as a single unit and amortized over the lease term of 98 years. Accumulated depreciation on the land and buildings under the capital lease was \$124,369 as of December 31, 2016.

Base rent under the lease was payable in a single installment of \$1,950,000 on September 22, 2010. The balance of unpaid base rent accrues interest at 4.47% compounded annually (see Note I.d. in this section). Payments made by the company shall be applied first to accrued interest and then against the unpaid base rent amount. The base rent and all accrued interest thereon is due September 21, 2050. The capital lease obligation is secured by a mortgage note as described in Note I.d. The lease expires September 21, 2108.

In addition to the base rent and related interest payments, the company is obligated to make an annual payment in lieu of taxes (PILOT) to the City of Beloit (see Note I.g. in this section).

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment- Phase 1, LLC (cont.)

f. Members' Capital Contributions

The company has one managing member, the CDA, which has a .01% interest, and three investor members, BMO, First National Bank and Trust Company (FNB), and Blackhawk State Bank (BSB) which have 19.998%, 39.996%, and 39.996% interests, respectively.

The CDA is required to make capital contributions of \$100,000. Of this amount, \$71,232 was contributed as rental property for year ended December 31, 2016. The investor members are required to make capital contributions totaling \$6,439,817. All contributions were made as of December 31, 2016.

g. Related Party Transactions

Accounts Payable
Included in accounts payable are amounts owed to the CDA for reimbursement of operating expenses totaling \$60,861 as of December 31, 2016.

Property Management Agreement

The company has entered into a property management agreement with the CDA under which the company is obligated to pay a property management fee equal to 5% of gross residential rents on a monthly basis. The agreement is automatically renewed from year to year unless otherwise terminated. Property management fees totaled 4,729 for the period ended December 31, 2016.

Asset Management Fee

The company is obligated to pay BMO an annual asset management fee of \$3,250. The fee is payable solely from cash flow as defined in the operating agreement, is cumulative, and accrues interest at the Prime Rate plus 3%. Included in accrued expenses are accrued asset management fees of \$9,750 and accrued interest on the asset management fees of \$643 as of December 31, 2016. Interest incurred on the asset management fee totaled \$439 for the year ended December 31, 2016.

PILOT

The company and the CDA entered into a PILOT agreement with the City of Beloit, Wisconsin (the City), under which the company will make an annual PILOT payment to the City beginning in 2010 and ending in the final calendar year of the project's compliance period (2025). The PILOT shall be equal to 10% of the difference between the annual tenant's portion of the collected rents for all of the residential rental units in the buildings and the annual utility bills incurred by the company with respect to the project. The PILOT is required for as long as the land and building under capital lease constitutes property of the CDA that is exempt from taxation under the Wisconsin Statutes.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment- Phase 1, LLC (cont.)

g. Related Party Transactions (cont.)

Operating Deficit Guaranty

The managing member is obligated, after all funds in the operating reserve account have been depleted, to fund operating deficits during the operating deficit guaranty period. The operating deficit guaranty period is defined as the period beginning with the date of achievement of breakeven operations and ending on the later of the third anniversary of the date of achievement of breakeven operations or when the project has maintained the operating reserve target amount of \$100,000 during the compliance period and the project has made all required deposits to the replacement reserve. The obligation to fund operating deficits shall be limited to \$145,000. Such loans are non-interest bearing and repayable solely from available cash flow as defined in the operating agreement. There was no operating deficit loans as of December 31, 2016.

R&O Agreement

The company has entered into an R&O Agreement with the CDA. Provisions of the agreement require the company to maintain all units as public housing units. The CDA is to pay operating subsidies to the company equal to the project expenses less project income. The agreement will expire upon the earliest to occur of the expiration of 40 years from the date of first occupancy (December 2050) or at the option of the project at the close of the first project year of which the CDA ceases to pay operating subsidies. Operating subsidies totaling \$147,038 were earned during the period ended December 31, 2016. Included in accounts receivable are operating subsidies of \$19,404 as of December 31, 2016.

h. Commitments and Contingencies

Land Use Restriction Agreement (LURA)

The company has entered into a LURA with the Wisconsin Housing and Economic Development Authority (WHEDA) as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, the company must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If the company fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor members. The company is obligated to certify tenant eligibility.

Tax Credit Exchange Program (TCEP)

The company has entered into a TCEP Subaward Agreement (Subaward Agreement) with WHEDA. Under the Subaward Agreement, the company was awarded and received grant funds totaling \$1,345,125, pursuant to Section 1602 of the American Recovery and Reinvestment Act of 2009. If the company fails to continuously comply with the guidelines of the Subaward Agreement, it may be required to refund up to the full amount of the grant funds received and reimburse WHEDA for the costs and fees incurred in connection with the recapture event. As a condition to making the Subaward Agreement, WHEDA required the owner to enter into a corporate guarantee. The Subaward Agreement terminates at the expiration of the low-income housing tax credit compliance period.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC

- a. Nature of Business and Significant Accounting Policies

Nature of Business

Beloit Apartments Redevelopment – Phase 2, LLC (the company) was organized on March 5, 2010, as a limited liability company (LLC) formed under the Wisconsin Limited Liability Company Act (the Act). The company was formed to acquire, rehabilitate, develop, and operate a 66-unit project comprised of 41 elderly and 25 family residential units, located on scattered sites in Beloit, Wisconsin, called Beloit Apartments Redevelopment – Phase 2, LLC (the project). The project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The original property, including the buildings and land, was acquired under a capital lease dated October 14, 2011. The company completed the rehabilitation of the existing structures on various dates from January through May of 2012. The new construction portion of the projects was placed in service on various dates in August and December 2012.

The company consists of one managing member and one investor member, with rights, preferences and privileges as described in the Amended and Restated Operating Agreement (operating agreement). Each member's liability for the debts and obligations of the company shall be limited to the maximum extent permitted by the Act and other applicable laws.

The company shall be operated in a manner consistent with its treatment as a partnership for federal and state income tax purposes. Therefore, the accompanying financial statements do not include the personal or corporate assets and liabilities of the members, their obligation for income taxes on their distributive shares of the net income of the company or their rights to refunds on its net loss, nor any provision for income tax expense.

The operating agreement states that the company shall be perpetual unless sooner terminated in accordance with the operating agreement.

Significant Accounting Policies

A summary of significant accounting policies follows:

Use of Estimates

The preparation of financial statements 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 expenses during the reporting period. Actual results could differ from those estimates.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

- a. Nature of Business and Significant Accounting Policies (cont.)

Significant Accounting Policies (cont.)

Cash and Cash Equivalents

For purposes of reporting cash flows, the company considers all investments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash not available to the company due to restrictions placed on it.

The company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable and Revenue Recognition

The company utilizes the direct write-off method of accounting for bad debts. The use of this method has no material effect on the financial statements. A receivable is considered past due if payments have not been received by the company for 10 days. Accounts are generally written off as uncollectible if no payments are received after 30 days. No fee is charged to customers for late payment.

Rental revenue is recognized when earned. The company leases apartments to eligible applicants under operating leases which are substantially all on a yearly basis.

Rental Property

Rental property is stated at cost. Depreciation of rental property is computed on the straight-line method based upon the following estimated useful lives of the assets:

	Years
Land and buildings under capital lease	98
Buildings and improvements	27.5
Land improvements	15
Furnishings and equipment	5

Maintenance and repairs of rental property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of rental property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

It is the company's policy to include amortization expense on assets acquired under capital leases with depreciation expense on owned assets.

Impairment of Long-Lived Assets

The company reviews long-lived assets, including rental property and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

I. COMPONENT UNITS (cont.)

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

a. Nature of Business and Significant Accounting Policies (cont.)

Significant Accounting Policies (cont.)

Financing Costs
Financing costs incurred by the company totaled \$12,000. The company is amortizing these costs into interest expense on the straight-line method over 39 years and 9 months, the life of the loans. The use of the straight-line method rather than the effective interest method has no material effect on the financial statements. Amortized costs included in interest expense amounted to \$301 for the period ended December 31, 2016.

Tax Credit Fees

In connection with obtaining an allocation of low-income housing tax credits from the Wisconsin Housing and Economic Authority (WHEHA), the company incurred fees totaling \$128,263. The company is amortizing these fees over the related tax credit compliance period of 15 years using the straight-line method.

Current Vulnerability Due to Certain Concentrations

The project's operations are concentrated in the low-income, public housing residential real estate market. In addition, the project operates in a heavily regulated environment. The operations of the project are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies including, but not limited to, the Community Development Authority of the City of Beloit (CDA) under the Regulatory & Operating Agreement (R&O Agreement). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the CDA. Such changes may occur with little or inadequate funding to pay for the related cost, including additional administrative burden to comply with a change.

Subsequent Events

These financial statements have not been updated for subsequent events occurring after March 1, 2017, which is the date these financial statements were available to be issued. The company has no responsibility to update these financial statements for events and circumstances occurring after this date.

b. Restricted Cash

Restricted cash is comprised of the following:

Replacement reserve	\$ 90,415
Operating reserve	190,698
ACC reserve	281,028
Tenants' security deposits	24,231
Total	<u>\$ 586,372</u>

b. Restricted Cash (cont.)

Replacement Reserve

The operating agreement and R&O Agreement require the company to make monthly deposits to the replacement reserve initially equal to \$300 per unit per year, and increasing annually by 3%. Disbursements are restricted to capital improvements and repairs of the project. Disbursements in excess of \$5,000 in the aggregate in any given month will require written approval of the managing member and the asset manager. Any funds remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement.

Balance, beginning	\$ 68,046
Deposits	22,285
Interest earned	84
Balance, Ending	<u>\$ 90,415</u>

Operating Reserve

The R&O Agreement and the operating agreement require the company to fund and maintain an operating reserve in the amount of \$190,000 upon receipt of the investor member's third installment of project equity. Any excess amount remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement, subject to consent by any lender or the United States Department of Housing and Urban Development (HUD). If the balance in the operating reserve falls below \$190,000, the company is obligated to replenish the operating reserve from cash flow or the proceeds of sales or refinancing. Disbursements require the approval of the managing member and the asset manager.

Balance, beginning	\$ 190,507
Interest earned	191
Balance, Ending	<u>\$ 190,698</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

b. Restricted Cash (cont.)

Annual Contributions Contract (ACC) Reserve
The operating agreement and R & O Agreement require the company to fund an ACC reserve equal to \$280,000 upon the receipt of the investor member's third installment of project equity. Disbursements are to be used to pay operating and debt service deficits that directly result from the reduction or loss of a reduction in the projected HUD mixed finance subsidies. Funds may only be withdrawn with the approval of the managing member and asset manager. Any funds remaining at the end of the compliance period shall, subject to any required lender or HUD consent, be distributed to the members as provided for in the operating agreement.

Balance, beginning	\$ 280,747
Interest earned	<u>281</u>
Balance, Ending	<u><u>\$ 281,028</u></u>

c. Rental Property, Net

Rental property, net is comprised of the following:

Land	\$ 175,397
Land and buildings under capital lease	1,410,000
Buildings and improvements	9,216,173
Land improvements	397,055
Furnishings and equipment	<u>309,631</u>
Less: Accumulated depreciation	<u>1,508,256</u>
Total	<u><u>\$ 9,640,789</u></u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment-Phase 2, LLC (cont.)

d. Mortgage and Other Notes Payable

Mortgage and other notes payable consists of the following:

CDA; managing member, nonrecourse mortgage note payable under the capital lease described in Note K.e.; due in one installment on October 13, 2051, together with interest at 4.19% compounded annually, collateralized by a mortgage on the project's rental property; interest expense totaled \$70,244 for the year ended December 31, 2016; accrued interest was \$336,711 as of December 31, 2016. \$ 1,410,000

CDA; nonrecourse mortgage note in the original amount of \$230,074; due in one installment on October 13, 2051, together with interest at 0.50%; collateralized by a mortgage on the project's rental property; interest expense totaled \$1,150 for the year ended December 31, 2016; accrued interest was \$4,218 as of December 31, 2016. 230,074

CDA; nonrecourse mortgage note in the original amount of \$256,500; due in one installment on October 13, 2051, together with interest at 0.50%; collateralized by a mortgage on the project's rental property; interest expense totaled \$1,283 for the year ended December 31, 2016; accrued interest was \$5,024 as of December 31, 2016. 256,500

CDA; nonrecourse mortgage note in the original amount of \$540,000; noninterest bearing; due in one installment on October 13, 2051, collateralized by a mortgage on the project's rental property. 540,000

CDA; nonrecourse mortgage note in the original amount of \$600,000; principal due in one installment on October 13, 2051, together with interest at 0.50%; collateralized by a mortgage on the project's rental property; interest expense totaled \$2,371 for the year ended December 31, 2016; accrued interest was \$8,446 as of December 31, 2016. 474,260

Total Mortgage Notes Payable	2,910,834
Less: Unamortized financing cost	<u>10,491</u>
Total	<u><u>\$ 2,900,343</u></u>

In 2016, the company retrospectively adopted the requirements in FASB Accounting Standards Codification 835-30 to present debt issuance cost as a reduction of the carrying amount of the debt rather than an asset. Mortgage notes payable as of December 31, 2015 was previously reported in the balance sheet as \$2,910,834 with the associated \$10,792 unamortized debt issuance costs included in assets.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment- Phase 2, LLC (cont.)

d. Mortgage and Other Notes Payable (cont.)

Repayment of principal on the mortgage and other notes payable as of December 31, 2016, is follows:

Year Ending December 31,	\$
2017	-
2018	-
2019	-
2020	-
2021	-
Thereafter	2,910,834
Total	<u>\$ 2,910,834</u>

e. Capital Lease

The company has entered into a capital lease agreement with the CDA dated October 14, 2011, to operate and manage the project during the term of the capital lease in accordance with all applicable public housing requirements. Rental property recorded under this non-cancellable capital lease consists of:

Land	\$ 770,000
Buildings	640,000
Total	<u>\$ 1,410,000</u>

In accordance with accounting principles generally accepted in the United States of America, the land and building are capitalized as a single unit and amortized over the lease term of 98 years. Accumulated depreciation on the land and building under the capital lease was \$75,536 as of December 31, 2016.

Base rent under the lease was payable in a single installment of \$1,410,000 on October 14, 2011. The balance of unpaid base rent accrues interest at 4.19%, compounded annually (see Note I.d. in this section). Payments made by the company shall be applied first to accrued interest and then against the unpaid base rent amount. The base rent and all accrued interest thereon is due October 13, 2051. The capital lease obligation is secured by a mortgage note as described in Note I.d. The lease expires October 13, 2109.

In addition to the base rent and related interest payments, the company is obligated to make an annual payment in lieu of taxes (PILOT) to the City of Beloit, Wisconsin (the City) (see Note I.f. in this section).

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment- Phase 2, LLC (cont.)

f. Related Party Transactions

Accounts Payable
Included in accounts payable are amounts owed to the CDA for reimbursement of operating expenses totaling \$27,293 as of December 31, 2016.

Property Management Agreement

The company has entered into a property management agreement with the CDA under which the company is now obligated to pay a property management fee equal to 5% of gross residential rents and ACC operating subsidy received on a monthly basis. The agreement is automatically renewed from year to year unless otherwise terminated. Property management fees totaled \$13,459 for the period ended December 31, 2016.

Asset Management Fee

The company is obligated to pay an affiliate of the investor member, NEF Community Investments, Inc., an annual asset management fee of \$6,600, increasing annually by 3%. The fee is payable solely from cash flow as defined in the operating agreement and shall be cumulative and accrued if not paid. Asset management fees incurred were \$7,428 for the period ended December 31, 2016. Asset management fees accrued and included in accrued expenses were \$28,784 as of December 31, 2016.

Operating Deficit Guaranty

The managing member is obligated, after all funds in the operating reserve account have been depleted, to fund operating deficits during the operating deficit guaranty period. The operating deficit guaranty period is defined as the period beginning with the date of achievement of stabilized occupancy and ending on after achievement of 36 consecutive months with an expense coverage ratio of 1.00 or better commencing on or after the second anniversary of the later of the achievement of stabilized occupancy or repayment in full of the construction loan. The obligation to fund operating deficits shall be limited to \$190,000. Such loans are non-interest bearing and repayable solely from available cash flow as defined in the operating agreement. There was no operating deficit guaranty loans as of December 31, 2016.

R&O Agreement

The company has entered into an R&O Agreement with the CDA. Provisions of the agreement require the company to maintain all units as public housing units. The CDA is to pay operating subsidies to the company equal to the project expenses less project income. The agreement will expire upon the earliest to occur of the expiration of 40 years from the date of first occupancy or at the option of the project at the close of the first project year of which the CDA ceases to pay operating subsidies. Operating subsidies totaling \$166,392 were earned during the period ended December 31, 2016. Included in accounts receivables are operating subsidies receivable of \$50,412 as of December 31, 2016.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment- Phase 2, LLC (cont.)

f. Related Party Transactions (cont.)

PILOT
The company and the CDA entered into a PILOT agreement with the City, in which the company will make an annual PILOT payment to the City beginning in 2011 and ending in the final calendar year of the project's compliance period (2026). The PILOT shall be equal to 10% of the difference between the annual tenant's portion of the collected rents for all of the residential rental units in the buildings and the annual utility bills incurred by the company with respect to the project. The PILOT is required for as long as the land and building under capital lease constitutes property of the CDA that is exempt from taxation under the Wisconsin Statutes.

g. Company Profits and Losses and Distributions

All profits and losses are allocated .01% to the managing member and 99.99% to the investor member.

Distributable cash flow, as defined by the operating agreement, is allocated .01% to the managing member and 99.99% to the investor member.

Gain, if any, from a sale or exchange or other disposition of the property owned by the company is allocable as follows:

1. To all members having negative balances in their capital accounts prior to the distribution of any sale or refinancing proceeds, an amount of such gain to increase their negative balance to zero.
2. To all members until their capital account balances are equal to net projected tax liabilities as defined in the company agreement.
3. The remainder of such gain, if any, 99.99% to the investor member and .01% to the managing member.

h. Commitments and Contingencies

Land Use Restriction Agreement (LURA)

The company has entered into a LURA with the Wisconsin Housing and Economic Development Authority as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, the company must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If the company fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor member. The company is obligated to certify tenant eligibility.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Community Development Authority Component Unit - Beloit Apartments Redevelopment- Phase 2, LLC (cont.)

h. Commitments and Contingencies (cont.)

Affordable Housing Program (AHP)

On October 14, 2011, the CDA, on behalf of Beloit Apartments Redevelopment – Phase 2, LLC, entered into an AHP Agreement with The First National Bank and Trust Company (the bank) in the original amount of \$258,500. In connection with the AHP agreement, the CDA and the company entered into a Retention/Recapture Agreement with the bank. As a condition of receiving these funds, the CDA and the company have agreed to make 40 units, 25 units, and 1 unit of the project affordable for and occupied by households whose income does not exceed 50%, 60%, and 80%, respectively, of the county median income (CMI) of Rock County, Wisconsin. The compliance period will terminate 15 years from the date of project completion.

Beloit Public Library Foundation, Inc.

a. Organization

The Beloit Public Library Foundation, Inc., (Foundation) is organized to raise and provide support monies for the Beloit, Wisconsin Public Library (Library).

b. Summary of Significant Accounting Policies

1. The Foundation's financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America as promulgated by the American Institute of Certified Public Accountants.
2. The Foundation accounts for contributions in accordance with generally accepted accounting principles (GAAP). All contributions are considered to be available for the general programs of the Foundation unless specifically restricted by the donor. The Foundation reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donated cash. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net position is reclassified to unrestricted net position and reported in the Statement of Activities as net position released from restrictions. Donor-restricted contributions are booked in the temporarily restricted class for restrictions expiring during the fiscal year, and then reclassified to the unrestricted class.
3. The preparation of financial statements in conformity with GAAP 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 expenses during the reporting period. Actual results could differ from those estimates.
4. The Foundation has evaluated subsequent events through March 31, 2017 the date which the financial statements were available to be issued.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc. (cont.)

d. Receivables (cont.)

The effective interest rate used to calculate the discount on long term receivables is 1.20% obtained from U.S. Department of Treasury two year curve rate as of December 31, 2016.

Accounts receivable include due for Individual Appeal Donations. Management has evaluated these amounts and feels that the amount reported will be collectable.

e. Temporarily Restricted Net Position

Temporarily restricted net position – Net position subject to grantor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

The following funds have been temporarily restricted from general operating use by grantors:

Library building fund	12-31-16
Blender café fund	\$ 5,434
	<u>119,366</u>
Total	<u>\$ 124,800</u>

f. Investments

In accordance with GAAP, investments are reported at fair market value. At December 31, as quoted by the trustee or from stock quotes, the market and cost are as follows:

	2016	
	Market	Cost
Mutual Funds - Equity	\$ 434,450	\$ 439,453
Fixed income	<u>159,224</u>	<u>164,769</u>
Totals	<u>\$ 593,674</u>	<u>\$ 604,222</u>

Unrealized gains amounted to \$(10,548) as of December 31, 2016. Current unrealized losses of \$(11,797) have been reflected in the Statement of Activities for 2016.

Interest and dividends earned on the above investments amounted to \$23,125 for 2016. Investments are exposed to potential risks including interest rate risk, credit risk, and overall market volatility. Accordingly, it is reasonably possible that changes in the value of investments will occur in the near term and such changes could be material in amount.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc. (cont.)

c. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2016, the Foundation had an uninsured cash balance of \$7,570.

d. Receivables

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Management feels all contribution and pledge amounts will be collected based on management's review of specific amounts, and therefore an allowance for uncollectables is not recorded.

Pledges receivable as of December 31, 2016 consisted of the following:

	2016
Receivable in less than one year	\$ 3,750
Receivable in one to five years	<u>3,750</u>
Total Pledges Receivable	<u>7,500</u>
Less: Discount on long-term receivables	<u>67</u>
Net Pledges Receivable	<u>\$ 7,433</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc. (cont.)

9. Fair Value Measurements

The Foundation has adopted the Financial Accounting Standards Board (FASB) FASB ASC 820-10, *Fair Value Measurements and Disclosures*. FASB ASC 820-10 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants in the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Foundation considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

FASB ASC 820-10 establishes a fair value hierarchy that requires the Foundation to maximize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level on input that is significant to the fair value measurement.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Significant other observable inputs other than Level 1 that are either directly or indirectly, such as quoted market prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full terms of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair values of assets measured on a recurring basis at December 31, 2016 are as follows.

	Fair Value Measurements at Reporting Date Using Quoted Prices In Active Markets for Identical Assets (Level 1)
December 31, 2016	Fair Value
Marketable securities	\$ 593,674
	\$ 593,674

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

Beloit Public Library Foundation, Inc. (cont.)

h. Income Taxes

The Foundation is a nonprofit organization and is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and, therefore, there is no provision for income taxes in the financial statements.

Management of the Foundation has evaluated for uncertain tax positions and has determined that there are no uncertain tax positions as of December 31, 2016. The Foundation is subject to income taxes in the United States Federal jurisdiction and the State of Wisconsin. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. Tax returns remain open for federal examination for the past three years and state examination for the past four years.

i. Related Organization

The Library is a separate tax exempt organization organized to provide books, audio books, magazines, CD's, movies and reading programs to the citizens of Beloit, Wisconsin. Program services expenses of the Foundation are for the benefit of the Library. The Foundation's contributions to the library as of December 31, 2016 were \$14,012.

j. Blender Café

During 2016, the Foundation started a capital campaign for Blender Café, which is a café at the library that is planning to open April 2017. The Foundation is collecting donations for the Blender Café and then passing those donations through to the City of Beloit to pay for the construction of the Café. The Foundation's contributions for the Blender Café as of December 31, 2016 were \$130,600.

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Summary of Significant Accounting Policies

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. 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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Vesting. 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.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. 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 participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$2,012,193 in contributions from the City and CDA.

Contribution rates as of December 31, 2016 are:

	Employee	Employer
General	6.6%	6.6%
Executives and Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

Pension Assets, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the City and CDA reported a liability of \$3,472,339 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City and CDA's proportion of the net pension liability was based on the City and CDA's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City and CDA's proportion was 0.21368493%, which was an increase of 0.00013062% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City and CDA recognized pension expense of \$4,144,475.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

At December 31, 2016, the City and CDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 587,307	\$ 7,307,477
Change in assumptions	2,429,400	-
Net differences between projected and actual earnings on pension plan investments	14,216,367	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	63,616
Employer contributions subsequent to the measurement date	2,042,843	-
Totals	\$ 19,275,917	\$ 7,371,093

\$2,042,843 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 4,474,508	\$ 1,784,629	
2018	4,474,508	1,784,629	
2019	4,474,508	1,784,629	
2020	3,732,323	1,781,818	
2021	77,227	235,388	

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %		Destination Target Allocation %		Long-Term Expected Nominal Rate of Return %		Long-Term Expected Real Rate of Return %	
	27%	24.5	23%	22	7.6%	8.5	4.7%	5.6
US Equities								
International Equities								
Fixed Income								
Inflation Sensitive Assets								
Real Estate								
Private Equity/Debt								
Multi-Asset								
Total Core Fund	107	107	120	120	7.4	7.4	4.5	4.5
Variable Fund Asset Class								
U.S. Equities								
International Equities								
Total Variable Fund	100	100	100	100	7.9	7.9	5.0	5.0

New England Pension Consultants Long-Term US CPI (inflation) Forecast: 2.75%
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City and CDA's proportionate share of the net pension liability/(asset) to changes in the discount rate. The following presents the City and CDA's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.20 percent, as well as what the City and CDA's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

City and CDA's proportionate share of the net pension liability/(asset)	1% Decrease to Discount Rate (6.20%)		1% Increase to Discount Rate (8.20%)	
	Current Discount Rate (7.20%)		Current Discount Rate (7.20%)	
	\$24,355,050		\$3,472,339	\$(12,837,431)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/and> reference report number 15-11.

At December 31, 2016, the City and CDA reported a payable to the pension plan, which represents contractually required contributions outstanding as of the end of the year.

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. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year. However, other risks, such as health care of its employees, liability claims, and worker's compensation are accounted for and financed by the City in the internal service funds.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Self Insurance

The City has a limited risk management program for employee health and dental benefits with claims processed by a third-party claims administrator on behalf of the City. The claims are being paid out of the internal service fund, and are funded by allocations charged to other funds. Interfund premiums are based on claims experience. As a part of the plan a reinsurance policy has been purchased which picks up claims in excess of \$100,000 per individual with an unlimited lifetime limit of liability per covered participant. A separate insurance rider provides transplant coverage with a lifetime maximum of \$1 million. Settled claims have exceeded this stop-loss amount per individual in each of the past four years. Total amounts charged back to the various departments during the year were \$6,292,941.

The estimated liability for self-funded losses is based on reported claims for the year and those received subsequent to year end. The City does not allocate overhead costs or other nonincremental costs to the claims liability. The liability is considered a current liability of the City as incurred but not reported claims are normally paid within two months of year end and represent the majority of claims payable at December 31, 2016. The estimated liability for self insured losses for this program consisted of the following at December 31, 2016:

Reported and Known Claims	\$ 856,118
Incurred but not Reported Claims	<u>1,336,565</u>
Total	<u>\$ 2,192,683</u>

Changes in the claims payable follow.

	Balance January 1	Incurred Claims	Claims Paid	Balance December 31
2015	\$ 1,835,972	\$ 7,535,797	\$ 7,467,450	\$ 1,904,319
2016	1,904,319	8,307,758	8,019,394	2,192,683

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Public Entity Risk Pool

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

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

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

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities. The City's share of such losses is approximately 3.28%.

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 can be obtained directly from CVMIC's offices.

The initial investment in WMIC is refundable upon withdrawal from the commission and has been reported at the original amount of \$1,575,475 in the insurance internal service fund.

The City pays an annual premium to CVMIC for its general automobile, public official, and liability insurance, which provides coverage up to \$5,000,000 per occurrence, less the City's retained liability. The City's retained liability is limited to \$50,000 per occurrence and an annual aggregate limit of \$200,000. An actuarially determined estimate has been recorded for this liability, as well as for claims incurred but not reported at December 31, 2016. A total liability of approximately \$86,067 at December 31, 2016 was recorded as claims payable in the internal service fund.

Transit Mutual Insurance Corporation of Wisconsin (TMI)

Transit Mutual Insurance Corporation of Wisconsin (TMI) is a municipal mutual insurance corporation, which insures auto liability and auto physical damage for municipally-owned transit systems in Wisconsin. Each insured property is an owner of the mutual insurance corporation. The City insures its transit systems' auto liability and physical damage with TMI and is an owner of the corporation.

The City's auto liability insurance policy has a \$250,000 per person policy limit and a \$7,000,000 per accident policy limit. Of the per accident policy limit, TMI insures \$2,000,000 and reinsures \$5,000,000 with Genesis Insurance. In addition, the City's policy provides for \$25,000 per person and \$50,000 per accident in uninsured motorist insurance.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Transit Mutual Insurance Corporation of Wisconsin (TMI) (cont.)

The physical damage policy issued by TMI to the City provides collision and comprehensive coverage for the lesser of the agreed value or the cost of repairs minus a \$500 per accident deductible for private passenger and service units and a \$1,000 per accident deductible for bus units.

Management of TMI consists of a board of directors comprised of one representative for each member. The City does not exercise any control over the activities of the corporation beyond its representation on the board of directors.

Premiums are determined in advance of each premium year, which begins on January 1. TMI is an assessable mutual; accordingly, the board of directors may require that supplemental contributions be made by members to ensure adequate funds are available to meet the obligations applicable to the premium year. Members are required by Wisconsin statute and TMI bylaws to fund any deficit attributable to a premium year during which they were a member. TMI was incorporated in 1985 and began issuing insurance policies in 1986; there has never been a member assessment beyond the annual premiums.

The City's share of this corporation is 1.17% for auto liability and 2.07% of physical damage liability. A list of the other members and their share of participation is available in the TMI report, which can be obtained directly from TMI's offices.

C. COMMITMENTS AND CONTINGENCIES

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 is only reported in governmental fund types 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.

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.

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 the following encumbrances outstanding at year end, relating to funds on hand:

Nonmajor Funds	\$ 2,666,148
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CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan. The plan provides for eligible retirees and their spouses through the City which covers both active and retired members. Benefit provisions are established through collective bargaining agreements and state that eligible retirees and their spouses be at established contribution rates.

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the City and the union. The City makes the same monthly health insurance contribution on behalf of the retiree as it makes on behalf of all other active employees during that year. The City contributes 100% and 100% of the current year premiums for a family and a single plan, respectively, for eligible retired plan members and their spouses. For fiscal year 2016, the City contributed \$2,098,850 to the plan. Fire and police plan members receiving benefits contribute 0% and 0% of their premium costs for a family plan and a single plan, respectively. The City offered an early retirement incentive program to employees who were age 60 or over and had 20 or more years of service with the City, effective July 2010. These employees had to retire on or before December 31, 2010. The City pays 100% of the premium for pre-Medicare coverage for these retirees. All others pay 100% of their premiums. For fiscal year 2016, total member contributions were \$0 and there were 326 active and 183 retiree plan participants.

The City's annual other post-employment 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 the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 5,696,505
Interest on net OPEB obligation	1,088,306
Adjustment to annual required contribution	<u>(1,245,506)</u>
Annual OPEB cost	5,539,305
Contributions made	<u>(2,098,850)</u>
Increase in Net OPEB Obligation	3,440,456
Net OPEB Obligation – Beginning of Year	<u>36,276,866</u>
Net OPEB Obligation – End of Year	<u>\$ 39,717,322</u>

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016, 2015, and 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/16	\$ 5,539,305	38%	\$ 39,717,322
12/31/15	7,360,025	37%	36,276,866
12/31/14	7,139,347	36%	31,663,841

The funded status of the plan as of January 1, 2016, as determined at January 1, 2016, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 102,502,429
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 102,502,429
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 24,088,678
UAAL as a percentage of covered payroll	425.52%

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 actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the City's actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 3.00% investment rate of return and an annual healthcare cost trend rate of 7.50% initially, reduced by decrements to an ultimate rate of 5.0%. Both rates include a 2.50% inflation assumption. 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, 2016 was 30 years.

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

E. BOND COVENANT DISCLOSURES

Debt Coverage

The revenue bond resolutions require revenue less operating expenses excluding depreciation and tax equivalent (defined net earnings) to exceed 1.25 times in the water and storm water utilities the corresponding principal and interest. The Clean Water Fund revenue bonds require revenue less operating expenses excluding depreciation to exceed 1.10 times in the sewer utility the corresponding principal and interest.

	Water – 2016	Sewer – 2016	Storm Sewer – 2016
Operating revenues	\$ 5,507,429	\$ 7,167,202	\$ 1,124,771
Investment income	42,584	130,684	7,082
Operating expenses excluding depreciation	(2,306,354)	(6,102,227)	(778,841)
Defined Earnings	\$ 3,243,659	\$ 1,195,639	\$ 353,012
Annual debt service on revenue bonds	\$ 2,263,725	\$ 214,409	\$ 99,850
Coverage factor	x 1.25	x 1.10	x 1.25
Required Net Earnings	\$ 2,829,656	\$ 235,850	\$ 124,813

F. TAX ABATEMENT

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City, through its Tax Incremental Financing Districts (TIF) Nos. 6, 11 and 10, has entered into tax abatement agreements with developers in the form of tax incremental financing incentive payments to stimulate economic development. The abatements are authorized through the TID project plans. The developers pay property taxes as they become due, and after meeting the criteria established in the development agreements, are entitled to future incentive payments that directly correlate to the taxes paid.

Agreement Description	Calculation Method	Developer Commitment	2016 Payments
TIF 6	35%	Construction of improvements	\$ 34,574
TIF 10	20%	Construction of improvements	58,994
TIF 10	35%	Construction of improvements	412,316
TIF 10	20%	Construction of improvements	57,868
TIF 10	35%	Construction of improvements	81,588
TIF 10	35%	Construction of improvements	709
TIF 11	20%	Construction of improvements	22,656

CITY OF BELOIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

G. SUBSEQUENT EVENTS

On June 6, 2017 the City issued General Obligation Promissory Notes in the amount of \$1,730,000. The amount will be used to finance projects in the City's Capital Improvement Program.

On June 6, 2017 the City issued General Obligation Bonds in the amount of \$5,645,000. The amount will be used to finance projects in the City's Capital Improvement Program as well as refund the 2008 GO Bonds.

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

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*
- > Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*
- > Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (effective December 31, 2018)*
- > Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*
- > Statement No. 81, *Irrevocable Split-Interest Agreements*
- > Statement No. 82, *Pension Issues-an Amendment of GASB Statement No. 67, No. 68, and No. 73*
- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 85, *Omnibus 2017*
- > Statement No. 86, *Certain Debt Extinguishment Issues*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BELOIT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget
TAXES			
Current levy	\$ 7,069,000	\$ 7,076,780	\$ 7,780
Mobile home taxes	15,000	13,891	(1,109)
Prior year tax collection/rescinded taxes	2,000	-	(2,000)
Payment in lieu of taxes - housing authority	-	26,342	26,342
Motel tax	73,000	85,737	12,737
Total Taxes	7,159,000	7,202,750	43,750
INTERGOVERNMENTAL			
Shared aidable revenue	16,190,000	16,160,803	(29,197)
Fire distribution fee	60,270	67,277	7,007
Expenditure restraint payment	648,000	651,280	3,280
State highway aids	1,680,000	1,646,669	(33,331)
State aid - connecting streets	261,620	260,860	(760)
Motor vehicle registration	525,000	538,244	13,244
Municipal service payment	22,000	18,033	(3,967)
Computer exemption aid	66,000	62,933	(3,067)
Total Intergovernmental Revenues	19,452,890	19,406,099	(46,791)
LICENSES AND PERMITS			
Licenses			
Liquor - malt permits	63,695	56,658	(7,037)
Cable TV	440,000	428,853	(11,147)
Other licenses	17,860	17,594	(266)
Total Licenses	521,555	503,105	(18,450)
Permits			
Construction permits	144,460	140,798	(3,662)
Other permits	193,215	193,523	308
Underground storage tank inspection	3,200	2,968	(232)
Total Permits	340,875	337,289	(3,586)
Total Licenses and Permits	862,430	840,394	(22,036)

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

CITY OF BELOIT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget
FINES, FORFEITURES AND PENALTIES			
Municipal court costs	\$ 130,000	\$ 111,384	\$ (18,616)
Nontraffic fines	320,000	250,439	(69,561)
Traffic fines	170,000	109,617	(60,383)
Parking fines	257,000	97,791	(159,209)
Penalties on taxes	110,000	98,454	(11,546)
Other	85,200	75,863	(9,337)
Total Fines, Forfeitures and Penalties	1,072,200	743,548	(328,652)
FEES AND SERVICE CHARGES			
Animal shelter	8,700	7,497	(1,203)
Recreation			
Other recreation	151,444	197,050	45,606
Teller Park and Rivercenter	124,598	118,858	(5,740)
Swimming pool	64,364	63,668	(696)
Total Recreation	340,406	379,576	39,170
Other General Revenue			
Fire inspection fees	135,490	140,272	4,782
Property transfer certificates	14,050	19,906	5,856
In-house fees	37,350	43,582	6,232
Hazardous material response	10,500	9,216	(1,284)
Donations and miscellaneous	88,455	85,740	(2,715)
Nutrition coordinator	7,229	9,655	2,626
Recoveries from city	-	93	93
Miscellaneous police revenues	101,000	83,454	(17,546)
Total Other General Revenue	394,074	392,118	(1,956)
Total Fees and Service Charges	743,180	779,191	36,011

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

CITY OF BELOIT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget
RENT	\$ 17,000	\$ 57,804	\$ 40,804
INVESTMENT INCOME	250,000	235,156	(14,844)
UNREALIZED GAIN (LOSS) ON INVESTMENTS	-	(154,714)	(154,714)
OTHER	41,776	41,776	-
Total Revenues	29,598,476	29,152,004	(446,472)
OTHER FINANCING SOURCES			
Sale of city property	40,000	1,608	(38,392)
Transfers in - tax equivalent	864,000	790,273	(73,727)
Total Other Financing Sources	904,000	791,881	(112,119)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 30,502,476	\$ 29,943,885	\$ (558,591)

See accompanying auditors' report and notes to required supplementary information. Page 89

CITY OF BELOIT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget
CURRENT EXPENDITURES			
GENERAL GOVERNMENT			
City Council, Manager, Attorney	\$ 49,342	\$ 47,582	\$ 1,760
City manager	296,837	274,254	22,583
City attorney	396,574	401,886	(5,312)
Total City Council, Manager and Attorney	742,753	723,722	19,031
Finance and Administrative Services			
Personnel and labor relations	231,075	199,899	31,176
Municipal court	342,863	321,707	21,156
Computer information systems	620,063	549,593	70,470
Records and elections	356,145	372,423	(16,278)
Property appraisal	199,303	195,141	4,162
Collections	80,434	70,925	9,509
Accounting	284,536	283,275	1,261
Financial management	323,992	207,969	115,983
Licenses and permits	268,077	88,861	178,216
Bad debts	500	117	383
Insurance	292,052	292,051	1
City hall operation	290,639	288,231	2,408
Total Finance and Administrative Services	3,289,679	2,871,222	418,457
Total General Government	4,032,432	3,594,944	437,488
COMMUNITY DEVELOPMENT			
City planning	674,935	655,561	19,374
Economic development	266,918	265,940	(9,022)
Code enforcement	489,446	420,877	68,569
Total Community Development	1,421,299	1,342,378	78,921
PUBLIC SAFETY			
Police Department			
Staff services	11,518,510	11,616,831	(98,321)
Total Police Department	11,518,510	11,616,831	(98,321)
Fire Department			
Staff services	634,601	693,867	(59,266)
Inspection and prevention	309,537	282,145	27,392
Fire fighting and rescue	6,555,913	6,625,495	(69,582)
Total Fire Department	7,500,051	7,601,507	(101,456)
Total Public Safety	19,018,561	19,218,338	(199,777)

See accompanying auditors' report and notes to required supplementary information. Page 100

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Previous Page

CITY OF BELOIT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget
CURRENT EXPENDITURES (cont.)			
PUBLIC WORKS			
DPW engineering			
DPW administration and engineering	\$ 774,595	\$ 688,931	\$ 85,664
Total DPW engineering	774,595	688,931	85,664
DPW operations			
Streets and sanitation	2,725,315	2,547,250	178,065
Central stores	34,076	32,982	1,094
Total DPW operations	2,759,391	2,580,232	179,159
DPW parks and recreation			
Parks	1,551,553	1,502,696	48,857
Recreation	323,385	322,936	449
Edwards pavilion	204,137	174,496	29,641
Senior center	146,285	166,459	(20,174)
Rotary river center	37,966	28,530	9,436
Swimming pools	205,398	207,967	(2,569)
Big Hill park	27,474	32,890	(5,416)
Total DPW parks and recreation	2,496,198	2,435,974	60,224
Total Public Works	6,030,184	5,705,137	325,047
TOTAL EXPENDITURES	\$ 30,502,476	\$ 29,860,797	\$ 641,679

See accompanying auditors' report and notes to required supplementary information. Page 101

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - TIF DISTRICT NO. 10 (MAJOR FUND)
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 4,336,187	\$ 4,336,187	\$ 4,482,569	\$ 146,382
Intergovernmental	637,516	837,516	847,145	509,629
Investment income	18,000	18,000	18,141	141
Other	16,300	16,300	51,392	35,092
Total Revenues	5,008,003	5,208,003	5,399,247	691,244
EXPENDITURES				
Capital Outlay	2,746,115	2,946,115	3,090,916	(144,801)
Debt Service				
Principal retirement	1,615,000	1,615,000	1,625,440	(10,440)
Interest and fiscal charges	512,318	512,318	512,318	-
Total Expenditures	4,873,433	5,073,433	5,228,674	(155,241)
Excess of Revenues Over Expenditures	134,570	134,570	170,573	536,003
OTHER FINANCING SOURCES (USES)				
Sale of city property	-	-	19,435	19,435
Transfers out	(291,528)	(291,528)	(291,528)	-
Total Other Financing Sources (Uses)	(291,528)	(291,528)	(272,093)	19,435
Net Change in Fund Balance	(156,958)	(156,958)	(101,520)	555,438
FUND BALANCE - Beginning	584,803	584,803	584,803	-
FUND BALANCE - ENDING	\$ 427,845	\$ 427,845	\$ 483,283	\$ 555,438

See accompanying auditors' report and notes to required supplementary information. Page 102

CITY OF BELOIT

**OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
For the Year Ended December 31, 2016**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)		Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		Projected Unit Credit Actuarial Cost	Projected Unit Credit Actuarial Cost				
1/1/2016	\$ -	\$ 102,502,429	\$ 102,502,429	\$ -	0%	\$ 24,088,678	425.52%
1/1/2014	-	118,761,524	118,761,524	-	0%	23,557,185	504.14%
1/1/2012	-	130,931,944	130,931,944	-	0%	19,598,021	668.09%

CITY OF BELOIT

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) -
WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2016**

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of	
				Covered Payroll	Total Pension Liability
12/31/16	0.21368493%	\$ 3,472,339	\$ 22,979,036	15.10%	98.20%
12/31/15	-0.21355431%	(5,245,478)	23,533,359	22.29%	102.74%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2016**

Fiscal Year Ending	Contractually Required Contributions		Contribution Deficiency (Excess)	Contributions in Relation to the Contractually Required Contributions		Contributions as a Percentage of Covered Payroll
	Contractually Required Contributions	Contractually Required Contributions		Covered Payroll	Covered Payroll	
12/31/16	\$ 2,042,843	\$ 2,042,843	\$ -	\$ 22,815,405	\$ 22,979,036	8.94%
12/31/15	2,006,238	2,006,238	-	22,979,036	22,979,036	8.73%

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

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

CITY OF БЕЛОIT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2016

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund.

All City departments are required to submit their annual budget requests for the ensuing year to the City manager by August 25. The Department of Finance, acting as staff for the city manager, reviews the requests in detail with the departments during August, September, and October. After all of the requests have been reviewed, the city manager submits the proposed budget to the city council. The City's ordinances require that this be done on or before October 15.

All adopted budgets for the governmental funds are prepared in accordance with the modified accrual basis of accounting. All adopted budgets for proprietary funds are prepared in accordance with the accrual basis of accounting, except for the treatment of depreciation and capital outlays. For budget purposes, capital outlays are included as expenditures whereas for accounting purposes, depreciation is included as an expense.

The legal level of control for each budget is by department, as defined. Once the budget is adopted, transfers of appropriations among departments require approval by the city council and are permitted at any time during the year. Supplemental appropriations for the purpose of public emergencies may be made from unanticipated revenues received or surplus, as defined, by resolution adopted by a vote by the city council.

Every appropriation lapses at December 31, to the extent that it has not been expended, encumbered or administratively carried over to the next year. Operating account appropriations which are administratively carried forward are reviewed and approved by the city council. An appropriation for a capital expenditure or a major repair continues in force until the purpose for which it was made has been accomplished or abandoned. There were no carryovers to 2017. Budgets are adopted at the department level of expenditure.

The budgeted amounts are as originally adopted by the City Council. The city manager 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.

FUNDING PROGRESS DATA

Data in the schedule of funding progress was taken from the reports issued by the actuary.

WISCONSIN RETIREMENT SYSTEM

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The City is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented. The additional information will be displayed as it becomes available.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in Assumptions. There were no changes in assumptions.

See accompanying auditors' report.

CITY OF BELOIT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2016

Continued on
Next Page

	Special Revenue Funds					
	Rental Rehab (WRRP/HOME)	Community Development Block Grant	TIF District No. 5	TIF District No. 6	TIF District No. 8	TIF District No. 9
ASSETS						
Cash and investments	\$ -	\$ 485,369	\$ -	\$ 1,160,033	\$ 131,625	\$ 159,564
Receivables						
Taxes	-	-	1,019,412	861,973	128,503	139,871
Delinquent personal property taxes	-	-	-	-	-	-
Accounts (net)	-	-	-	-	-	36,929
Special assessments	-	1,885,528	-	-	-	-
Loans	-	-	-	-	-	-
Accrued interest	-	-	-	-	1,545,961	-
Land contract	-	-	-	-	-	-
Due from other governmental units	283	88,483	-	-	-	-
Due from component unit	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,032,919	\$ 2,459,380	\$ 1,019,412	\$ 2,022,006	\$ 1,806,089	\$ 336,364

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)

Liabilities						
Accounts payable	\$ 16,379	\$ 35,897	\$ -	\$ -	\$ 104,227	\$ -
Due to other funds	3,872	-	171,447	-	1,163,738	2,445,540
Advances from other funds	-	-	-	-	1,287,965	2,445,540
Total Liabilities	20,251	35,897	171,447	-	1,287,965	2,445,540
Deferred Inflows of Resources						
Property tax levied for next period	-	-	1,019,412	861,973	128,503	139,871
Unavailable revenue	1,033,004	1,885,528	-	-	1,545,961	-
Total Deferred Inflows of Resources	1,033,004	1,885,528	1,019,412	861,973	1,674,464	139,871
Fund Balances (Deficits)						
Restricted	-	537,955	-	1,160,033	-	-
Assigned	(20,336)	-	(171,447)	-	(1,156,340)	(2,249,047)
Unassigned (deficit)	(20,336)	537,955	(171,447)	1,160,033	(1,156,340)	(2,249,047)
Total Fund Balances (Deficits)	\$ -	\$ 844,574	\$ -	\$ 1,160,033	\$ -	\$ -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 1,032,919	\$ 2,459,380	\$ 1,019,412	\$ 2,022,006	\$ 1,806,089	\$ 336,364

	Special Revenue Funds						
	TIF District No. 11	TIF District No. 12	TIF District No. 13	TIF District No. 14	Fire Multi-Year Grants	DPW Multi-Year Grants	Community Development Library
\$ 629,452	\$ 265,199	\$ 1,844,225	\$ 85,589	\$ 183,442	\$ 8,558	\$ 183,442	\$ 613,111
226,059	43,120	575,760	59,817	26,000	-	26,000	1,780,877
-	33,416	-	-	9,540	-	-	61,345
-	-	-	-	-	-	-	86,614
-	-	-	-	-	-	-	130,932
-	-	-	-	6,980	-	67,780	94,048
-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 856,511	\$ 341,735	\$ 2,419,985	\$ 145,406	\$ 25,078	\$ 277,222	\$ 2,393,988

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,188
-	-	-	-	9,540	-	-	224,553
-	-	-	-	9,540	-	-	268,082
226,059	43,120	575,760	59,817	-	-	26,000	1,780,877
226,059	43,120	575,760	59,817	-	-	26,000	1,780,877
629,452	298,615	1,844,225	85,589	15,538	237,955	-	569,923
-	-	-	-	-	-	-	(43,021)
TOTAL ASSETS	\$ 856,511	\$ 341,735	\$ 2,419,985	\$ 145,406	\$ 25,078	\$ 277,222	\$ 2,393,988

CITY OF BELOIT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (cont.)
As of December 31, 2016

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Police	Solid Waste	Perpetual Care	Computer Replacement Equipment Replacement	
ASSETS					
Cash and investments	\$ 21,096	\$ -	\$ 2,226,517	\$ 283,888	\$ 13,563,739
Receivables	130,000	16,800	-	-	5,008,192
Taxes	-	-	-	-	615,439
Delinquent personal property taxes	-	-	-	-	-
Accounts (net)	-	433,064	-	41,155	3,103,911
Special assessments	-	-	-	-	14,485
Loans	-	-	-	99,133	1,545,961
Accrued interest	-	14,485	-	-	284,488
Land contract	-	-	-	-	94,048
Due from other governmental units	-	-	-	-	1,042,787
Due from component unit	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	\$ 151,096	\$ 449,864	\$ 2,241,002	\$ 283,888	\$ 25,283,020

	Capital Projects Funds				Total Nonmajor Governmental Funds
	Police	Solid Waste	Perpetual Care	Computer Replacement Equipment Replacement	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
Liabilities					
Accounts payable	\$ 1,150	\$ 24,676	\$ -	\$ 49,700	\$ 332,013
Due to other funds	52,433	106,613	-	-	568,458
Advances from other funds	-	-	-	-	3,629,278
Total Liabilities	53,583	131,289	-	49,700	4,529,749
Deferred inflows of Resources	130,000	-	-	-	4,991,302
Property tax levied for next period	-	-	14,485	-	4,737,900
Unavailable revenue	-	-	-	41,155	9,729,292
Total Deferred Inflows of Resources	130,000	-	14,485	41,155	7,924,367
Fund Balances (Deficits)	-	316,565	2,226,517	283,888	6,722,678
Assigned	(32,487)	-	-	-	(3,672,678)
Unassigned (deficit)	(32,487)	316,565	2,226,517	283,888	11,023,979
Total Fund Balances (Deficits)	-	316,565	2,226,517	283,888	6,488,402
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 151,096	\$ 449,864	\$ 2,241,002	\$ 283,888	\$ 25,283,020

CITY OF BELOIT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	Special Revenue Funds				TIF District No. 8	TIF District No. 9
	Rental Rehab (WRRP/HOME)	Community Development Block Grant	TIF District No. 5	TIF District No. 6		
REVENUES						
Taxes	\$ -	\$ -	\$ 1,090,975	\$ 916,265	\$ 138,113	\$ 150,821
Intergovernmental	134,491	543,133	73,709	223,720	-	2,979
Licenses and permits	-	-	-	-	-	-
Fees and service charges	-	-	-	-	-	-
Investment income	12,100	23,221	184	16,378	65,867	3,580
Unrealized gain (loss) on investments	-	-	-	-	-	-
Public charges for services	150,482	375,975	21,242	-	-	36,929
Other	297,073	942,329	1,186,110	1,156,363	213,906	194,309
Total Revenues						
EXPENDITURES						
Current						
Community development	307,760	789,434	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks, recreation, and education	-	-	-	-	-	-
Capital Outlay	-	-	23,879	38,174	305,935	958
Debt Service	-	-	-	-	-	-
Principal retirement	-	-	607,841	225,010	-	-
Interest and fiscal charges	-	-	52,246	35,483	-	-
Total Expenditures	307,760	789,434	683,966	298,667	305,935	958
Excess (deficiency) of revenues over (under) expenditures	(10,687)	152,895	502,144	857,696	(92,029)	193,351
OTHER FINANCING SOURCES (USES)						
Sale of city property	-	-	-	-	288,848	-
Transfers in	-	-	-	-	(215,649)	(16,675)
Transfers out	-	-	(342,200)	(170,164)	73,189	(16,675)
Total Other Financing Sources (Uses)	-	-	(342,200)	(170,164)	288,848	(16,675)
Net Change in Fund Balances	(10,687)	152,895	159,944	687,532	(18,830)	176,676
FUND BALANCES (DEFICIT) - Beginning of Year	(9,649)	385,060	(331,391)	472,501	(1,137,510)	(2,425,723)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (20,336)	\$ 537,955	\$ (171,447)	\$ 1,160,033	\$ (1,156,340)	\$ (2,249,047)

CITY OF BELOIT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR GOVERNMENTAL FUNDS (cont.)
For the Year Ended December 31, 2016

TIF District No. 11	Special Revenue Funds					Library	
	TIF District No. 12	TIF District No. 13	TIF District No. 14	Fire Multi-Year Grants	DPW Multi-Year Grants		Community Development
\$ 224,421	\$ 36,084	\$ 576,507	\$ 72,652	\$ -	\$ 26,000	\$ -	\$ 1,780,877
30	3,656	5,365	5,904	327,272	288,783	385,510	291,679
-	-	-	-	-	3,396	-	-
9,293	3,995	27,305	1,406	14	16	2,490	39,297
-	33,416	-	-	-	-	-	436
-	-	-	-	100	1,453	15,172	26,175
233,744	77,151	609,177	79,962	327,386	319,648	403,172	2,149,793
-	-	-	-	-	-	519,524	-
-	-	-	-	322,678	-	-	-
-	-	-	-	-	284,114	-	-
23,556	900	118,495	54,440	1,643	-	-	2,236,552
-	-	-	-	-	-	-	78,383
-	-	70,011	-	-	-	-	-
-	-	31,928	-	-	-	-	-
23,556	900	220,434	54,440	324,321	284,114	519,524	2,314,935
210,188	76,251	388,743	25,522	3,065	55,534	(116,352)	(165,142)
-	-	-	-	-	-	-	-
(99,930)	(65,900)	(75,688)	-	-	-	-	-
(99,930)	(65,900)	(75,688)	-	-	-	-	-
110,268	10,351	313,055	25,522	3,065	55,534	(116,352)	(165,142)
519,194	288,264	1,531,170	60,067	12,473	182,421	73,331	735,065
\$ 629,452	\$ 298,615	\$ 1,844,225	\$ 85,689	\$ 15,538	\$ 237,955	\$ (43,021)	\$ 569,923

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Police	Solid Waste	Perpetual Care	Computer Replacement	Equipment Replacement			
REVENUES								
Taxes	\$ 130,000	\$ 20,864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,163,379
Intergovernmental	159,926	131,133	-	-	-	-	-	2,577,290
Licenses and permits	-	64,947	-	-	-	-	-	68,343
Fees and service charges	-	-	-	-	-	-	-	39,297
Investment income	102	-	-	4,130	71,255	-	-	241,772
Unrealized gain (loss) on investments	151,273	-	(64,475)	-	-	(7,015)	-	(71,490)
Public charges for services	16,538	2,227,368	37,065	-	-	-	-	2,512,226
Other	457,839	2,444,112	(27,410)	4,475	885,536	821,296	1,423,858	11,954,675
Total Revenues	1,387,339	2,736,799	2,736,799	2,736,799	2,736,799	1,086,796	10,193,715	17,577,757
EXPENDITURES								
Current								
Community development	-	-	-	-	-	-	-	1,616,718
Public safety	596,578	-	-	-	-	-	-	919,256
Public works	-	2,376,799	-	-	-	-	-	2,640,913
Parks, recreation, and education	-	-	-	-	-	-	-	2,236,552
Capital Outlay	-	-	-	-	24,588	1,086,796	-	1,137,962
Debt Service	-	-	-	-	-	-	-	902,862
Principal retirement	-	-	-	-	-	-	-	119,657
Interest and fiscal charges	-	-	-	-	-	-	-	10,193,715
Total Expenditures	596,578	2,376,799	2,376,799	2,376,799	24,588	1,086,796	10,193,715	17,577,757
Excess (deficiency) of revenues over (under) expenditures	(138,739)	67,313	(27,410)	(20,123)	(201,260)	(201,260)	1,760,960	1,760,960
OTHER FINANCING SOURCES (USES)								
Sale of city property	-	986	-	-	-	18,579	308,413	308,413
Transfers in	-	-	-	-	-	37,584	37,584	37,584
Transfers out	-	(37,584)	-	-	-	(647,250)	(1,671,040)	(1,671,040)
Total Other Financing Sources (Uses)	-	(36,598)	-	-	-	(591,087)	(1,325,043)	(1,325,043)
Net Change in Fund Balances	(138,739)	30,715	(27,410)	(20,123)	(792,347)	(792,347)	435,917	435,917
FUND BALANCES (DEFICIT) - Beginning of Year	106,252	287,850	2,253,927	304,011	7,280,749	10,588,062	10,588,062	10,588,062
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (32,487)	\$ 318,565	\$ 2,226,517	\$ 283,888	\$ 6,488,402	\$ 11,023,979	\$ 11,023,979	\$ 11,023,979

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL DEBT SERVICE FUND (MAJOR FUND)
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 4,769,154	\$ 4,769,154	\$ -
Investment income	-	351	351
Other	388,050	155	(387,895)
Total Revenues	5,157,204	4,769,660	(387,544)
EXPENDITURES			
Debt Service			
Principal retirement	5,032,721	5,032,721	-
Interest and fiscal charges	1,306,518	1,255,837	50,681
Total Expenditures	6,339,239	6,288,558	50,681
Deficiency of Revenues Under Expenditures	(1,182,035)	(1,518,898)	(336,863)
OTHER FINANCING SOURCES			
Transfers in	1,182,035	1,277,735	95,700
Total Other Financing Sources	1,182,035	1,277,735	95,700
Net Change in Fund Balance	-	(241,163)	(241,163)
FUND BALANCE - Beginning	2,339,955	2,339,955	-
FUND BALANCE - ENDING	\$ 2,339,955	\$ 2,098,792	\$ (241,163)

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - CAPITAL IMPROVEMENTS FUND (MAJOR FUND)
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 1,261,447	\$ 133,759	\$ (1,127,688)
Fines, forfeitures and penalties	-	52,450	52,450
Special assessments	195,000	280,934	85,934
Investment income	-	17,958	17,958
Other	556,891	657,816	100,925
Total Revenues	2,013,338	1,142,917	(870,421)
EXPENDITURES			
Capital Outlay	9,088,999	6,700,437	2,388,562
Debt service	-	124,055	(124,055)
Interest and fiscal charges	9,088,999	6,824,492	2,264,507
Total Expenditures	(7,075,661)	(5,681,575)	1,394,086
Deficiency of Revenues Over Expenditures	5,089,871	4,960,000	(129,871)
OTHER FINANCING SOURCES			
Debt issued	-	130,133	130,133
Debt premium	-	11,303	11,303
Sale of city property	-	647,250	647,250
Transfers in	5,089,871	5,748,686	658,815
Total Other Financing Sources	(1,985,790)	67,111	2,052,901
Net Change in Fund Balance	5,196,024	5,196,024	-
FUND BALANCE - Beginning	\$ 3,210,234	\$ 5,263,135	\$ 2,052,901
FUND BALANCE - ENDING			

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL - RENTAL REHAB (WRRP/HOME) FUND
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 91,116	\$ 134,491	\$ 43,375
Investment income	-	12,100	12,100
Other	-	150,482	150,482
Total Revenues	<u>91,116</u>	<u>297,073</u>	<u>205,957</u>
EXPENDITURES			
Current			
Community development	91,116	307,760	(216,644)
Total Expenditures	<u>91,116</u>	<u>307,760</u>	<u>(216,644)</u>
Net Change in Fund Balance	-	(10,687)	(10,687)
FUND BALANCE (DEFICIT) - Beginning	(9,649)	(9,649)	-
FUND BALANCE (DEFICIT) - ENDING	\$ (9,649)	\$ (20,336)	\$ (10,687)

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - COMMUNITY DEVELOPMENT
BLOCK GRANT
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 577,356	\$ 543,133	\$ (34,223)
Investment income	-	23,221	23,221
Other	317,000	375,975	58,975
Total Revenues	<u>894,356</u>	<u>942,329</u>	<u>47,973</u>
EXPENDITURES			
Current			
Community development	577,356	789,434	(212,078)
Total Expenditures	<u>577,356</u>	<u>789,434</u>	<u>(212,078)</u>
Net Change in Fund Balance	317,000	152,895	(164,105)
FUND BALANCE - Beginning	385,060	385,060	-
FUND BALANCE - ENDING	\$ 702,060	\$ 537,955	\$ (164,105)

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL - TIF DISTRICT NO. 5
 For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 1,053,561	\$ 1,090,975	\$ 37,414
Intergovernmental	87,892	73,709	(14,183)
Investment income	-	184	184
Other	-	21,242	21,242
Total Revenues	1,141,453	1,186,110	44,657
EXPENDITURES			
Capital Outlay	20,150	23,879	(3,729)
Debt Service			
Principal retirement	640,000	607,841	32,159
Interest and fiscal charges	52,246	52,246	-
Total Expenditures	712,396	683,966	28,430
Excess of Revenues Over Expenditures	429,057	502,144	73,087
OTHER FINANCING USES			
Transfers out	(332,150)	(342,200)	(10,050)
Total Other Financing Uses	(332,150)	(342,200)	(10,050)
Net Change in Fund Balance	96,907	159,944	63,037
FUND BALANCE (DEFICIT) - Beginning	(331,391)	(331,391)	-
FUND BALANCE (DEFICIT) - ENDING	\$ (234,484)	\$ (171,447)	\$ 63,037

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL - TIF DISTRICT NO. 6
 For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 884,842	\$ 916,265	\$ 31,423
Intergovernmental	99,787	223,720	123,933
Investment income	11,000	16,378	5,378
Total Revenues	995,629	1,156,363	160,734
EXPENDITURES			
Capital Outlay	36,490	38,174	(1,684)
Debt Service			
Principal retirement	225,000	225,010	(10)
Interest and fiscal charges	35,482	35,483	(1)
Total Expenditures	296,972	298,667	(1,695)
Excess of Revenues Over Expenditures	698,657	857,696	159,039
OTHER FINANCING USES			
Transfers out	(170,165)	(170,164)	1
Total Other Financing Uses	(170,165)	(170,164)	1
Net Change in Fund Balance	528,492	687,532	159,040
FUND BALANCE - Beginning	472,501	472,501	-
FUND BALANCE - ENDING	\$ 1,000,993	\$ 1,160,033	\$ 159,040

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE (DEFICIT) - BUDGET AND ACTUAL - TIF DISTRICT NO. 8
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 133,375	\$ 133,375	\$ 138,113	\$ 4,738
Investment income	-	-	65,867	65,867
Other	33,103	33,103	9,926	(23,177)
Total Revenues	166,478	166,478	213,906	47,428
EXPENDITURES				
Capital Outlay	2,150	206,250	305,935	(99,685)
Total Expenditures	2,150	206,250	305,935	(99,685)
Excess (deficiency) of revenues over (under) expenditures	164,328	(39,772)	(92,029)	(52,257)
OTHER FINANCING SOURCES (USES)				
Sale of city property	-	-	288,848	288,848
Transfers out	(130,000)	(130,000)	(215,649)	(85,649)
Total Other Financing Sources (Uses)	(130,000)	(130,000)	73,199	203,199
Net Change in Fund Balance	34,328	(169,772)	(18,830)	150,942
FUND BALANCE (DEFICIT) - Beginning	(1,137,510)	(1,137,510)	(1,137,510)	-
FUND BALANCE (DEFICIT) - ENDING	(1,103,182)	(1,307,282)	(1,156,340)	150,942

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE (DEFICIT) - BUDGET AND ACTUAL - TIF DISTRICT NO. 9
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 145,649	\$ 150,821	\$ 5,172
Intergovernmental	2,034	2,979	945
Public charges for services	28,251	36,929	8,678
Investment income	4,000	3,580	(420)
Total Revenues	179,934	194,309	14,375
EXPENDITURES			
Capital Outlay	1,150	958	192
Total Expenditures	1,150	958	192
Excess of Revenues Over Expenditures	178,784	193,351	14,567
OTHER FINANCING USES			
Transfer out	(16,675)	(16,675)	-
Total Other Financing Uses	(16,675)	(16,675)	-
Net Change in Fund Balance	162,109	176,676	14,567
FUND BALANCE (DEFICIT) - Beginning	(2,425,723)	(2,425,723)	-
FUND BALANCE (DEFICIT) - ENDING	(2,263,614)	(2,249,047)	14,567

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - TIF DISTRICT NO. 11
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 216,724	\$ 224,421	7,697
Intergovernmental	255	30	(225)
Investment income	7,500	9,293	1,793
Total Revenues	<u>224,479</u>	<u>233,744</u>	<u>9,265</u>
EXPENDITURES			
Capital Outlay	23,384	23,556	(172)
Total Expenditures	<u>23,384</u>	<u>23,556</u>	<u>(172)</u>
Excess of Revenues Over Expenditures	201,095	210,188	9,093
OTHER FINANCING USES			
Transfers out	(99,930)	(99,930)	-
Total Other Financing Uses	<u>(99,930)</u>	<u>(99,930)</u>	<u>-</u>
Net Change in Fund Balance	101,165	110,258	9,093
FUND BALANCE - Beginning	519,194	519,194	-
FUND BALANCE - ENDING	\$ 620,359	\$ 629,452	\$ 9,093

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - TIF DISTRICT NO. 12
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 34,846	\$ 36,084	\$ 1,238
Intergovernmental	6,085	3,656	(2,429)
Investment income	3,000	3,995	995
Public charges for services	39,411	33,416	(5,995)
Total Revenues	<u>83,342</u>	<u>77,151</u>	<u>(6,191)</u>
EXPENDITURES			
Capital Outlay	1,150	900	250
Total Expenditures	<u>1,150</u>	<u>900</u>	<u>250</u>
Excess of Revenues Over Expenditures	82,192	76,251	(5,941)
OTHER FINANCING USES			
Transfers out	(65,900)	(65,900)	-
Total Other Financing Uses	<u>(65,900)</u>	<u>(65,900)</u>	<u>-</u>
Net Change in Fund Balance	16,292	10,351	(5,941)
FUND BALANCE - Beginning	288,264	288,264	-
FUND BALANCE - ENDING	\$ 304,556	\$ 298,615	\$ (5,941)

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - TIF DISTRICT NO. 13
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 556,736	\$ 576,507	\$ 19,771
Intergovernmental	2,281	5,365	3,084
Investment Income	22,000	27,305	5,305
Total Revenues	581,017	609,177	28,160
EXPENDITURES			
Capital Outlay	10,150	118,495	(108,345)
Debt Service			
Principal retirement	70,000	70,011	(11)
Interest and fiscal charges	31,927	31,928	(1)
Total Expenditures	112,077	220,434	(108,357)
Excess of Revenues Over Expenditures	468,940	388,743	(80,197)
OTHER FINANCING USES			
Transfers out	(75,688)	(75,688)	-
Total Other Financing Uses	(75,688)	(75,688)	-
Net Change in Fund Balance	393,252	313,055	(80,197)
FUND BALANCE - Beginning	1,531,170	1,531,170	-
FUND BALANCE - ENDING	\$ 1,924,422	\$ 1,844,225	\$ (80,197)

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - TIF DISTRICT NO. 14
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 70,161	\$ 72,652	\$ 2,491
Intergovernmental	3,661	5,904	2,243
Investment Income	3,000	1,406	(1,594)
Total Revenues	76,822	79,962	3,140
EXPENDITURES			
Capital Outlay	1,150	54,440	(53,290)
Total Expenditures	1,150	54,440	(53,290)
Net Change in Fund Balance	75,672	25,522	(50,150)
FUND BALANCE - Beginning	60,067	60,067	-
FUND BALANCE - ENDING	\$ 135,739	\$ 85,589	\$ (50,150)

CITY OF BELOIT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) -
BUDGET AND ACTUAL - FIRE MULTI-YEAR GRANTS**
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 624,245	\$ 327,272	\$ (296,973)
Investment income	-	14	14
Other revenues	-	100	100
Total Revenues	624,245	327,386	(296,859)
EXPENDITURES			
Current			
Public safety	701,539	322,678	378,861
Capital Outlay	-	1,643	(1,643)
Total Expenditures	701,539	324,321	377,218
Net Change in Fund Balance	(77,294)	3,065	80,359
FUND BALANCE - Beginning	12,473	12,473	-
FUND BALANCE (DEFICIT) - ENDING	\$ (64,821)	\$ 15,538	\$ 80,359

CITY OF BELOIT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - DPW MULTI-YEAR GRANTS**
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 26,000	\$ 26,000	\$ -
Intergovernmental	207,681	288,783	81,102
Licenses and permits	-	3,396	3,396
Investment income	-	16	16
Other	-	1,453	1,453
Total Revenues	233,681	319,648	85,967
EXPENDITURES			
Current			
Public works	233,681	264,114	(30,433)
Total Expenditures	233,681	264,114	(30,433)
Net Change in Fund Balance	-	55,534	55,534
FUND BALANCE - Beginning	182,421	182,421	-
FUND BALANCE - ENDING	\$ 182,421	\$ 237,955	\$ 55,534

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL - COMMUNITY DEVELOPMENT
 For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 556,858	\$ 385,510	\$ (171,348)
Investment Income	-	2,490	2,490
Other	-	15,172	15,172
Total Revenues	<u>556,858</u>	<u>403,172</u>	<u>(153,686)</u>
EXPENDITURES			
Current			
Community development	556,858	519,524	37,334
Total Expenditures	<u>556,858</u>	<u>519,524</u>	<u>37,334</u>
Net Change in Fund Balance	-	(116,352)	(116,352)
FUND BALANCE - Beginning	73,331	73,331	-
FUND BALANCE (DEFICIT) - ENDING	\$ 73,331	\$ (43,021)	\$ (116,352)

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL - LIBRARY
 For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 1,780,877	\$ 1,780,877	\$ -
Intergovernmental	278,680	291,679	12,999
Fees and service charges	50,000	39,297	(10,703)
Investment income	500	436	(64)
Public charges for services	26,900	26,175	(725)
Other	138,476	11,329	(127,147)
Total Revenues	<u>2,275,433</u>	<u>2,149,793</u>	<u>(125,640)</u>
EXPENDITURES			
Current			
Parks, recreation and education	2,258,433	2,236,552	21,881
Capital Outlay	17,000	78,383	(61,383)
Total Expenditures	<u>2,275,433</u>	<u>2,314,935</u>	<u>(39,502)</u>
Net Change in Fund Balance	-	(165,142)	(165,142)
FUND BALANCE - Beginning	735,065	735,065	-
FUND BALANCE - ENDING	\$ 735,065	\$ 569,923	\$ (165,142)

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL - POLICE
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 130,478	\$ 130,000	\$ (478)
Intergovernmental	169,109	159,926	(9,183)
Public charges for services	156,000	151,273	(4,727)
Investment income	-	102	102
Other	-	16,538	16,538
Total Revenues	455,587	457,839	2,252
EXPENDITURES			
Current			
Public safety	467,255	596,578	(129,323)
Total Expenditures	467,255	596,578	(129,323)
Deficiency of Revenues Under Expenditures	(11,668)	(138,739)	(127,071)
OTHER FINANCING USES			
Transfers out	(80,000)	-	80,000
Total Other Financing Uses	(80,000)	-	80,000
Net Change in Fund Balance	(91,668)	(138,739)	(47,071)
FUND BALANCE - Beginning	106,252	106,252	-
FUND BALANCE (DEFICIT) - ENDING	\$ 14,584	\$ (32,487)	\$ (47,071)

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SOLID WASTE
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 29,000	\$ 20,664	\$ (8,336)
Intergovernmental	138,000	131,133	(6,867)
Licenses and permits	64,089	64,947	858
Public charges for services	2,257,644	2,227,368	(30,276)
Total Revenues	2,488,733	2,444,112	(44,621)
EXPENDITURES			
Current			
Public works	2,431,161	2,376,799	54,362
Debt Service			
Principal retirement	47,304	-	47,304
Interest and fiscal charges	16,268	-	16,268
Total Expenditures	2,494,733	2,376,799	117,934
Excess (deficiency) of revenues over (under) expenditures	(6,000)	67,313	(73,313)
OTHER FINANCING SOURCES (USES)			
Sale of city property	6,000	986	(5,014)
Transfers out	-	(37,584)	(37,584)
Total Other Financing Sources (Uses)	6,000	(36,598)	(42,598)
Net Change in Fund Balance	-	30,715	30,715
FUND BALANCE - Beginning	287,850	287,850	-
FUND BALANCE - ENDING	\$ 287,850	\$ 318,565	\$ 30,715

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - COMPUTER REPLACEMENT
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Investment income	\$ 1,000	\$ 4,130	\$ 3,130
Other	-	345	345
Total Revenues	1,000	4,475	3,475
EXPENDITURES			
Capital Outlay	-	24,598	(24,598)
Total Expenditures	-	24,598	(24,598)
Net Change in Fund Balance	1,000	(20,123)	(21,123)
FUND BALANCE - Beginning	304,011	304,011	-
FUND BALANCE - ENDING	\$ 305,011	\$ 283,888	\$ (21,123)

CITY OF BELOIT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - EQUIPMENT REPLACEMENT FUND
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Investment income	\$ 110,000	\$ 71,255	\$ (38,745)
Unrealized gain (loss) on investments	-	(7,015)	(7,015)
Other	841,296	821,296	(20,000)
Total Revenues	951,296	885,536	(65,760)
EXPENDITURES			
Capital Outlay	1,031,874	1,086,796	(54,922)
Total Expenditures	1,031,874	1,086,796	(54,922)
Deficiency of Revenues Under Expenditures	(80,578)	(201,260)	(120,682)
OTHER FINANCING SOURCES (USES)			
Sale of fixed assets	-	18,579	18,579
Transfers in	-	37,584	37,584
Transfers out	-	(647,250)	(647,250)
Total Other Financing Sources (Uses)	-	(591,087)	(591,087)
Net Change in Fund Balance	(80,578)	(792,347)	(711,769)
FUND BALANCE - Beginning	7,280,749	7,280,749	-
FUND BALANCE - ENDING	\$ 7,200,171	\$ 6,488,402	\$ (711,769)

CITY OF BELOIT
 COMBINING STATEMENT OF NET POSITION (DEFICIT) - NONMAJOR PROPRIETARY FUNDS
 As of December 31, 2016

	Enterprise Funds					Totals
	Golf Course	Cemeteries	Ambulance	Transit System		
ASSETS						
Current Assets						
Cash and Investments	\$ 750	\$ 50	\$ -	\$ 360	\$	1,160
Receivables						
Taxes	50,000	28,114	-	584,719		628,833
Customer accounts	1,200	-	475,714	49,602		526,516
Due from other governmental units	-	-	-	96,151		96,151
Inventories	-	-	-	123,540		123,540
Total Current Assets	51,950	28,164	475,714	854,372		1,410,200
Noncurrent Assets						
Capital Assets						
Land	816,000	322,000	-	132,000		1,270,000
Land improvements	666,970	35,448	-	-		702,418
Buildings	280,988	120,153	-	4,469,156		4,870,297
Machinery, equipment, and vehicles	64,388	43,028	-	4,342,659		4,450,075
Less: Accumulated depreciation	(958,622)	(145,122)	-	(3,895,683)		(4,999,427)
Total Capital Assets, Net	869,724	375,507	-	5,048,132		6,293,363
Total Noncurrent Assets	869,724	375,507	-	5,048,132		6,293,363
Total Assets	921,674	403,671	475,714	5,902,504		7,703,563
DEFERRED OUTFLOWS OF RESOURCES						
Unamortized loss on advance refunding	-	-	-	1,562		1,562
Pension related amounts	98,365	13,700	806,791	595,518		1,514,374
Total Deferred Outflows of Resources	98,365	13,700	806,791	597,080		1,515,936
LIABILITIES						
Current Liabilities						
Accounts payable	2,980	929	9,180	49,559		62,648
Accrued liabilities	-	-	-	1,321		1,321
Due to other funds	-	-	75,189	95,073		170,262
Compensated absences	10,450	2,622	47,116	81,949		142,137
Current maturities of general obligation debt	14,457	18,814	-	44,697		77,968
Other current liabilities	5,145	-	-	-		5,145
Total Current Liabilities	33,032	22,365	131,485	272,599		459,481
Noncurrent Liabilities						
General obligation debt	20,000	56,257	-	242,200		318,457
Compensated absences	20,546	3,165	-	16,607		40,318
Other post-employment benefits	4,763	4,763	-	50,439		59,965
Advances from other funds	976,643	171,494	-	333,725		1,481,862
Net pension liability	18,266	2,503	144,873	108,360		274,002
Total Noncurrent Liabilities	1,040,218	238,182	144,873	751,331		2,174,604
Total Liabilities	1,073,250	260,547	276,358	1,023,930		2,634,085

	Enterprise Funds					Totals
	Golf Course	Cemeteries	Ambulance	Transit System		
DEFERRED INFLOWS OF RESOURCES						
Property tax levied for next period	\$ 50,000	\$ 28,114	\$ -	\$ 581,361		\$ 659,475
Pension related amounts	36,777	5,314	307,499	230,016		581,606
Total Deferred Inflows of Resources	86,777	33,428	307,499	811,377		1,241,081
NET POSITION (DEFICIT)						
Net investment in capital assets	865,267	355,490	-	4,761,235		5,981,992
Unrestricted (deficit)	(1,007,255)	(232,034)	698,648	(96,658)		(637,659)
TOTAL NET POSITION (DEFICIT)	\$ (141,988)	\$ 123,396	\$ 698,648	\$ 4,664,277		\$ 5,344,333

CITY OF BELOIT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION (DEFICIT) - NONMAJOR PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Enterprise Funds				Totals
	Golf Course	Cemeteries	Ambulance	Transit System	
OPERATING REVENUES					
Charges for services	\$ 360,638	\$ 144,906	\$ 1,110,999	\$ 153,860	\$ 1,770,403
Other	-	-	-	36,057	36,057
Total Operating Revenues	360,638	144,906	1,110,999	189,917	1,806,460
OPERATING EXPENSES					
Operation and maintenance	412,548	301,421	1,219,748	1,795,232	3,728,949
Contractual services	-	-	-	170,851	170,851
Depreciation	12,470	2,016	-	322,227	336,713
Total Operating Expenses	425,018	303,437	1,219,748	2,288,310	4,236,513
Operating Income (Loss)	(64,380)	(158,531)	(108,749)	(2,098,393)	(2,430,053)
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	14	-	-	1,234,089	1,234,089
Investment income (loss)	(721)	(1,899)	(25)	(8)	(85,265)
Interest expense	50,000	28,114	-	(8,166)	(10,786)
General property taxes	49,293	111,484	(25)	584,719	662,033
Total Nonoperating Revenues (Expenses)	(15,069)	(20,464)	(25)	(79,554)	(115,117)
Change in Net Position	(15,087)	(47,047)	(108,774)	(287,759)	(458,667)
TOTAL NET POSITION (DEFICIT) - Beginning	(126,901)	170,443	807,422	4,952,036	5,803,000
TOTAL NET POSITION (DEFICIT) - ENDING	\$ (141,988)	\$ 123,396	\$ 698,648	\$ 4,664,277	\$ 5,344,333

CITY OF BELOIT

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Enterprise Funds				Totals
	Golf Course	Cemeteries	Ambulance	Transit System	
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	\$ 361,728	\$ 144,906	\$ 1,189,675	\$ 181,404	\$ 1,877,713
Paid to suppliers for goods and services	(234,362)	(153,584)	(109,905)	(1,046,265)	(1,544,036)
Payments to employees for services	(163,469)	(146,063)	(1,037,872)	(827,019)	(2,176,219)
Net Cash Provided by Operating Activities	(36,103)	(154,741)	42,096	(1,891,877)	(1,842,842)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants received	-	-	-	1,355,493	1,355,493
Property taxes received	50,000	28,114	-	584,719	662,833
Noncapital interfund advance (and repayment)	3,375	61,852	(42,071)	(168,773)	(145,617)
Net Cash Provided by Noncapital Financing Activities	53,375	89,966	(42,071)	1,771,439	1,872,709
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Debt retired	(14,348)	(18,995)	-	(117,322)	(150,265)
Interest paid	(721)	(1,899)	-	(8,523)	(11,143)
Construction grants received	-	-	-	46,291	46,291
Net Cash Provided (Used) by Capital and Related Financing Activities	(15,069)	(20,464)	-	(79,554)	(115,117)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income (loss)	14	85,269	(25)	(8)	85,250
Net Cash Provided by Investing Activities	14	85,269	(25)	(8)	85,250
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	-	-	-
CASH AND CASH EQUIVALENTS - Beginning	750	50	-	360	1,160
CASH AND CASH EQUIVALENTS - ENDING	\$ 750	\$ 50	\$ -	\$ 360	\$ 1,160
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES					
Operating income (Loss)	\$ (64,380)	\$ (158,531)	\$ (108,749)	\$ (2,098,393)	\$ (2,430,053)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities	12,470	2,016	-	322,227	336,713
Change in noncash components of Working Capital	(1,200)	-	78,676	(5,155)	72,321
Inventories	-	-	-	5,384	5,384
Accounts payable	(3,508)	504	562	25,904	23,462
Other post-employment benefits	-	-	-	-	-
Other current liabilities	3,639	(67)	1,796	(9,480)	(4,122)
Pension related deferrals and assets/liabilities	14,659	1,337	69,811	67,646	153,453
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (68,320)	\$ (154,741)	\$ 42,096	\$ (1,891,877)	\$ (1,842,842)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS					
Cash and investments - statement of net position	\$ 750	\$ 50	\$ -	\$ 360	\$ 1,160
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 750	\$ 50	\$ -	\$ 360	\$ 1,160

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITY
None

CITY OF BELOIT

ENTERPRISE FUND - BELOIT MASS TRANSIT
 DETAILED SCHEDULE OF REVENUES AND EXPENSES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	2016
REVENUE	
401 - Passenger fares for transit service	\$ 153,860
407 - Non-transportation revenue	
Advertising	28,637
Investment income	(8)
Rental income	7,049
Charter and miscellaneous	371
409 - Local operating assistance - city levy	584,719
409 - Local operating assistance - inter-government	94,843
411 - State operating assistance	489,246
State paratransit grant	19,951
413 - Federal operating assistance	630,049
Capital contributions	-
Total Revenue	<u>2,008,717</u>

EXPENSES - BY OBJECT CLASS TOTAL

501 - Labor	827,016
502 - Fringe benefits	735,847
503 - Services	88,904
504 - Materials and supplies	176,459
505 - Utilities	50,772
506 - Casualty and liability costs	40,665
508 - Purchased transportation services	35,296
509 - Miscellaneous	11,123
509 - Interest expense	8,166
513 - Depreciation	322,228
Total Expenses	<u>2,296,476</u>

**EXCESS EXPENSES OVER REVENUES
 FOR THE YEAR**

* Contra expense for state subsidy purposes.

\$ (287,759)

CITY OF BELOIT

ENTERPRISE FUND - BELOIT MASS TRANSIT
 RECONCILIATION OF REVENUES AND EXPENSES TO WISDOT AND FEDERAL
 RECOGNIZED REVENUES AND EXPENSES
 For the Year Ended December 31, 2016

	Per WisDOT Guidelines	Per Federal Guidelines
Beloit Revenues	\$ 2,008,717	\$ 2,008,717
Less Unrecognized Revenues		28,637
Advertising Revenue		371
Charter Revenue	-	371
Investment income	(8)	(8)
Rental income	7,049	7,049
Local Operating Assistance	679,562	679,562
State Operating Assistance	509,197	509,197
Federal Operating Assistance	630,049	630,049
Capital Contributions	-	-
ADJUSTED REVENUES	<u>\$ 182,497</u>	<u>\$ 153,860</u>

Total Expenses	\$ 2,296,476	\$ 2,296,476
Less Non-Recognized Expenses		8,166
Interest		8,166
Depreciation	322,228	322,228
Less Contra Expenses		371
Charter Revenue	371	371
State Paratransit Assistance	19,951	19,951
Capital Contributions for Operating Expenses	-	-
RECOGNIZED EXPENSES	<u>\$ 1,945,761</u>	<u>\$ 1,945,761</u>

RECOGNIZED EARNINGS (DEFICITS)

\$ (1,763,263) \$ (1,791,901)

1 - Capital contributions - assets capitalized
 Capital contributions - expensed
 Total capital contributions

2 - Capital contributions - expensed
 Federal share
 Federal and local share of expenses

CITY OF BELOIT

ENTERPRISE FUND - BELOIT MASS TRANSIT
COMPUTATION OF THE DEFICIT DISTRIBUTION AMONG THE SUBSIDY GRANTORS
For the Year Ended December 31, 2016

STATE FUNDS	
WisDOT Contract Amount	\$ 489,246
Local Operating Subsidy	\$ 679,562
5 Times Operating Subsidy	\$ 3,397,810
WisDOT Recognized Deficit	\$ 1,763,263
Federal Share of Operating Assistance Remaining State Share of Deficit	\$ 630,049
WisDOT Recognized Expenses	\$ 1,945,761
Maximum State and Federal Operating Assistance 60.00%	\$ 1,167,456
Federal Share of Operating Assistance Remaining State Share of Operating Assistance	\$ 630,049
State Share - Least of the Five	\$ 489,246
FEDERAL SECTION 9 FUNDS	
Federally Recognized Deficit	\$ 1,791,901
50% of Federal Deficit	\$ 895,950
Federal Recognized Deficit Less: State share	\$ 1,791,901 489,246
Local Share	\$ 1,302,655
Maximum Federal Share Per Grant Award Federal Section 9 Share - Least of the Three	\$ 630,049

CITY OF BELOIT

COMBINING STATEMENT OF NET POSITION (DEFICIT) - INTERNAL SERVICE FUNDS
As of December 31, 2016

	Equipment Operations	General Liability Insurance	Health Insurance	Retiree Health Insurance	Totals
ASSETS					
Current Assets					
Cash and investments	\$ 113,025	\$ 394,115	\$ 739,703	\$ -	\$ 1,246,843
Accounts receivable	26,738	991	102,373	30,006	160,108
Total Current Assets	139,763	395,106	842,076	30,006	1,406,951
Noncurrent Assets					
Restricted Assets					
Deposit with risk pool	-	1,575,475	-	-	1,575,475
Total Restricted Assets	-	1,575,475	-	-	1,575,475
Capital Assets					
Machinery, equipment, and vehicles	67,165	-	-	-	67,165
Less: Accumulated depreciation	(63,340)	-	-	-	(63,340)
Net Capital Assets	3,825	-	-	-	3,825
Total Noncurrent Assets	3,825	1,575,475	-	-	1,579,300
Total Assets	143,588	1,970,581	842,076	30,006	2,986,251
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	189,592	24,225	21,210	-	235,027
LIABILITIES					
Current Liabilities					
Accounts payable	34,287	22,907	393	629	58,216
Claims payable	-	86,067	2,192,683	-	2,278,750
Total Current Liabilities	34,287	108,974	2,193,076	629	2,336,966
Noncurrent Liabilities					
Advances from other funds	-	-	-	537,568	537,568
Net pension liability	34,452	3,319	4,519	-	42,290
Total Noncurrent Liabilities	34,452	3,319	4,519	537,568	579,858
Total Liabilities	68,739	112,293	2,197,595	538,197	2,916,824
DEFERRED INFLOWS OF RESOURCES					
Pension related amounts	72,934	7,025	9,588	-	89,527
NET POSITION (DEFICIT)					
Net investment in capital assets	3,825	-	-	-	3,825
Unrestricted (deficit)	187,682	1,875,488	(1,343,877)	(508,191)	211,102
TOTAL NET POSITION (DEFICIT)	\$ 191,507	\$ 1,875,488	\$ (1,343,877)	\$ (508,191)	\$ 214,927

CITY OF BELOIT

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION (DEFICIT) -
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2016

	Equipment Operations	General Liability Insurance	Health Insurance	Retiree Health Insurance	Totals
OPERATING REVENUES					
Charges for services	\$ 1,235,784	\$ 1,836,734	\$ 7,281,922	\$ 2,008,866	\$ 12,363,306
Other	955	-	-	-	955
Total Operating Revenue	1,236,739	1,836,734	7,281,922	2,008,866	12,364,261
OPERATING EXPENSES					
Operation and maintenance	1,191,106	1,204,041	7,871,959	2,295,600	12,562,706
Contractual services	16,838	486,101	-	-	512,939
Depreciation	2,295	-	-	-	2,295
Total Operating Expenses	1,210,329	1,700,142	7,871,959	2,295,600	13,078,030
Operating Income (Loss)	26,410	136,592	(590,037)	(286,734)	(713,769)
TOTAL NET POSITION (DEFICIT) - Beginning	165,097	1,738,896	(753,840)	(221,457)	928,696
TOTAL NET POSITION (DEFICIT) - ENDING	\$ 191,507	\$ 1,875,488	\$ (1,343,877)	\$ (508,191)	\$ 214,927

CITY OF BELOIT

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2016

	Equipment Operations	General Liability Insurance	Health Insurance	Retiree Health Insurance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	\$ 1,239,337	\$ 1,837,276	\$ 7,310,731	\$ 1,985,353	\$ 12,372,697
Paid to suppliers for goods and services	(679,413)	(1,607,933)	(7,597,282)	(2,294,971)	(12,179,599)
Payments to employees for services	(509,764)	(80,582)	-	-	(590,346)
Net Cash Provided (Used) by Operating Activities	50,160	148,761	(286,551)	(309,618)	(397,248)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Noncapital advance (and repayment)	-	-	-	309,618	309,618
Net Cash Used by Noncapital Financing Activities	-	-	-	309,618	309,618
Net Increase (Decrease) in Cash and Cash Equivalents	50,160	148,761	(286,551)	-	(87,630)
CASH AND CASH EQUIVALENTS - Beginning	62,865	245,354	1,026,254	-	1,334,473
CASH AND CASH EQUIVALENTS - ENDING	\$ 113,025	\$ 394,115	\$ 739,703	\$ -	\$ 1,246,843
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 26,410	\$ 136,592	\$ (590,037)	\$ (286,734)	\$ (713,769)
Adjustments to Reconcile Operating Income (loss) to Net Cash Flows From Operating Activities					
Depreciation expense	2,295	-	-	-	2,295
Change in noncash components of working capital	2,598	542	19,241	(23,513)	(1,132)
Accounts payable	(1,666)	19,497	-	629	16,450
Pension related deferrals and assets/liabilities	20,513	8,092	(4,512)	-	24,093
Claims payable	-	(15,932)	286,737	-	270,805
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 50,160	\$ 148,761	\$ (286,551)	\$ (309,618)	\$ (397,248)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS					
Cash and investments - statement of net position	\$ 113,025	\$ 394,115	\$ 739,703	\$ -	\$ 1,246,843
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 113,025	\$ 394,115	\$ 739,703	\$ -	\$ 1,246,843

CITY OF BELOIT

COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - TAX COLLECTIONS
For the Year Ended December 31, 2016

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
TAX COLLECTIONS				
Assets				
Cash and investments	\$ 8,765,298	\$ 6,000,392	\$ 8,765,298	\$ 6,000,392
Property taxes receivable	16,851,875	17,463,521	16,851,875	17,463,521
TOTAL ASSETS	<u>\$ 25,617,173</u>	<u>\$ 23,463,913</u>	<u>\$ 25,617,173</u>	<u>\$ 23,463,913</u>
Liabilities				
Due to other taxing units	\$ 25,617,173	\$ 23,463,913	\$ 25,617,173	\$ 23,463,913
TOTAL LIABILITIES	<u>\$ 25,617,173</u>	<u>\$ 23,463,913</u>	<u>\$ 25,617,173</u>	<u>\$ 23,463,913</u>

CITY OF BELOIT

COMBINING STATEMENT OF NET POSITION - COMMUNITY DEVELOPMENT AUTHORITY
As of December 31, 2016

	Primary Government					Component Units			Totals Before Eliminations	Eliminations	Totals
	Major Section 8 Rental Voucher Program	Major Low Rent Public Housing	Major Project Based Vouchers	Major Administration	Major Leases Receivable	Total Primary Government	Beloit Apartments Redevelopment Phase 1, LLC	Beloit Apartments Redevelopment Phase 2, LLC			
	\$	\$	\$	\$	\$	\$	\$	\$			
ASSETS											
Current Assets											
Cash and investments	562,667	133,469	65,270	156,871	-	918,277	160,907	151,296	1,230,480	-	1,230,480
Receivables											
Accounts	36,474	5,676	8,076	-	-	50,226	34,875	55,924	141,025	(69,816)	71,209
Lease receivable from Beloit Apartments Redevelopment - Phase 1 - LLC	-	2,800,000	-	-	-	2,800,000	-	-	2,800,000	(2,800,000)	-
Lease receivable from Beloit Apartments Redevelopment - Phase 2 - LLC	-	2,580,074	-	-	-	2,580,074	-	-	2,580,074	(2,580,074)	-
Lease receivable from primary government	-	-	-	-	2,625,000	2,625,000	-	-	2,625,000	-	2,625,000
Due from Beloit Apartments Redevelopment - Phase 1 - LLC	-	62,524	-	-	-	62,524	-	-	62,524	(62,524)	-
Due from Beloit Apartments Redevelopment - Phase 2 - LLC	-	60,623	-	-	-	60,623	-	-	60,623	(60,623)	-
Due from other governmental units	-	21,930	-	-	-	21,930	-	-	21,930	-	21,930
Tax credit fees	-	-	-	-	-	-	68,421	85,508	153,929	-	153,929
Prepaid items	539	539	-	-	-	1,078	-	648	1,726	-	1,726
Total Current Assets	599,680	5,664,835	73,346	156,871	2,625,000	9,119,732	264,203	293,376	9,677,311	(6,573,037)	4,104,274
Noncurrent Assets											
Restricted Assets											
Cash and investments	-	-	-	-	2,096,812	2,096,812	236,314	586,372	2,919,498	-	2,919,498
Capital Assets											
Land	-	344,067	70,472	-	-	414,539	420,849	945,397	1,780,785	(1,179,500)	601,285
Land improvements	-	-	-	-	-	-	164,412	397,055	561,467	-	561,467
Buildings	-	141,187	700,777	-	-	841,964	1,540,500	640,000	3,022,464	(975,520)	2,046,944
Building improvements	-	-	-	-	-	-	8,397,386	9,216,173	17,613,559	-	17,613,559
Machinery, equipment, furnishings and vehicles	16,092	175,318	34,906	-	-	226,316	260,764	309,631	796,711	-	796,711
Less: Accumulated depreciation	(15,275)	(269,302)	(419,195)	-	-	(703,772)	(1,853,340)	(1,867,467)	(4,224,579)	-	(4,224,579)
Total Capital Assets, Net	817	391,270	386,960	-	-	779,047	9,130,571	9,640,789	19,550,407	(2,155,020)	17,395,387
Other Assets											
Lease receivable from primary government	-	-	-	-	8,848,188	8,848,188	-	-	8,848,188	-	8,848,188
Total Noncurrent Assets	817	391,270	386,960	-	10,945,000	11,724,047	9,366,885	10,227,161	31,318,093	(2,155,020)	29,163,073
Total Assets	600,497	6,056,105	460,306	156,871	13,570,000	20,843,779	9,631,088	10,520,537	40,995,404	(7,728,057)	33,267,347
DEFERRED OUTFLOWS OF RESOURCES											
Pension related amounts	188,310	128,594	20,426	-	-	337,330	-	-	337,330	-	337,330
Total Assets and Deferred Outflows of Resources	788,807	6,184,699	480,732	156,871	13,570,000	21,181,109	9,631,088	10,520,537	41,332,734	(7,728,057)	33,604,677

	Primary Government						Component Units			Eliminations	Totals
	Major		Major		Major		Beloit Apartments Redevelopment Phase 1, LLC		Beloit Apartments Redevelopment Phase 2, LLC		
	Section 8 Rental Voucher Program	Low Rent Public Housing	Major Project Based Vouchers	Administration	Leases Receivable	Total Primary Government	Beloit Apartments Redevelopment Phase 1, LLC	Beloit Apartments Redevelopment Phase 2, LLC			
LIABILITIES											
Current Liabilities											
Accounts payable	12,032	22,015	\$ 2,515	\$ -	\$ -	\$ 36,562	\$ 65,534	\$ 64,449	\$ 166,545	\$ (123,147)	\$ 43,398
Accrued liabilities	19,265	32,600	1,250	-	-	53,115	711,734	397,188	1,162,037	-	1,162,037
Due to Beloit Apartments Redevelopment - Phase 1 - LLC	-	19,404	-	-	-	19,404	-	-	19,404	(19,404)	-
Due to Beloit Apartments Redevelopment - Phase 2 - LLC	-	50,412	-	-	-	50,412	-	-	50,412	(50,412)	-
Due to primary government	-	94,045	-	-	-	94,045	-	-	94,045	-	94,045
Deposits	48,317	44,114	7,425	-	-	99,856	33,400	27,725	160,981	-	160,981
Lease revenue bonds payable	-	-	-	-	2,625,000	2,625,000	-	-	2,625,000	-	2,625,000
Total Current Liabilities	79,614	262,590	11,190	-	2,625,000	2,978,394	810,668	489,362	4,278,424	(192,963)	4,085,461
Noncurrent Liabilities											
Compensated absences	10,751	34,848	-	-	-	45,599	-	-	45,599	-	45,599
Loans payable	-	99,134	-	-	-	99,134	-	-	99,134	-	99,134
Mortgage notes payable	-	-	-	-	-	-	2,800,000	2,580,074	5,380,074	(5,380,074)	-
Other notes payable	-	-	-	-	-	-	417,822	320,269	738,091	-	738,091
Net pension liability	34,650	23,662	3,758	-	-	62,070	-	-	62,070	-	62,070
Lease revenue bonds payable	45,401	157,644	3,758	-	-	10,945,000	3,217,822	2,900,343	17,269,968	(5,380,074)	11,889,894
Total Noncurrent Liabilities	125,015	420,234	14,948	-	-	14,130,197	4,028,490	3,389,705	21,548,392	(5,573,037)	15,975,355
Total Liabilities	273,303	773,354	7,957	-	-	273,303	1,133,548	-	1,406,851	-	1,406,851
Deferred Inflows of Resources	346,657	50,092	7,957	-	-	131,403	1,133,548	-	131,403	-	131,403
Total Deferred Inflows of Resources	346,657	50,092	7,957	-	-	404,706	1,133,548	-	1,538,254	-	1,538,254
NET POSITION											
Net investment in capital assets	817	391,270	386,960	-	-	779,047	9,130,571	9,640,789	19,550,407	(2,155,020)	17,395,387
Restricted for grant programs	-	5,323,103	-	-	-	5,323,103	(4,661,521)	(2,509,957)	5,323,103	-	5,323,103
Unrestricted (deficit)	316,318	-	70,867	156,871	-	544,056	(4,661,521)	(2,509,957)	(6,627,422)	-	(6,627,422)
TOTAL NET POSITION	317,135	5,714,373	457,827	156,871	-	6,646,206	4,469,050	7,130,832	18,246,088	(2,155,020)	16,091,068

CITY OF BELOIT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - COMMUNITY DEVELOPMENT AUTHORITY
For the Year Ended December 31, 2016

	Primary Government				Component Units			Totals Before Eliminations	Eliminations	Totals
	Major	Major	Major	Major	Beloit Apartments Redevelopment Phase 1, LLC	Beloit Apartments Redevelopment Phase 2, LLC	Totals Before Eliminations			
	Section 8 Rental Voucher Program	Low Rent Public Housing	Major Project Based Vouchers	Administration	Lease Receivable	Total Primary Government				
EXPENSES										
Community development	\$ 3,245,634	\$ 678,688	\$ 62,623	\$ -	\$ -	\$ 3,986,945	\$ 447,129	\$ 700,704	\$ (247,889)	\$ 4,886,889
PROGRAM REVENUES										
Charges for services	-	38,735	65,596	-	-	104,331	93,882	126,107	-	324,320
Operating grants and contributions	3,172,115	779,739	-	-	-	3,951,854	147,038	166,392	(313,431)	3,951,853
Other revenue	-	-	3,038	-	-	3,038	56,661	20,922	-	80,621
Total Program Revenues	3,172,115	818,474	68,634	-	-	4,059,223	297,581	313,421	(313,431)	4,356,794
Net Revenues (Expenses)	(73,519)	139,786	6,011	-	-	72,278	(149,548)	(387,283)	(65,542)	(530,095)
GENERAL REVENUES (EXPENSES)										
Investment income	160	1,448	-	-	631,975	633,583	197	568	-	634,348
Interest and amortization expense	-	(5,752)	-	-	(631,975)	(637,727)	(134,123)	(83,900)	-	(855,750)
Payment to Beloit Apartments Redevelopment - Phase 1 - LLC	-	(65,542)	-	-	-	(65,542)	-	-	65,542	-
Miscellaneous	23,917	13,356	-	-	-	37,273	(3,689)	(7,428)	-	26,156
Total General Revenue (Expenses)	24,077	(56,490)	-	-	-	(32,413)	(137,615)	(90,760)	65,542	(195,246)
Revenues (Expenses) Before Contributions and Transfers	(49,442)	83,296	6,011	-	-	39,865	(287,163)	(478,043)	-	(725,341)
Capital contributions	-	-	-	-	-	-	15,143	-	-	15,143
Transfers in (out)	-	60,000	(60,000)	-	-	-	-	-	-	-
CHANGE IN NET POSITION										
NET POSITION – Beginning of Year	366,577	5,571,077	511,816	156,871	-	6,606,341	4,741,070	7,608,875	(2,155,020)	16,801,266
NET POSITION – END OF YEAR	\$ 317,135	\$ 5,714,373	\$ 457,827	\$ 156,871	\$ -	\$ 6,646,206	\$ 4,469,050	\$ 7,130,832	\$ (2,155,020)	\$ 16,091,068

CITY OF BELOIT

COMBINING STATEMENT OF CASH FLOWS - COMMUNITY DEVELOPMENT AUTHORITY
For the Year Ended December 31, 2016

	Primary Government					Totals
	Major Section 8 Rental Voucher Program	Major Low Rent Public Housing	Major Project Based Vouchers	Major Administration	Major Leases Receivable	
CASH FLOWS FROM OPERATING ACTIVITIES						
Received from customers	\$ 17,900	\$ 63,013	\$ 66,108	\$ -	\$ -	\$ 147,021
Paid to suppliers for goods and services	(3,028,890)	(622,962)	(23,299)	-	-	(3,675,151)
Payments to employees for services	(206,861)	(134,585)	(16,562)	-	-	(358,008)
Net Cash Flows From Operating Activities	(3,217,851)	(694,534)	26,247	-	-	(3,886,138)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Governmental grants received	3,445,418	810,464	-	-	-	4,255,882
Paid to LLC's	-	(132,613)	-	-	-	(132,613)
Transfers in (out)	-	60,000	(60,000)	-	-	-
Collections on leases receivable	-	-	-	-	2,518,302	2,518,302
Net Cash Flows From Noncapital Financing Activities	3,445,418	737,851	(60,000)	-	2,518,302	6,641,571
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES						
Acquisition and construction of capital assets	-	(19,489)	-	-	-	(19,489)
Debt retired	-	-	-	-	(2,550,000)	(2,550,000)
Interest paid	-	(5,752)	-	-	(631,975)	(637,727)
Net Cash Flows From Capital and Related Financing Activities	-	(25,241)	-	-	(3,181,975)	(3,207,216)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	160	1,448	-	-	631,975	633,583
Net Cash Flows From Investing Activities	160	1,448	-	-	631,975	633,583
Net Change in Cash and Cash Equivalents	227,727	19,524	(33,753)	-	(31,698)	181,800
CASH AND CASH EQUIVALENTS - Beginning of Year	334,940	113,945	99,023	156,871	2,128,510	2,833,289
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 562,667	\$ 133,469	\$ 65,270	\$ 156,871	\$ 2,096,812	\$ 3,015,089
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (3,245,634)	\$ (639,953)	\$ 6,011	\$ -	\$ -	\$ (3,879,576)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities						
Nonoperating income	23,917	13,356	-	-	-	37,273
Depreciation	1,003	7,147	19,460	-	-	27,610
Change in Assets and Liabilities						
Accounts receivable	(23,022)	(992)	(4,026)	-	-	(28,040)
Prepaid items	(539)	(539)	-	-	-	(1,078)
Pension related deferrals and liabilities	8,957	18,145	2,323	-	-	29,425
Accounts payable and accrued liabilities	462	57,214	979	-	-	58,655
Due to primary government	-	(160,826)	-	-	-	(160,826)
Deposits	17,005	11,914	1,500	-	-	30,419
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (3,217,851)	\$ (694,534)	\$ 26,247	\$ -	\$ -	\$ (3,886,138)
NONCASH CAPITAL AND FINANCING ACTIVITIES						
None						

Statistical Section

This section of the City of Beloit's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial condition through multi-year comparative data.

Contents

Pages

Financial Trends - Schedules 1 through 5

147 - 152

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

Revenue Capacity - Schedules 6 through 10

153 - 157

These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.

Debt Capacity - Schedules 11 through 14

158 - 161

These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

Demographic and Economic Information - Schedules 15 and 16

162 - 163

These schedules provide demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time with other governments.

Operating Information - Schedules 17 through 19

164 - 166

These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

City of Beloit, Wisconsin
 Net Position by Component
 Last Ten Fiscal Years
 (Accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 41,730,847	\$ 34,379,310	\$ 35,513,141	\$ 32,392,062	\$ 32,741,870	\$ 54,274,785	\$ 53,354,535	\$ 55,479,784	\$ 59,758,251	\$ 65,844,049
Restricted	11,760,200	10,428,457	8,816,905	8,659,283	15,589,925	11,580,550	12,309,637	12,769,533	17,998,995	13,240,969
Unrestricted (deficit)	4,566,212	10,045,542	2,934,357	2,410,345	(5,964,986)	(11,324,043)	(15,825,906)	(20,090,783)	(21,550,970)	(23,910,707)
Total governmental activities net position	\$ 58,057,259	\$ 54,853,309	\$ 47,264,403	\$ 43,461,690	\$ 42,366,809	\$ 54,531,292	\$ 49,838,266	\$ 48,158,534	\$ 56,206,276	\$ 55,174,311
Business-type activities										
Net investment in capital assets	\$ 51,141,052	\$ 56,401,815	\$ 62,058,630	\$ 62,944,168	\$ 63,001,736	\$ 60,323,671	\$ 58,348,338	\$ 57,555,475	\$ 55,645,129	\$ 53,967,808
Restricted	8,110,918	6,694,042	2,899,983	3,138,458	3,157,163	3,169,002	3,194,991	3,212,483	3,979,871	2,109,432
Unrestricted	9,583,948	7,893,186	9,454,212	8,713,964	9,051,974	10,967,316	10,188,754	10,091,793	10,056,464	12,115,399
Total business-type activities net position	\$ 68,835,918	\$ 70,989,043	\$ 74,412,825	\$ 74,796,590	\$ 75,210,873	\$ 74,459,989	\$ 71,732,083	\$ 70,859,751	\$ 69,681,464	\$ 68,192,639
Primary government										
Net investment in capital assets	\$ 92,871,899	\$ 86,261,662	\$ 93,328,072	\$ 89,611,229	\$ 89,992,940	\$ 108,794,859	\$ 106,308,162	\$ 107,836,387	\$ 110,826,442	\$ 115,643,805
Restricted	19,871,118	17,122,499	11,716,888	11,797,741	18,747,088	14,749,552	15,504,628	15,982,016	21,978,866	15,350,401
Unrestricted	14,150,160	22,458,191	16,632,268	16,849,310	8,837,654	5,446,870	(242,441)	(4,800,118)	(6,917,568)	(7,627,256)
Total primary government net position	\$ 126,893,177	\$ 125,842,352	\$ 121,677,228	\$ 118,258,280	\$ 117,577,682	\$ 128,991,281	\$ 121,570,349	\$ 119,018,285	\$ 125,887,740	\$ 123,366,950

Note: The primary government section includes an adjustment for capital assets owned by the business-type activities, but financed by the governmental activities. Refer to Note 1.D. 10

Schedule 2

City of Beloit, Wisconsin
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 776,459	\$ 804,713	\$ 780,235	\$ 680,410	\$ 820,889	\$ 747,997	\$ 788,296	\$ 772,449	\$ 778,843	\$ 782,031
Finance and administrative services	6,767,790	7,277,848	6,927,516	7,947,872	9,029,097	4,249,289	4,589,561	4,358,216	5,446,685	6,391,553
Community development	2,743,751	2,221,424	3,173,955	3,569,817	3,978,299	3,593,036	3,271,431	2,143,055	3,029,594	6,574,221
Economic development	264,699	266,796	278,919	315,893	336,540	283,643	340,202	355,466	268,874	368,492
Public safety:										
Police services	10,969,806	14,125,683	13,176,014	14,431,648	14,780,278	15,044,071	15,892,086	15,311,616	15,005,398	15,906,565
Fire services	7,335,343	7,544,082	8,709,729	9,460,266	9,797,889	10,210,826	10,883,679	10,153,177	10,680,264	9,395,681
Health										
Public works	13,366,204	12,973,727	20,115,663	13,882,641	12,828,126	16,676,877	15,538,957	16,731,753	13,037,701	16,224,141
Library	2,050,640	2,117,408	2,701,175	2,222,913	2,272,383	2,211,860	2,242,126	2,290,591	2,344,409	2,571,609
Interest and fiscal charges	3,501,709	2,084,379	3,063,257	3,164,857	3,042,878	2,956,048	3,796,706	2,437,125	2,169,801	2,011,442
Total governmental activities	47,776,401	49,416,060	58,926,463	55,676,317	56,886,379	55,973,627	57,343,044	54,553,448	52,761,569	60,225,735
Business-type activities:										
Water	3,939,599	4,293,844	4,799,644	4,505,850	4,467,294	4,436,025	5,075,698	4,567,804	4,894,535	4,761,331
Sewer	7,189,675	7,500,706	7,683,971	7,920,544	8,019,535	8,445,553	8,739,011	8,820,728	9,206,619	8,873,499
Other non-major enterprise funds	4,345,532	4,630,975	4,699,156	4,962,055	5,030,578	5,029,201	5,183,296	5,352,057	5,349,522	5,284,620
Total business-type activities	15,474,806	16,425,525	17,182,771	17,388,449	17,517,407	17,910,779	18,998,005	18,740,589	19,450,676	18,919,450
Total expenses	\$ 63,251,207	\$ 65,841,585	\$ 76,109,234	\$ 73,064,766	\$ 74,403,786	\$ 73,884,406	\$ 76,341,049	\$ 73,294,037	\$ 72,212,245	\$ 79,145,185
Program Revenues (see Schedule 3)										
Governmental activities:										
Charges for services:										
General government	\$ 21,402	\$ 17,856	\$ 15,507	\$ 26,550	\$ 31,670	\$ 35,761	\$ 45,430	\$ 24,937	\$ 49,500	\$ 43,065
Finance and administrative services	1,454,134	2,804,954	2,870,541	3,670,559	4,529,164	1,181,472	1,599,407	1,267,188	1,058,211	3,433,164
Community development	367,089	19,496	143,657	113,941	180,125	115,177	262,901	270,531	121,212	147,455
Economic development	-	-	-	-	-	-	-	-	-	-
Public safety:										
Police services	1,429,750	969,005	1,322,122	1,383,631	1,429,097	1,254,166	1,368,350	1,307,662	1,208,635	970,757
Fire services	19,589	164,324	40,676	52,421	1,310	38,329	2,676	49,148	28,248	11,972
Health	-	-	-	-	-	-	-	-	-	-
Public works	2,259,768	2,359,255	2,214,592	2,519,039	2,477,014	2,631,861	2,674,811	2,742,229	2,731,862	2,780,201
Library	140,446	160,832	195,909	194,405	199,207	188,106	179,073	193,649	226,895	279,608
Operating grants and contributions	1,157,167	1,861,658	2,693,755	1,992,886	2,640,623	2,212,186	2,083,822	1,352,609	1,054,099	4,147,241
Capital grants and contributions	233,136	262,640	1,157,709	234,354	507,677	14,404,161	75,722	160,386	172,012	626,960
Total governmental activities	7,082,481	8,620,020	10,654,468	10,187,786	11,995,887	22,061,219	8,292,192	7,368,339	6,650,674	12,440,423
Business-type activities:										
Charges for services:										
Water	4,605,675	4,693,431	4,690,251	5,029,628	5,428,312	5,812,294	5,542,677	5,465,477	5,496,668	5,507,429
Sewer	7,479,230	7,189,691	6,809,634	6,946,357	6,742,228	6,792,043	6,615,442	6,725,986	6,751,680	7,167,202
Storm	-	-	-	-	-	-	-	-	-	1,124,771
Other non-major enterprise funds	2,302,068	2,531,473	2,580,501	2,873,575	2,737,877	2,886,428	2,781,660	2,819,869	2,863,402	1,806,460
Operating grants and contributions	1,107,569	1,119,323	1,132,853	-	-	-	22,439	1,195,763	1,234,243	1,064,089
Capital grants and contributions	1,173,071	934,212	4,871,996	27,386	-	32,203	147,573	734,718	68,837	6,490
Total business-type activities	16,667,613	16,468,130	20,065,235	14,849,560	14,935,803	15,522,968	15,109,791	16,940,813	16,414,830	16,846,441
Total revenues	\$ 23,750,094	\$ 25,068,150	\$ 30,739,703	\$ 25,037,346	\$ 26,931,690	\$ 37,584,187	\$ 23,401,983	\$ 24,309,152	\$ 23,065,504	\$ 29,286,864
Net (expense)/revenue										
Governmental activities	\$ (40,693,920)	\$ (40,796,040)	\$ (48,271,995)	\$ (45,488,531)	\$ (44,890,492)	\$ (33,912,408)	\$ (49,050,852)	\$ (47,185,109)	\$ (46,110,895)	\$ (47,785,312)
Business-type activities	1,192,807	42,605	2,902,464	(2,538,889)	(2,581,604)	(2,387,811)	(3,888,214)	(1,799,776)	(3,035,846)	(2,073,009)
Total net expense	\$ (39,501,113)	\$ (40,753,435)	\$ (45,369,531)	\$ (48,027,420)	\$ (47,472,096)	\$ (36,300,219)	\$ (52,939,066)	\$ (48,984,885)	\$ (49,146,741)	\$ (49,858,321)

(continued)

(concluded)

City of Beloit, Wisconsin
 Changes in Net Position,
 Last Ten Fiscal Years
 (Accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General revenues										
Governmental activities:										
Taxes										
Property taxes, levied for general purposes	\$ 5,375,871	\$ 5,570,069	\$ 5,654,118	\$ 5,990,830	\$ 6,170,168	\$ 6,167,786	\$ 6,794,942	\$ 6,867,316	\$ 6,886,366	\$ 7,080,809
Property taxes, levied for debt service	2,882,495	3,603,871	3,816,130	4,298,477	4,573,523	4,873,523	4,445,195	4,787,927	4,800,000	4,769,154
Property taxes, levied for other	4,360,329	6,816,113	7,492,551	8,560,888	8,555,227	9,117,555	9,600,907	8,885,545	9,077,710	9,625,284
Other taxes	508,753	551,547	510,674	612,327	561,291	567,650	658,072	591,020	668,830	724,441
Intergovernmental revenues not restricted to specific programs	20,671,176	20,071,655	20,679,687	21,209,003	21,957,459	21,707,260	20,511,649	21,961,045	22,177,385	21,936,614
Public gifts and/or grants	-	-	-	-	-	-	-	-	-	-
Investment income	2,397,498	691,086	630,129	39,470	986,271	1,163,493	(384,380)	972,002	262,851	292,699
Gain (loss) on sale of property	623,359	318,690	86,179	172,518	20,672	52,738	65,842	214,055	35,026	961,838
Miscellaneous	1,646,145	992,256	1,327,240	1,628,340	1,661,285	1,651,813	1,835,433	1,237,121	882,350	974,468
Transfers	(1,567,885)	(1,023,197)	486,381	584,499	(690,285)	775,073	830,166	(10,654)	633,315	388,040
Total general revenues and transfers	36,897,741	37,592,090	40,683,089	43,096,352	43,795,611	46,076,891	44,357,826	45,505,377	45,423,833	46,753,347
Business-type activities:										
Taxes	700,697	594,530	530,980	519,980	567,256	537,256	554,367	612,481	662,833	662,833
Intergovernmental revenues not restricted to specific programs				1,172,108	1,194,315	1,154,514	1,163,443	-	-	-
Investment income	669,637	492,793	457,938	377,693	529,770	592,441	343,408	299,078	281,989	265,580
Miscellaneous	-	-	15,781	26,838	14,261	-	-	-	-	-
Gain (loss) on sale of property	-	-	3,000	-	-	127,789	(70,744)	5,231	8,968	43,811
Transfers	1,567,885	1,023,197	(486,381)	(584,499)	690,285	(775,073)	(830,166)	10,654	(633,315)	(388,040)
Total business-type activities	2,938,219	2,110,520	521,318	1,512,120	2,995,887	1,636,927	1,160,308	927,444	320,475	584,184
Total primary government	\$ 39,835,960	\$ 39,702,610	\$ 41,204,407	\$ 44,608,472	\$ 46,791,498	\$ 47,713,818	\$ 45,518,134	\$ 46,432,821	\$ 45,744,308	\$ 47,337,531
Change in net position										
Governmental activities	\$ (3,796,179)	\$ (3,203,950)	\$ (7,588,906)	\$ (2,392,179)	\$ (1,094,881)	\$ 12,164,483	\$ (4,693,026)	\$ (1,679,732)	\$ (687,062)	\$ (1,031,965)
Business-type activities	4,131,026	2,153,125	3,423,782	(1,026,769)	414,283	(750,884)	(2,727,906)	(872,332)	(2,715,371)	(1,488,825)
Total change in net position	\$ 334,847	\$ (1,050,825)	\$ (4,165,124)	\$ (3,418,949)	\$ (680,598)	\$ 11,413,599	\$ (7,420,932)	\$ (2,552,064)	\$ (3,402,433)	\$ (2,520,790)

City of Beloit, Wisconsin
Program Revenues by Function/Program
Last Ten Fiscal Years
(Accrual basis of accounting)

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
General government	\$ 21,402	\$ 17,856	\$ 15,507	\$ 26,550	\$ 31,670	\$ 35,761	\$ 45,430	\$ 24,937	\$ 49,500	\$ 43,065
Finance and administrative services	1,455,401	2,817,806	3,086,078	3,873,509	4,847,967	1,556,285	1,979,567	1,564,123	1,385,039	3,604,755
Community development	588,969	199,078	1,665,932	1,059,927	1,681,051	1,181,594	1,221,147	478,325	149,384	3,152,232
Economic development	166,421	11,076	41,529	-	-	-	-	-	-	-
Public safety:										
Police services	1,476,936	1,217,410	1,588,909	1,433,267	1,458,056	1,254,481	1,368,595	1,307,867	1,208,635	971,617
Fire services	68,752	248,684	105,548	118,626	64,433	97,985	60,008	109,580	88,520	79,249
Health	-	-	-	-	-	-	-	-	-	-
Public works	2,901,070	3,697,776	3,711,718	3,206,532	3,430,619	17,439,999	3,150,302	3,404,713	3,266,069	4,031,218
Library	403,530	410,334	439,247	469,375	482,091	495,114	467,143	478,794	503,527	558,287
Total governmental activities	7,082,481	8,620,020	10,654,468	10,187,786	11,995,887	22,061,219	8,292,192	7,368,339	6,650,674	12,440,423
Business-type activities:										
Water	4,886,450	4,980,009	5,680,334	6,123,465	5,428,312	5,812,294	5,647,690	5,540,195	5,525,879	5,513,919
Sewer	7,573,835	7,291,004	8,262,681	6,946,357	6,742,228	6,792,043	6,615,442	6,725,986	6,751,680	7,167,202
Storm	-	-	-	-	-	-	-	-	-	1,124,771
Other non-major enterprise funds	4,207,328	4,197,117	6,142,220	3,190,272	2,765,263	2,918,631	2,846,659	4,674,632	4,137,271	3,040,549
Total business-type activities	16,667,613	16,468,130	20,085,235	16,260,094	14,935,803	15,522,968	15,109,791	16,940,813	16,414,830	16,846,441
Total primary government	\$ 23,750,094	\$ 25,088,150	\$ 30,739,703	\$ 26,447,880	\$ 26,931,690	\$ 37,584,187	\$ 23,401,983	\$ 24,309,152	\$ 23,065,504	\$ 29,286,864

City of Beloit, Wisconsin
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Reserved	\$ 2,031,796	\$ 2,149,150	\$ 1,924,704	\$ 2,076,049	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	8,547,741	8,184,365	8,519,970	8,724,137	-	-	-	-	-	-
Nonspendable	-	-	-	-	1,761,379	1,634,901	1,449,818	2,071,820	1,791,582	1,578,930
Assigned	-	-	-	-	605,321	589,028	626,840	300,000	-	-
Unassigned	-	-	-	-	8,408,569	9,144,726	8,339,711	7,762,537	8,007,592	8,303,332
Total general fund	\$ 10,579,537	\$ 10,333,515	\$ 10,444,674	\$ 10,800,186	\$ 10,775,269	\$ 11,368,655	\$ 10,416,369	\$ 10,134,357	\$ 9,799,174	\$ 9,882,262
All other governmental funds										
Reserved	\$ 10,935,007	\$ 11,565,636	\$ 8,022,576	\$ 7,271,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	3,423,288	533,830	(485,129)	243,976	-	-	-	-	-	-
Capital projects funds	22,179,563	9,335,975	8,910,576	9,354,103	-	-	-	-	-	-
Debt service funds	(5,136,143)	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	75,000	-	-	11,709	402,577	-
Restricted	-	-	-	-	15,502,709	9,892,961	10,314,163	10,480,740	10,974,549	12,697,326
Assigned	-	-	-	-	11,069,132	10,666,183	12,231,672	11,784,859	11,235,991	9,844,541
Unassigned	-	-	-	-	(4,553,852)	(4,572,305)	(4,374,225)	(3,841,960)	(3,904,273)	(3,672,678)
Total all other governmental funds	\$ 31,401,715	\$ 21,435,441	\$ 16,448,023	\$ 16,869,548	\$ 22,092,989	\$ 15,986,839	\$ 18,171,610	\$ 18,435,348	\$ 18,708,844	\$ 18,869,189
Total governmental funds	\$ 41,981,252	\$ 31,768,956	\$ 26,892,697	\$ 27,669,734	\$ 32,868,258	\$ 27,355,494	\$ 28,587,979	\$ 28,569,705	\$ 28,508,018	\$ 28,751,451

Note: It is the city's policy to maintain an unrestricted general fund balance of not less than 15% of operating revenues or three months of general fund expenditures, whichever is greater. The projected target for 2016 was \$7,625,619 which represents three months of budgeted operating expenditures. The city exceeded this limit by \$677,713. The city implemented GASB Statement 54 beginning with fiscal year 2011. Refer to Note 1 D in the Notes to Financial Statements section of the report.

City of Beloit, Wisconsin
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes (see Schedule 6)	\$ 12,615,533	\$ 16,047,362	\$ 17,006,060	\$ 18,928,612	\$ 19,372,644	\$ 20,225,496	\$ 20,959,622	\$ 20,588,063	\$ 20,887,634	\$ 21,617,852
Intergovernmental	21,902,213	21,831,391	22,996,684	23,009,047	23,963,992	23,612,491	22,449,953	22,704,505	22,913,912	22,964,293
Licenses and permits	758,459	733,953	567,135	579,017	590,135	652,541	863,215	938,474	937,400	908,737
Fines, forfeitures and penalties	1,212,231	1,187,381	1,166,653	1,270,139	1,217,864	1,151,148	1,134,864	1,077,893	970,079	795,998
Fees and service charges	630,560	677,097	648,181	720,898	655,964	664,322	732,733	792,397	816,604	818,488
Rent	43,182	30,715	30,026	15,469	56	3,615	13,031	19,178	47,003	57,804
Special assessments	314,066	246,045	250,769	158,485	225,047	204,105	188,098	190,402	312,480	280,934
Investment income	2,908,368	2,247,632	671,550	28,627	1,027,796	1,163,493	580,052	431,892	433,241	513,378
Unrealized Gain (loss) on investment	-	-	-	-	-	-	(964,552)	479,956	(187,936)	(226,204)
Public charges for services	2,256,901	2,261,251	2,254,880	2,576,526	2,520,878	2,642,302	2,703,076	2,709,994	2,686,514	2,512,226
Donations	-	-	-	-	-	-	-	-	-	-
Other	2,775,930	2,350,749	3,373,864	2,963,236	2,657,310	2,842,474	2,925,678	2,230,696	2,199,253	2,174,997
Total revenues	45,417,443	47,613,576	48,965,802	50,250,056	52,231,706	53,161,987	51,585,570	52,163,450	52,016,182	52,418,503
Expenditures										
Current										
General government	3,895,310	3,965,843	4,274,654	3,849,649	3,935,480	3,769,962	3,828,921	3,705,212	3,739,168	3,594,944
Community development	2,775,921	2,600,297	3,101,277	3,963,150	3,916,607	4,224,110	3,452,579	2,864,857	3,408,202	2,959,096
Public safety	17,960,197	18,022,207	18,225,392	18,447,116	19,113,358	19,118,570	20,372,113	20,423,475	20,470,156	20,137,594
Public health	-	-	-	-	-	-	-	-	-	-
Public works	8,797,432	8,780,712	8,622,853	8,325,488	8,194,319	7,958,183	8,883,972	8,943,426	8,600,822	8,346,050
Parks, recreation, and education	1,938,463	1,970,069	1,928,426	1,992,966	2,045,247	2,036,683	2,038,937	2,090,762	2,140,358	2,236,552
Capital outlay	10,443,691	18,213,473	20,304,947	9,474,436	11,075,644	14,064,117	7,254,823	9,513,875	8,663,135	11,549,110
Debt service:										
Principal retirement	11,760,034	10,294,458	4,946,407	5,609,568	5,923,641	11,952,889	11,334,674	6,993,294	7,237,072	7,561,023
Interest and fiscal charges	3,876,435	1,956,651	3,181,079	3,119,978	3,181,470	3,085,618	2,842,047	2,303,641	2,165,894	2,011,867
Total expenditures	61,447,483	65,803,710	64,585,035	54,782,351	57,385,766	66,210,132	60,008,066	56,838,542	56,424,807	58,396,236
Excess of revenues over (under) expenditures	(16,030,040)	(18,190,134)	(15,619,233)	(4,532,295)	(5,154,060)	(13,048,145)	(8,422,496)	(4,675,092)	(4,408,625)	(5,977,733)
Other financing sources (uses)										
Debt issued	15,196,994	3,438,190	15,785,965	4,462,587	1,500,000	3,753,800	3,686,989	3,149,816	3,370,000	4,960,000
Debt issued - refunding	-	-	-	-	14,006,168	3,706,200	12,079,111	5,477,459	-	-
Capital lease issued	11,213,109	5,085,000	-	-	3,915,445	1,498,489	-	-	-	-
Premium on bonds	-	-	-	-	-	139,913	423,115	256,111	-	130,133
Payments to escrow agent	-	-	(1,194,912)	-	(9,759,095)	(2,458,608)	(7,664,827)	(5,643,847)	-	-
Sale of city property	780,745	477,845	88,022	262,246	302,433	106,598	150,427	568,504	116,084	340,759
Debt service - principal	-	-	(4,880,389)	-	-	-	-	-	-	-
Transfers in	1,017,571	1,350,505	3,247,606	2,141,710	2,509,837	2,613,170	3,387,428	2,439,001	2,266,370	2,752,842
Transfers out	(385,288)	(2,373,702)	(2,303,318)	(1,557,211)	(2,122,204)	(1,824,177)	(2,407,262)	(1,590,226)	(1,405,516)	(1,962,568)
Total other financing sources (uses)	27,823,131	7,977,838	10,742,974	5,309,332	10,352,584	7,535,385	9,654,981	4,656,818	4,346,938	6,221,166
Net change in fund balances	\$ 11,793,091	\$ (10,212,296)	\$ (4,876,259)	\$ 777,037	\$ 5,198,524	\$ (5,512,760)	\$ 1,232,485	\$ (18,274)	\$ (61,687)	\$ 243,433
Debt service as a percentage of non-capital expenditures	28.41%	23.93%	14.68%	16.78%	17.92%	24.74%	24.14%	16.81%	18.12%	18.54%

City of Beloit, Wisconsin
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

Fiscal Year	Property	Mobile Home	Payments In Lieu of	Prior Year Collections/ (Rescinded)	Motel	Total
2007	\$ 12,621,107	\$ 22,868	\$ -	\$ (82,301)	\$ 53,859	\$ 12,615,533
2008	15,992,806	25,791	13,185	(64,930)	80,510	16,047,362
2009	16,965,490	10,018	10,312	(372)	20,612	17,006,060
2010	18,852,196	12,182	10,509	899	52,826	18,928,612
2011	19,299,003	12,628	9,038	2,006	49,969	19,372,644
2012	20,147,260	15,267	10,822	(5,420)	57,567	20,225,496
2013	20,867,890	13,462	9,089	1,773	67,408	20,959,622
2014	20,505,168	12,869	8,808	(4)	61,222	20,588,063
2015	20,785,707	12,541	9,104	760	79,522	20,887,634
2016	21,491,882	13,891	26,342	-	85,737	21,617,852

Note: Wisconsin Statutes limits the amount that the property tax levy may increase to the percentage increase in the tax base attributed to net new construction.

City of Beloit, Wisconsin
Assessed Value and Equalized Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Residential Property					Commercial Property		Manufacturing Property		Agricultural Property		Personal Property		Total Taxable Assessed Value		City Direct Tax Rate		Total Equalized Value		Taxable Assessed Value as a Percentage of Equalized Value
2007	\$	1,046,740,100	\$	423,735,800	\$	114,075,400	\$	710,400	\$	79,446,830	\$	1,664,708,530	7.87	\$	1,630,887,400	102.07%				
2008		1,054,404,900		439,788,300		121,180,400		691,200		83,002,580		1,699,067,380	8.08		1,718,751,200	98.85%				
2009		1,003,840,630		449,214,400		142,397,900		700,400		88,111,210		1,684,264,540	8.89		1,744,186,100	96.56%				
2010		900,230,900		427,694,300		135,080,700		679,600		87,133,340		1,550,818,840	10.04		1,610,889,800	96.27%				
2011		899,392,250		432,887,800		141,146,700		596,600		82,989,040		1,557,012,390	10.33		1,558,718,400	99.89%				
2012		894,849,000		424,796,000		166,829,600		599,300		102,931,800		1,590,005,700	10.30		1,507,977,900	105.44%				
2013		888,191,900		424,675,300		180,902,200		593,200		84,031,750		1,578,394,350	10.62		1,377,134,000	114.61%				
2014		884,755,300		430,356,700		168,818,300		576,400		81,975,602		1,566,482,302	10.83		1,471,696,200	106.44%				
2015		883,032,900		439,131,000		163,631,548		549,800		84,559,452		1,570,904,700	10.96		1,557,937,900	100.83%				
2016		883,276,700		471,910,400		165,852,600		546,900		87,247,190		1,608,833,790	11.11		1,593,559,300	100.96%				

Note: Property in the city is assessed each year as of January 1. Property is assessed at actual value; however, the Wisconsin Department of Revenue each year estimates the market value of all taxable property for the purpose of apportioning tax levies among the various taxing jurisdictions. This value is referred to as the equalized value. Taxable assessed value does not include tax exempt properties. Tax rates are per \$1,000 of assessed value and the city direct rate represents the city's portion of the tax levy. The total tax rates including those of other taxing jurisdictions can be found on Schedule 8. Taxes are levied in December based on the assessed value as of January 1 and collected the following year.

Source: City of Beloit annual budget.

City of Beloit, Wisconsin
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Levy Year	City of Beloit					Overlapping Rates (a)					Net Tax Rate
	Collection Year	Basic Rate	G. O. Debt Service Rate	Direct Tax Rate	Rock County	State of Wisconsin	Technical College	Beloit School District	Gross Tax Rate	School Tax Credit	
2007	2008	5.71	2.17	7.87	5.25	0.17	1.66	9.08	24.03	(1.47)	22.55
2008	2009	5.83	2.25	8.08	5.33	0.17	1.72	9.08	23.03	(1.56)	21.48
2009	2010	6.34	2.55	8.89	5.75	0.18	1.79	8.53	25.15	(1.40)	23.75
2010	2011	7.09	2.95	10.04	6.23	0.18	1.80	9.84	28.08	(1.37)	26.71
2011	2012	6.59	3.74	10.33	6.30	0.17	1.79	9.48	28.07	(1.30)	26.77
2012	2013	7.51	2.79	10.30	6.18	0.16	1.75	10.11	28.50	(1.27)	27.22
2013	2014	7.59	3.03	10.62	6.00	0.15	1.68	10.08	28.53	(1.31)	27.21
2014	2015	7.77	3.06	10.83	6.27	0.16	1.04	10.88	29.18	(1.34)	27.84
2015	2016	7.92	3.04	10.96	6.60	0.17	1.19	11.47	30.39	(1.59)	28.80
2016	2017	8.09	3.02	11.11	6.52	0.17	1.20	9.63	28.62	(1.59)	27.04

Beloit Turner School District

Levy Year	City of Beloit					Overlapping Rates (a)					Net Tax Rate
	Collection Year	Basic Rate	G. O. Debt Service Rate	Direct Tax Rate	Rock County	State of Wisconsin	Technical College	Beloit Turner School District	Gross Tax Rate	School Tax Credit	
2007	2008	5.71	2.17	7.87	5.25	0.17	1.66	8.94	23.89	(1.47)	22.42
2008	2009	5.83	2.25	8.08	5.33	0.17	1.72	9.98	25.28	(1.56)	23.72
2009	2010	6.34	2.55	8.89	5.75	0.18	1.79	10.35	26.96	(1.40)	25.56
2010	2011	7.09	2.95	10.04	6.23	0.18	1.80	10.95	29.20	(1.37)	27.83
2011	2012	6.59	3.74	10.33	6.30	0.17	1.79	11.05	29.63	(1.30)	28.34
2012	2013	7.51	2.79	10.30	6.18	0.16	1.75	11.08	29.47	(1.27)	28.20
2013	2014	7.59	3.03	10.62	6.00	0.15	1.68	10.35	28.80	(1.31)	27.48
2014	2015	7.77	3.06	10.83	6.27	0.16	1.04	10.72	29.02	(1.34)	27.68
2015	2016	7.92	3.04	10.96	6.60	0.17	1.19	10.88	29.79	(1.59)	28.21
2016	2017	8.09	3.02	11.11	6.52	0.17	1.20	10.52	29.51	(1.59)	27.92

Clinton Community School District

Levy Year	City of Beloit					Overlapping Rates (a)					Net Tax Rate
	Collection Year	Basic Rate	G. O. Debt Service Rate	Direct Tax Rate	Rock County	State of Wisconsin	Technical College	Clinton School District	Gross Tax Rate	School Tax Credit	
2007	2008	5.71	2.17	7.87	5.25	0.17	1.66	9.87	24.82	(1.47)	23.35
2008	2009	5.83	2.25	8.08	5.33	0.17	1.72	10.32	25.62	(1.56)	24.07
2009	2010	6.34	2.55	8.89	5.75	0.18	1.79	11.42	28.03	(1.40)	26.63
2010	2011	7.09	2.95	10.04	6.23	0.18	1.80	11.97	30.21	(1.37)	28.84
2011	2012	6.59	3.74	10.33	6.30	0.17	1.79	12.34	30.92	(1.30)	29.63
2012	2013	7.51	2.79	10.30	6.18	0.16	1.75	11.64	30.03	(1.27)	28.76
2013	2014	7.59	3.03	10.62	6.00	0.15	1.68	10.68	29.13	(1.31)	27.82
2014	2015	7.77	3.06	10.83	6.27	0.16	1.04	11.53	29.82	(1.34)	28.48
2015	2016	7.92	3.04	10.96	6.60	0.17	1.19	12.05	30.97	(1.59)	29.38
2016	2017	8.09	3.02	11.11	6.52	0.17	1.20	12.13	31.12	(1.59)	29.53

Note: The city's property tax rate is approved each year by the City Council and is based on the city's tax levy and the taxable assessed value of property in the city. Property taxes are levied in December based on the assessed value as of January 1 of the tax year and collected the following year.

(a) Overlapping rates are those of other local governments and taxing authorities that apply to property owners within the City of Beloit. The school district rates apply only to those properties located within the various school districts whereas the city, county, state, and technical college rates would apply to all properties in the city.

City of Beloit, Wisconsin
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	Type of Business/Property	2016			2007		
		Taxable Assessed Valuation	Percentage of Total Taxable Assessed Valuation	Rank	Taxable Assessed Valuation	Percentage of Total Taxable Assessed Valuation	Rank
ABC Supply/Hendricks	Wholesale Distribution/Property Development	\$ 76,579,250	4.76%	1	\$ 55,278,560	3.39%	1
Kerry Ingredients	Mfg. of Food Additives	41,343,000	2.57%	2			
Staples Contract & Commercial LLC	Fulfillment Center	34,001,070	2.11%	3	36,317,110	2.23%	2
Frito Lay Inc.	Food Processor	23,522,600	1.46%	4	25,045,500	1.54%	3
Pratt Industries		18,911,300	1.18%	5			
Kettle Foods	Food Processor	16,929,800	1.05%	6			
Beloit Health Systems	Health Services	15,616,140	0.97%	7	14,286,530	0.88%	7
Woodman's	Retail Grocer	15,295,930	0.95%	8	15,282,270	0.94%	5
Walmart	Retailer	15,255,690	0.95%	9	14,763,120	0.91%	6
McGuire/Morgan Square	Developer Commercial	13,439,400	0.84%	10	10,199,800	0.63%	9
Menards	Retail Home Improvements				18,149,200	1.11%	4
Reynolds Aluminum	Manufacturer				11,939,800	0.73%	8
Genencor	Manufacturer				9,781,600	0.60%	10
Totals		\$ 270,894,180	16.84%		\$ 211,043,490	12.94%	

Source: City of Beloit Assessor's Office.

City of Beloit, Wisconsin
Property Tax Levies and Collections
Last Ten Fiscal Years

Levy Year	Collection Year	Total City Tax Levy (1)	Collected within the		Collections in Subsequent Years	Total Collections to Date	
			Fiscal Year of the Levy	Percentage of Levy		Amount	Percentage of Levy
2007	2008	\$ 13,108,729	\$ 2,198,715	16.77%	\$ 10,906,854	\$ 13,105,569	99.98%
2008	2009	13,727,262	2,804,254	20.43%	10,920,358	13,724,612	99.98%
2009	2010	14,980,809	4,112,716	27.45%	10,858,577	14,971,293	99.94%
2010	2011	15,564,530	3,861,158	24.81%	11,692,161	15,553,319	99.93%
2011	2012	16,085,443	2,917,275	18.14%	13,165,124	16,082,399	99.98%
2012	2013	16,394,872	3,331,278	20.32%	13,062,062	16,393,340	99.99%
2013	2014	16,769,023	1,992,160	11.88%	14,775,750	16,767,910	99.99%
2014	2015	16,963,108	3,843,552	22.66%	13,105,602	16,949,154	99.92%
2015	2016	17,211,767	3,062,611	17.79%	14,104,637	17,167,248	99.74%
2016	2017	17,868,428	3,167,994	17.73%	N/A	N/A	

Note: In addition to city property taxes, the city also collects and remits property taxes to the State of Wisconsin, Rock County, Beloit School District, Beloit Turner School District, Clinton Community School District and Blackhawk Technical College. Taxes are levied in December of each year based on the assessed value as of the preceding January 1. Real estate taxes can be paid in four installments on January 31, March 31, May 31 and July 31. Personal property taxes are due January 31. Tax settlements to the other taxing authorities are made in January, February, April, June and the final settlement is in August. The city contracts with the Rock County Treasurer to collect all real estate taxes. The city collects all personal property taxes unpaid after January 31.

(1) Source: City of Beloit budget

City of Beloit, Wisconsin
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds		Issuance Premiums (Discounts)		Other Debt		Capital Leases		Other Capital Leases		Sewer Revenue Bonds		Water Revenue Bonds		Storm Water Revenue Bonds		Total Outstanding Debt		Estimated Full Property Value		Percentage of Full Property Value		Debt per Capita	

Governmental Activities

2007	\$ 53,255,304	\$ (420,309)	\$ 306,532	\$ 16,260,689	\$ 876,179	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,278,395	\$ 1,630,887,400	4.31%	37,110	\$ 1,894
2008	52,967,110	(372,992)	235,479	14,882,996	787,048	-	-	-	-	-	-	-	-	-	-	-	68,499,641	1,718,751,200	3.99%	37,110	1,846
2009	53,844,175	(325,674)	110,000	18,984,934	696,897	-	-	-	-	-	-	-	-	-	-	-	73,310,332	1,744,186,100	4.20%	37,000	1,981
2010	54,003,141	(278,357)	100,000	17,723,067	602,607	-	-	-	-	-	-	-	-	-	-	-	72,150,458	1,610,889,800	4.48%	36,966	1,952
2011	55,450,472	(721,460)	90,000	20,442,853	503,988	-	-	-	-	-	-	-	-	-	-	-	75,765,853	1,558,718,400	4.86%	36,945	2,051
2012	50,222,921	(809,965)	80,000	20,446,434	466,990	-	-	-	-	-	-	-	-	-	-	-	70,406,380	1,507,977,900	4.67%	36,850	1,911
2013	49,839,619	(389,297)	70,000	18,269,381	428,441	-	-	-	-	-	-	-	-	-	-	-	68,996,738	1,377,134,000	5.01%	36,820	1,874
2014	48,305,828	(607,154)	60,000	16,370,388	346,426	-	-	-	-	-	-	-	-	-	-	-	65,689,796	1,471,696,200	4.46%	36,805	1,785
2015	46,827,654	(568,900)	50,000	13,991,490	346,426	-	-	-	-	-	-	-	-	-	-	-	61,784,470	1,557,937,900	3.97%	36,792	1,679
2016	46,798,538	(530,646)	40,000	11,473,188	302,821	-	-	-	-	-	-	-	-	-	-	-	59,145,193	1,593,559,300	3.71%	36,657	1,613

Business-Type Activities

2007	\$ 4,169,402	\$ (1,086,278)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,673,124	\$ 1,630,887,400	2.06%	37,110	\$ 907
2008	5,928,389	(866,375)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,177,014	1,718,751,200	1.87%	37,110	867
2009	5,986,851	(734,700)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,482,151	1,744,186,100	1.81%	37,000	851
2010	5,925,112	(626,676)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,923,236	1,610,889,800	2.23%	36,966	972
2011	5,577,580	(504,757)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,436,835	1,558,718,400	2.40%	36,945	1,013
2012	5,225,896	(362,058)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,456,482	1,507,977,900	2.42%	36,850	989
2013	4,859,952	(26,566)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,126,402	1,377,134,000	2.55%	36,820	954
2014	4,680,857	(179,630)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,664,305	1,471,696,200	2.29%	36,805	915
2015	4,224,935	(124,094)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,708,395	1,557,937,900	2.04%	36,792	862
2016	3,715,865	(1,001,970)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,729,282	1,593,559,300	1.87%	36,657	811

Total Government-wide

2007	\$ 57,424,706	\$ (1,506,587)	\$ 306,532	\$ 16,260,689	\$ 876,179	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,951,519	\$ 1,630,887,400	6.37%	37,110	\$ 2,801
2008	58,895,499	(1,239,367)	235,479	14,882,996	787,048	-	-	-	-	-	-	-	-	-	-	-	100,676,655	1,718,751,200	5.86%	37,110	2,713
2009	59,831,026	(1,060,374)	110,000	18,984,934	696,897	-	-	-	-	-	-	-	-	-	-	-	104,802,483	1,744,186,100	6.01%	37,000	2,832
2010	59,928,253	(905,233)	100,000	17,723,067	602,607	-	-	-	-	-	-	-	-	-	-	-	108,073,694	1,610,889,800	6.71%	36,966	2,924
2011	61,028,052	(1,223,217)	90,000	20,442,853	503,988	-	-	-	-	-	-	-	-	-	-	-	113,202,688	1,558,718,400	7.26%	36,945	3,064
2012	55,448,817	(1,172,023)	80,000	20,446,434	466,990	-	-	-	-	-	-	-	-	-	-	-	106,862,862	1,507,977,900	7.09%	36,850	2,900
2013	54,699,571	(415,863)	70,000	18,269,381	428,441	-	-	-	-	-	-	-	-	-	-	-	104,123,140	1,377,134,000	7.56%	36,820	2,828
2014	52,986,685	(786,784)	60,000	16,370,388	346,426	-	-	-	-	-	-	-	-	-	-	-	99,354,101	1,471,696,200	6.75%	36,805	2,699
2015	51,052,589	(692,994)	50,000	13,991,490	346,426	-	-	-	-	-	-	-	-	-	-	-	93,492,865	1,557,937,900	6.00%	36,792	2,541
2016	50,514,403	(1,532,616)	40,000	11,473,188	302,821	-	-	-	-	-	-	-	-	-	-	-	88,874,475	1,593,559,300	5.58%	36,657	2,424

City of Beloit, Wisconsin
Ratios of General Bonded Debt Outstanding and Legal Debt Margin
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund (a)	Total	Per Capita (c)	Percentage of Estimated Actual Market Value of Property (b)	Total Debt Applicable to Debt Limit	Legal Debt Limit (d)	Legal Debt Margin (e)	Legal Debt Margin as a Percentage of the Debt Limit
2007	\$ 57,424,706	\$ 5,026,140	\$ 52,398,566	\$ 1,412	3.21%	\$ 57,424,706	\$ 81,544,370	\$ 24,119,664	29.58%
2008	58,895,499	4,000,673	54,894,826	1,479	3.19%	58,895,499	85,937,560	27,042,061	31.47%
2009	59,831,026	2,297,699	57,533,327	1,555	3.30%	59,831,026	87,209,305	27,378,279	31.39%
2010	59,928,253	2,077,288	57,850,965	1,565	3.59%	59,928,253	80,544,490	20,616,237	25.60%
2011	61,028,052	6,031,219	54,996,833	1,489	3.53%	61,028,052	77,935,920	16,907,868	21.69%
2012	55,448,817	1,871,641	53,577,176	1,454	3.55%	55,448,817	75,398,895	19,950,078	26.46%
2013	54,699,571	2,212,595	52,486,976	1,426	3.81%	54,699,571	68,856,700	14,157,129	20.56%
2014	52,986,685	2,048,472	50,938,213	1,384	3.46%	52,986,685	73,584,810	20,598,125	27.99%
2015	51,052,589	2,012,373	49,040,216	1,333	3.15%	51,052,589	77,896,895	26,844,306	34.46%
2016	50,514,403	1,745,892	48,768,511	1,330	3.06%	50,514,403	79,677,965	29,163,562	36.60%

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(a) Restricted net position balance for debt service refer to page 1.

(b) Property value data can be found in Schedule 6: Total Equalized Value is used as estimated market value.

(c) Population data can be found in Schedule 14: Demographic and Economic Indicators. Under city's Debt Policy target is \$950-\$1,050.

(d) Wisconsin State Statutes limit the city's general obligation indebtedness to 5% of the equalized value of taxable property within the city's boundaries. The city has established a self imposed limit under its Debt Policy of 3.0-3.5% of equalized value.

(e) The legal debt margin is the city's available borrowing authority under State Statutes and is calculated by subtracting the debt applicable to the legal debt limit from the legal debt limit.

**City of Beloit, Wisconsin
Direct and Overlapping Governmental Activities Debt
as of December 31, 2016**

<u>Governmental Unit</u>	<u>General Obligation Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
County of Rock, Wisconsin	\$ 42,370,000	15.50%	\$ 6,568,325
Blackhawk Technical College	48,875,000	12.92%	6,316,947
Beloit School District	62,582,219	94.49%	59,131,185
Beloit Turner School District	4,765,000	10.73%	511,313
Clinton Community School District	4,500,000	13.43%	604,525
Subtotal, overlapping debt			<u>73,132,295</u>
City direct debt			<u>59,145,193</u>
Total direct and overlapping debt			<u>\$ 132,277,488</u>

Population

Overlapping debt per capita

Direct and overlapping debt per capita

36,657

\$ 1,995

\$ 3,609

Sources: Equalized value data provided by the Wisconsin Department of Revenue was used to determine the estimated percentage of overlapping debt applicable. Debt outstanding data was provided by each jurisdiction.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Beloit. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be considered. However, this does not imply that every taxpayer is a resident and is responsible for repaying the debt of each overlapping government.

(a) The percentage of overlapping debt applicable is estimated using estimated market value (equalized value) of property as provided by the Wisconsin Department of Revenue. Applicable percentages were calculated by using the portion of the taxing jurisdiction's estimated market value that is within the city's boundaries and dividing it by the jurisdiction's total estimated market value.

Direct Debt includes outstanding long term bonded debt, notes, loans, and capital leases of the city's governmental activities.

City of Beloit, Wisconsin
Pledged Revenue Coverage
Last Ten Fiscal Years

Sewer Utility Revenue Bonds						
Fiscal Year	Utility Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2007	\$ 7,854,276	\$ 4,341,516	\$ 3,512,760	\$ 2,696,186	\$ 352,407	1.15
2008	7,495,480	4,613,801	2,881,679	2,800,000	248,500	0.95
2009	7,066,624	5,019,792	2,046,832	-	-	-
2010	7,083,699	5,370,311	1,713,388	-	-	-
2011	6,867,461	5,471,436	1,396,025	-	-	-
2012	6,975,312	5,803,825	1,171,487	130,030	13,820	101.01
2013	6,779,720	6,051,452	728,268	137,760	74,991	5.71
2014	6,878,377	6,135,784	742,593	141,066	73,424	3.39
2015	6,899,605	6,475,410	424,195	144,452	69,998	3.46
2016	7,297,866	6,102,227	1,195,639	147,919	66,490	1.98
						5.58

Water Utility Revenue Bonds						
Fiscal Year	Utility Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2007	\$ 4,791,676	\$ 1,771,273	\$ 3,020,403	\$ 780,000	\$ 865,315	1.84
2008	4,851,984	1,914,142	2,937,842	675,000	980,887	1.77
2009	4,756,316	2,268,695	2,487,621	695,000	1,030,961	1.44
2010	5,174,136	1,853,338	3,320,798	1,110,000	1,189,850	1.44
2011	5,472,411	1,823,566	3,648,845	1,080,000	1,220,495	1.59
2012	5,874,505	1,810,557	4,063,948	1,115,000	1,183,233	1.77
2013	5,600,028	2,266,499	3,333,529	1,235,000	1,064,519	1.45
2014	5,515,294	2,068,833	3,446,461	1,240,000	992,212	1.54
2015	5,535,133	2,633,314	2,901,819	1,270,000	962,339	1.30
2016	5,550,013	2,306,354	3,243,659	1,300,000	963,725	1.43

Stormwater Utility Revenue Bonds						
Fiscal Year	Utility Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2007	\$ -	\$ -	\$ -	\$ -	\$ -	-
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	951,506	737,653	213,853	-	41,424	5.16
2011	950,724	635,318	315,406	50,000	72,369	2.58
2012	958,856	702,539	256,317	55,000	71,444	2.03
2013	958,980	699,169	259,811	55,000	69,813	2.08
2014	959,068	720,259	238,809	55,000	68,694	1.93
2015	972,517	846,762	125,755	-	23,371	5.38
2016	1,131,853	778,841	353,012	65,000	34,850	3.54

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Sewer, water, and stormwater charges include non-operating revenues. Operating expenses do not include interest, amortization, or depreciation. The City's required coverage ratios are 1.10 for the sewer bonds and 1.25 for the water and stormwater bonds.

**City of Beloit, Wisconsin
Demographic and Economic Statistics
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Estimated Personal Income (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>School Enrollment (4)</u>	<u>Labor Force (5)</u>	<u>Employment (5)</u>	<u>Unemployment (5)</u>	<u>City Unemployment Rate (5)</u>
2007	37,110	\$ 1,171,006,050	\$ 31,555	7,125	17,493	16,193	1,300	7.4%
2008	37,110	1,190,154,810	32,071	7,130	16,981	15,548	1,433	8.4%
2009	37,000	1,142,893,000	30,889	7,146	17,275	14,254	3,021	17.5%
2010	36,966	1,179,104,502	31,897	6,891	16,486	14,362	2,124	12.9%
2011	36,945	1,230,453,225	33,305	6,967	16,273	14,484	1,789	11.0%
2012	36,850	1,321,256,750	35,855	6,985	16,474	14,770	1,704	10.3%
2013	36,820	1,401,148,280	38,054	7,116	16,880	15,013	1,867	11.1%
2014	36,805	1,424,831,965	38,713	7,133	17,148	15,850	1,298	7.6%
2015	36,792	1,472,636,592	40,026	7,186	17,179	16,053	1,126	6.6%
2016	36,657	N/A	N/A	7,030	17,264	16,298	966	5.6%

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Sources: (1) State of Wisconsin Department of Administration or U. S. Census Bureau (2010).

(2) Personal income estimate for the city is based on city population and per capita personal income for Rock County, WI using data obtained from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.

(3) Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce, Rock County, WI.

(4) State of Wisconsin Department of Public Instruction.

(5) State of Wisconsin Department of Workforce Development - Office of Economic Advisors.

Note: In 2008 the General Motors assembly plant in Janesville, WI closed eliminating over 1,200 jobs and severely impacting the regional economy. The affect of the plant's closure on the City of Beloit led to the unemployment rate soaring to almost 20% in 2009 and it remains as one of the highest in the State of Wisconsin.

**City of Beloit, Wisconsin
Principal Employers
Current Year and Nine Years Ago**

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Beloit Health Systems	1,576	1	10.50%	1,239	1	7.23%
School District of Beloit	938	2	6.25%	871	2	5.08%
Kerry Ingredients	740	3	4.93%	330	10	1.93%
Frito-Lay	663	4	4.42%	717	3	4.19%
Taylor Company	635	5	4.23%	520	4	3.04%
Birds Eye	559	6	3.72%			
City of Beloit	447	7	2.98%	382	8	2.23%
Beloit College	408	8	2.72%	448	5	2.62%
Hendricks Holdings (ABC Supply)	391	9	2.60%	439	7	2.56%
Fairbanks-Morse	374	10	2.49%			
Alcoa Wheel Products	-	-	-	440	6	2.57%
Wal-Mart	-	-	-	336	9	1.96%
Total	6,731		44.83%	5,722		33.41%

Source: City of Beloit Department of Economic Development.

City of Beloit, Wisconsin
Full-time Equivalent City Employees by Function/Program
Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	7.00	7.00	7.00	7.00	7.30	7.14	7.00	7.00	7.00	6.00
Finance and Administrative Services	36.55	35.60	34.30	33.35	33.25	31.00	30.70	29.75	29.85	29.00
Community Development	19.00	19.00	18.00	18.00	19.00	18.50	16.50	16.50	16.50	17.00
Economic Development	3.40	3.40	3.40	3.40	3.40	3.40	3.40	3.40	3.40	3.00
Public Safety:										
Police Services	95.75	95.95	95.96	95.91	95.91	88.76	90.26	90.66	91.16	91.16
Fire Services	65.62	65.65	65.65	65.65	65.65	59.25	59.74	64.74	63.24	64.86
Engineering and public works	60.83	60.83	61.83	60.54	60.44	57.71	56.08	56.08	59.67	57.67
Parks and Recreation	40.64	40.26	40.26	39.26	39.76	37.37	38.01	38.01	38.07	38.04
Library	27.00	26.48	25.82	25.59	25.76	26.01	27.15	27.34	27.60	26.98
Water and Sewer Utility	35.54	36.80	36.82	37.11	37.11	35.57	34.90	35.40	35.40	35.40
Transit	20.50	20.10	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50
Total	411.83	411.07	409.54	406.31	408.08	385.21	384.24	389.38	392.39	389.61

Source: City of Beloit annual budget

A full time employee is scheduled to work 2,080 hours per year (including vacation and sick leave used). Full time equivalent employment is determined by dividing the total hours worked by 2,080.

City of Beloit, Wisconsin
Operating Indicators by Function/Program
Last Ten Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
New Building permits	27	17	9	2	3	2	7	6	7	10
Building permits issued	967	936	625	925	1,030	1,156	990	1,074	1,002	1,009
Building inspections conducted	5,585	4,215	3,811	3,972	3,932	4,540	3,874	1,657	2,269	3,449
Site plans reviewed	27	26	22	14	18	21	25	14	13	12
Rental certificates issued	5,748	5,456	5,673	5,624	5,449	6,010	5,990	5,927	6,134	6,393
Police										
Physical Arrests	10,467	9,777	8,384	7,952	7,736	8,756	10,026	4,850	4,683	3802
Traffic Violations	6,639	5,578	5,328	6,434	6,261	6,494	5,529	4,746	3,564	2611
Parking Violations	12,663	11,209	8,197	9,536	8,461	6,782	6,230	7,072	3,837	2275
Fire										
Emergency responses	7,565	7,979	7,262	7,834	7,896	7,693	8,194	8,452	8,513	8929
Fires extinguished	115	122	96	125	134	150	107	122	134	114
Inspections conducted	2,430	2,449	2,349	2,336	2,293	2,029	2,000	2,050	2,096	1964
Ambulance runs	3,392	3,625	3,394	3,498	3,534	3,517	3,726	3,835	3,969	4428
Engineering and public works										
Development plans reviewed	27	26	22	14	18	21	25	14	13	12
Infrastructure projects designed	27	28	30	30	20	23	16	15	24	16
Infrastructure projects completed	14	18	20	20	18	19	16	14	20	15
Highways and Streets										
Street resurfacing (miles)	1.00	1.50	4.40	4.8	1.9	3.1	5.5	1.92	6.3	6.1
Potholes repaired	42,972	38,897	47,309	47,218	50,590	40,319	38,725	38,176	38,720	43,737
Sanitation										
Refuse collected (tons/day)	38	38	37	34	33	32.39	33.79	39.07	37	42.51
Recyclables collected (tons/day)	21	20	20	23	16	15.92	15.15	18.47	16.5	19.96
Culture and Recreation										
Facility use permits issued	453	465	459	448	460	469	431	491	530	577
Number of programs offered	66	67	79	77	75	78	81	84	86	84
Rounds of golf played	22,345	28,202	25,448	28,117	17,524	25,174	21,822	20,056	19,502	19,266
Senior center participants	20,411	22,564	24,199	24,318	24,011	23,919	25,822	25,934	26,194	26,546
Number of cemetery internments	169	178	148	161	185	170	175	147	164	141
Water										
Work orders processed	1,782	1,855	1,876	3,656	2,952	2,711	2,724	2,321	2,336	2,910
DHL locate tickets processed		4,706	4,620	4,248	4,187	4,289	5,196	4,170	5,183	5,033
Main breaks	49	39	34	35	30	32	56	52	34	36
Average daily production (MGD)	6.60	6.71	6.15	5.89	5.47	5.75	5.55	5.468	6.109	5.804
Peak daily production (MGD)	9.74	9.81	8.62	8.36	8.59	10.14	8.726	7.500	8.427	8.593
Wastewater										
Average daily treatment (MGD)	5.34	7.35	5.96	4.26	3.664	3.529	4.32	3.776	3.95	4.205
Peak daily treatment (MGD)	12.79	18.81	13.83	6.22	4.999	4.671	15.459	9.640	6.071	5.414
Transit										
Total route miles	392,041	392,041	392,041	343,029	343,029	343,029	343,029	311,017	287,839	287,963
Passengers	311,353	313,845	307,568	272,089	265,590	246,323	243,859	223,291	198,719	184,013

Source: Various city departments.

City of Beloit, Wisconsin
Capital Asset Statistics by Function/Program
Last Ten Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	40	39	39	39	40	40	40	40	40	51
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Trucks	10	10	10	10	10	10	14	14	14	14
Ambulances	3	3	3	3	3	3	4	4	4	4
Refuse Collection										
Garbage trucks	14	14	14	14	14	14	13	13	13	12
94 Gallon trash cart	0	0	0	0	0	0	0	0	0	12,647
94 Gallon recycling cart	0	0	0	0	0	0	0	0	0	12,647
64 Gallon trash cart	0	0	0	0	0	0	0	0	0	278
64 Gallon recycling cart	0	0	0	0	0	0	0	0	0	278
Other public works										
Streets/highways (miles)	181.92	182.2	182.2	183.5	183.5	183.5	183.5	183.5	184.8	184.8
Streetlights	889	902	1,053	1,229	1,320	1,308	1,308	1,308	1,456	1,498
Traffic signals	40	40	40	40	40	40	40	40	41	42
Parks and recreation										
Acreage	851	851	861	861	861	861	924	924	924	924
Parks	34	34	35	35	35	35	39	39	39	39
Tennis courts	11	11	11	11	11	11	11	11	11	11
Golf courses	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	2	2
Water										
Wells	7	7	7	7	7	8	8	9	8	8
Water mains (miles)	178	194	196.7	197.7	197.7	198.9	198.9	198.9	199	199
Hydrants	1,714	1,436	1,434	1,464	1,464	1,555	1,555	1,555	1,558	1,488
Storage capacity (MGD)	2.75	2.75	2.75	2.75	2.75	4.15	4.15	4.150	4.15	4.15
Wastewater										
Treatment plants	1	1	1	1	1	1	1	1	1	1
Sanitary sewer (miles)	168	170.5	170.8	175	172.8	172.8	172.8	172.8	172.8	172.8
Storm sewer (miles)	172	110.5	108	110.2	110.2	110.2	110.2	110.2	110.2	110.2
Treatment capacity (MGD)	11	11	11	11	11.3	11.3	11.3	11.3	11.3	11.3
Transit										
Buses	12	12	12	12	12	12	12	12	12	12

Source: Various city departments.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Beloit
Beloit, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the 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 Beloit, Wisconsin as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Beloit's basic financial statements, and have issued our report thereon dated June 23, 2017. Our report includes a reference to other auditors who audited the financial statements of the Beloit Public Library Foundation, Inc., a component unit, and the limited liability corporations (LLCs) presented as component units of the City of Beloit CDA (CDA), as described in our report on the City of Beloit's financial statements. The financial statements of the Beloit Public Library Foundation, Inc., a component unit of the City and the LLC's of the CDA, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002, that we consider to be material weaknesses.

To the City Council
City of Beloit

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Voichamp Krueger LLP

Madison, Wisconsin
June 23, 2017

Opinion on Each Major Federal and Major State Program

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE
STATE SINGLE AUDIT GUIDELINES**

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Beloit
Beloit, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited City of Beloit's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the City's major federal and major state programs for the year ended December 31, 2016. The City's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal and major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines*. Those standards, the Uniform Guidance, and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and major state program. However, our audit does not provide a legal determination of the City's compliance.

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance or the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2016-003 and 2016-004. Our opinion on each major federal and major state program is not modified with respect to these matters.

City's Response to Findings

The City's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-003 and 2016-004, that we consider to be significant deficiencies.

To the City Council
City of Beloit

City's Response to Findings

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Guidelines. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
June 23, 2017

CITY OF BELOIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Federal Agency/Pass-Through Agency/Program Title	Federal CFDA Number	Passed Through Agency	Number/Pass-Through Grantor's Number	Total Expenditures	Passed Through to Other Agencies
U.S. Department of Housing and Urban Development					
Community Development Block Grants-Entitlement Grants Cluster	14.218	Direct	359**	\$ 473,042	\$ 137,813
Community Development Block Grants-Entitlement Grants - Revolving Loan/Program Income	14.218	Direct	359**	298,862	-
Total CFDA #14.218				771,904	137,813
Community Development Block Grant/State's Program and Non-Entitlement Grants - Program Income	14.228	WI DDA	73075200-4330-0047871	130,336	-
Community Development Block Grant/State's Program and Non-Entitlement Grants in Habitat	14.228	WI DDA	36950 (RPP&P)	47,530	-
Total CFDA #14.228				240,866	-
Home Investment Partnerships Program	14.239	C/Janesville	35125-36125	134,773	-
Home Investment Partnerships Program - Program Income	14.239	C/Janesville	35125-36125	162,582	-
Total CFDA #14.239				297,355	-
Public and Indian Housing	14.850	Direct		408,700	-
Resident Opportunity and Supportive Services	14.870	Direct		10,420	-
Housing Voucher Cluster	14.871	Direct		3,172,115	-
Section 8 Housing Choice Vouchers					
Public Housing Capital Fund					
WBS9-PO84-501-12	14.872	Direct		14,616	-
WBS9-PO84-501-13	14.872	Direct		50,930	-
WBS9-PO84-501-14	14.872	Direct		91,180	-
WBS9-PO84-501-15	14.872	Direct		2,714	-
WBS9-PO84-501-16	14.872	Direct		120,000	-
Total CFDA #14.872				279,440	-
Family Self-Sufficiency Program	14.886	Direct		62,336	-
Lead Hazard Reduction Demonstration Grant Program	14.905	WI DHS	73679204-36001-10510	365,510	-
Total U.S. Department of Housing and Urban Development				5,577,646	137,813
U.S. Department of the Interior					
Historic Survey of Historic Properties	15.904	WI HS		20,000	-
U.S. Department of Justice					
Edward Byrne Memorial Justice Assistance Grant	16.738	Direct	33235 prepaid	11,600	-
U.S. Department of Transportation					
Federal Transit Formula Grants					
Federal Transit Fund Cluster	20.507	Direct	WI-00-X704-00	630,048	-
Total Federal Transit Cluster				630,048	-
Metropolitan Transportation Planning	20.505	IL DOT	33276	203,302	-
Highway Safety Cluster					
State and Community Highway Safety	20.600	WI DOT	10656	8,195	-
Speed Enforcement		WI DOT	10575-10576	9,362	-
Alcohol Enforcement		WI DOT		13,547	-
Total Highway Safety Cluster				21,104	-
Total U.S. Department of Transportation				846,898	-
U.S. Department of Homeland Security					
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	Direct	33282	108,174	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	Direct	33284	157,896	-
Total U.S. Department of Homeland Security				266,070	-
U.S. National Endowment for the Arts					
Arts Midwest/The Big Read	45.024	Direct	35077	13,000	-
TOTAL FEDERAL AWARDS				\$ 6,732,171	\$ 137,813

See notes to schedules of federal and state awards.

CITY OF BELOIT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended December 31, 2016

State Agency/Pass-Through Agency/Program Title	State Number	Grant Number	Total Expenditures	Passed Through to Other Agencies
Wisconsin Department of Transportation				
Transit Operating Aids				
2016 Operating Aids	395.104	25707410-436001	\$ 489,246	\$ -
2014 Operating Aids	395.104	25707410-436001	600	-
2016 Paratransit Aids	395.104	85.205	19,951	-
Total Transit Operating Aids			509,197	-
Transportation Economic Assistance (TEA) Grant	395.510	P9001652	700,000	-
Planning Commission Program	395.202	35276	36,815	-
Total Wisconsin Department of Transportation			1,246,012	-
Wisconsin Department of Health Services				
Ambulance Funding Assistance Grant	435.162	74666400-436001-81021	8,608	-
Wisconsin Department of Natural Resources				
Beloit Storm Water Management Plan Update	370.658	27707508-10715	72,719	-
Big Hill Park Trail Development Grant	370.663	S-ADLP3-14-1195	98,159	-
Recycling Grants to Responsible Units	370.670		121,497	-
Recycling Consolidation Grant	370.673		9,636	-
Total Wisconsin Department of Natural Resources			302,011	-
Wisconsin Department of Administration				
Office of Justice Assistance				
Uniform Beat Patrol Officers	505.620	61622239-406001-10024	121,434	-
TOTAL STATE AWARDS			\$ 1,678,065	\$ -

See notes to schedules of expenditures of federal and state awards.

CITY OF BELOIT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2016

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the "schedule") includes the federal and state grant activity of the City of Beloit under programs of the federal and state government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of the City of Beloit, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Beloit.

The reporting entity for the City is based upon criteria established by the Governmental Accounting Standards Board. The City of Beloit is the primary government according to GASB criteria, while the Beloit Community Development Authority (CDA) is a component unit. Federal and state awards received directly by the CDA are included in this report.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual; i.e., 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. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis; i.e., when the revenue has been earned and the liability is incurred.

NOTE 3 – PASS-THROUGH AGENCIES

The following identifies the pass-through agency acronyms used on the schedule of expenditures of federal awards:

WI DOA	Wisconsin Department of Administration
C/Janesville	City of Janesville, Wisconsin
WI DHS	Wisconsin Department of Health Services
WI HS	Wisconsin Historical Society
WI DOT	Wisconsin Department of Transportation
IL DOT	Illinois Department of Transportation

NOTE 4 – INDIRECT COST RATE

The City of Beloit has not elected to use the 10% de minimis indirect cost rate.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- > Material weakness (es) identified? yes no
 - > Significant deficiency (ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

FEDERAL AND STATE AWARDS

Internal control over major programs:

- > Material weakness(es) identified? yes no
- > Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported yes reported

Type of auditor’s report issued on compliance for major programs: Unmodified Unmodified Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance or the State Single Audit Guidelines? yes no yes no

Auditee qualified as low-risk auditee? yes no yes no

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000 \$ 250,000

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS (cont.)

FEDERAL AND STATE AWARDS (cont.)

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
14.871	Section 8 Housing Choice Vouchers
20.507	Federal Transit Cluster Federal Transit – Formula Grants

Identification of major state programs:

State Number	Name of State Program
395.104	Transit Operating Aids
395.510	Transportation Economic Assistance (TEA) Grant

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

FINDING 2016-001: INTERNAL CONTROL OVER FINANCIAL REPORTING

Repeat of prior year finding 2015-001

Criteria: According to Statement on Auditing Standards AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*, sufficient internal controls should be in place that provide for the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles. According to Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), sufficient internal controls should be in place that provide for the preparation of the schedule of expenditures of federal and state awards.

Condition: The City of Beloit’s financial records contained material misstatements and the City did not prepare its annual financial statements in accordance with generally accepted accounting principles. The City prepared the schedule of expenditures of federal and state awards in accordance with the Uniform Guidance; however, material changes were proposed to the city during the audit process.

Cause: Due to staffing and financial limitations, the City chooses to contract with the auditors to assist with some year-end audit entries; prepare the annual financial statements, and assist with the schedule of expenditures of federal and state awards.

Effect: Complete and accurate financial statements and the schedule of expenditures of federal and state awards are not available until the conclusion of the audit.

Recommendation: We recommend the city evaluate if additional procedures are practical at this time to eliminate material adjustments proposed by the auditor and to increase the city’s involvement in the financial reporting process.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (cont.)

FINDING 2016-001: INTERNAL CONTROL OVER FINANCIAL REPORTING (cont.)

Management's Response: Most entries are prepared by City staff, which continues to decrease the amount of audit entries needed. The Finance and Administrative Services Director and Director of Accounting and Purchasing review and approve the financial statements, disclosures and schedules prepared by our auditing firm utilizing a financial statement disclosure checklist. The Director of Accounting and Purchasing and Senior Accountant have also made changes by conducting monthly reconciliations for payables and major receivables, and monthly reconciliations for cash.

FINDING 2016-002: INTERNAL CONTROL ENVIRONMENT

Repeat of prior year finding 2015-002 – certain aspects of finding 2015-002 were addressed and no longer appear

Criteria: According to Statement on Auditing Standards AU-C Section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, sufficient internal accounting controls should be in place that mitigate the risk of material misstatement in the financial records due to fraud or error.

Condition: We identified key controls that ideally should be present or strengthened in order to mitigate the risk of material misstatement in relation to the City's significant transaction cycles as follows:

CONTROLS OVER BILLING/RECEIVABLES/REVENUE

1. For both utility and general billing, there should be segregation between the bill receiving and accounts receivable billing/adjustments functions.

Management's Response: Point still applies for 2016 however as of January 2017, the utility billing clerk has now been assigned to the Accounting Department and the utility billing clerk will no longer process payments. The other change that occurred is that the City Clerk and City Treasurer's offices are now combined. This has added two additional staff so that the billing clerk would not be needed to process payments. There would be no occasion where a cashier would generate billings.

2. All billing adjustments should be supported by appropriate documentation and reviewed and approved by someone independent of the billing and collecting process. Currently, there is no process in place to review a complete list of billing adjustments. Only adjustments provided to the treasurer are reviewed. Additionally, the approval should be documented.

Management's Response: Point still applies for 2016 however as of December 2016, a workflow process has been created in the Munis financial software the City uses. The workflow notifies the City Clerk/Treasurer every time an adjustment is made. The billing clerk then gives the adjustment, including back up documentation to the Clerk/Treasurer to sign her approval of the adjustment. The double check is now the Clerk/Treasurer is receiving the adjustment to approve after getting notification from the software of the adjustment.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (cont.)

FINDING 2016-002: INTERNAL CONTROL ENVIRONMENT (cont.)

CONTROLS OVER BILLING/RECEIVABLES/REVENUE (cont.)

3. There should be segregation between the municipal court billing, receipting and accounts receivable functions. Also, the amounts recorded in the subsidiary municipal court system should be reconciled to the general ledger on a regular basis. Additionally, adjustments made to municipal court receivables in the subsidiary system should be reviewed by an individual that is independent of the billing and collecting process.

Management's Response: With the staffing changes to the Municipal Court, the City will work to segregate billing, receipting, and receivable duties in the department. The Director of Accounting and Purchasing will reconcile the municipal court system to the general ledger on a quarterly basis. All adjustments made to the municipal court receivable will be reviewed and signed off on by the Municipal Court Judge, Director of Accounting and Purchasing or the Finance and Administrative Services Director. The Accounting Department also conducted an audit of the Municipal Court mid-year in 2016.

CONTROLS OVER INFORMATION TECHNOLOGY

1. Access rights for the network and significant applications should be reviewed at least annually by an appropriate person.
Management's Response: The Director of Accounting will assist the IT Director in reviewing significant financial applications and network access annually. Individuals identified as having access to all financial application systems will have complete network access reviewed and folder rights examined and tested annually.
2. The operating system, database, and applications should be monitored to identify any security violations. The City should proactively monitor both internal access on the network and financial applications as well as external access. In addition, there should be a procedure to resolve or escalate any security violations.

Management's Response: The Information Technology Department has completely overhauled the network firewall and hardened virtual private network tunnels for external system access. All internal and external access requires a current user name and password compliant with departmental policy. The IT Supervisor utilizes software which monitors and reviews all network access and all security violations are promptly reported to the IT Director for immediate action.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (cont.)

FINDING 2016-002: INTERNAL CONTROL ENVIRONMENT (cont.)

CONTROLS OVER INFORMATION TECHNOLOGY (cont.)

3. Unnecessary generic accounts within the active directory and Munis should be identified and eliminated.

Management's Response: The Information Technology Department has reviewed all generic-level restricted accounts and is in the process of eliminating or revising each account on a case by case basis. Multiple generic system accounts which were created for system level processes will be eliminated or consolidated as needed. Systems requiring generic accounts to maintain reasonable functionality will be thoroughly documented and passwords will be changed per departmental policy.

CONTROLS OVER MONTHLY AND YEAR-END ACCOUNTING

1. There should be evidence that the adjusting journal entries and supporting documentation of the CDA have been reviewed and approved by an appropriate person who is not the original preparer.

Management's Response: Beloit Housing Authority Accountant will initial any adjusting journal entries completed by the Fee Accountant. Whenever the Accountant makes any adjusting journal entries, he will have them reviewed and initiated by the Fee Accountant.

Cause: The City does not have the resources required to adequately segregate all accounting functions at all times. The City's internal control system does not require the above controls to be in place.

Effect: Due to the lack of certain controls, there is a risk that material misstatements (intentional and unintentional) may go undetected in the City's financial records.

Recommendation: We recommend that the City consider the benefits of implementing additional policies and procedures to address key controls related to its significant transaction cycles, as noted above.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

FINDING 2016-003

PROGRAM CFDA NUMBER: 14.871 Section 8 Housing Choice Vouchers
FEDERAL GRANTOR: U.S. Department of Housing and Urban Development

Repeat of prior year finding 2015-003

Criteria: According to 2 CFR part 200, subpart E, charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. Budgeted allocations when timesheets are not completed may be used for interim accounting. However, the City's system of internal control should include a process to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustments must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

Condition/Context: During our testing of the Section 8 Housing Choice Vouchers Program, it was noted that time charged to the program was allocated based on an estimate and never reviewed to verify that no adjustment was needed. The sample was not a statistical sample.

Cause: The City did not have a process to review actual wages in comparison to estimated wages charged to the program.

Effect: The amounts charged to the Federal grant may not reflect actual distribution of costs.

Questioned Costs: Questioned costs cannot be determined.

Recommendation: We recommend the City implement a procedure to document allocated time in accordance with the Uniform Guidance.

Management's Response: Beloit Housing Authority staff that work under multiple grants have been completing timesheets in accordance with the time actually spent in each grant area. Beginning July 2017, the payroll clerk will key in actual hours worked to each grant in the payroll system every pay period. This will eliminate the need to true up the actual hours worked vs. the allocation at year end.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

FINDING 2016-004

PROGRAM/CFDA NUMBER: 20.507 Federal Transit Formula Grants
FEDERAL AWARD IDENTIFICATION NUMBER: WI-90-X794-00
FEDERAL GRANTOR: U.S. Department of Transportation

A portion of this finding is a repeat of prior year finding 2015-007

Criteria: Section 200.430 of the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards outlines the requirements for compensation charged to Federal awards. According to section 200.430 (a) (1), costs of compensation are allowable to the extent they conform to the established written policy of the non-Federal entity. According to Section 200.430 (i)(1)(vii) & (viii), charges to Federal awards must be based on records that support the distribution of the employee's salary among specific activities if the employee works on a Federal award and a non-Federal award. Budget estimates alone do not qualify as support for Federal awards.

Condition/Context: During testing of the Federal Transit Formula Grants program, there were two issues that were noted. The first issue involved an employee being paid at a lower rate than what was stated in the sample. The expected wage rate was recalculated by taking the salary increase percent multiplied by the previous authorized wage rate. The second issue was in regards to an employee who was being paid workers compensation, but there was neither a time sheet nor supporting documentation as to how it was concluded that the employee was only receiving amounts for workers compensation. The sample was not a statistical sample.

Cause: There was a recalculation done for the first finding, noting a wage rate of \$44.66. When compared to the listing, the stated wage rate for the employee was \$44.44. For the second finding, there was a lack of supporting documentation as to the verification of only workers compensation payment.

Effect: There may be more employees who are not getting paid properly, causing incorrect cost allocations.

Questioned Costs: The first issue showed the employee was underpaid by \$17.84 for the pay period. There were no questioned costs for the second finding as the finding relates only to the lack of supporting documentation.

Recommendation: We recommend that the City require timesheets for all employees working on federal awards (including salaried individuals) and that the City review timecards in detail before entering payroll to ensure accuracy.

Management's Response: Timesheets will be completed by all employees working on federal awards. The timesheets will be reviewed and signed by the Transit supervisor or Finance Director before payroll processing.

CITY OF BELOIT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

SECTION IV – OTHER ISSUES

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? yes no

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Transportation	yes	<input checked="" type="checkbox"/>	no
Department of Health Services	yes	<input checked="" type="checkbox"/>	no
Department of Natural Resources	yes	<input checked="" type="checkbox"/>	no
Department of Administration	yes	<input checked="" type="checkbox"/>	no

Was a Management Letter or other document conveying audit comments issued as a result of this audit? yes no

Name and signature of partner



Carla A. Gogin, CPA, Partner

June 23, 2017

Date of report

FORM OF LEGAL OPINION

(See following pages)

Quarles & Brady LLP
411 East Wisconsin Avenue
Milwaukee, WI 53202

May 3, 2018

Re: City of Beloit, Wisconsin ("Issuer")
\$4,015,000* Water System Revenue Bonds, Series 2018C,
dated May 3, 2018 ("Bonds")

We have acted as bond counsel to the Issuer in connection with the issuance of the Bonds. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The Bonds are issued pursuant to Section 66.0621, Wisconsin Statutes, a resolution adopted by the City Council of the Issuer on October 20, 2003, as previously supplemented and amended (the "Bond Resolution"), and a supplementing resolution adopted by the City Council of the Issuer on April 16, 2018 (the "Supplemental Resolution") (hereinafter the Bond Resolution and the Supplemental Resolution shall be referred to as the "Resolutions"). Pursuant to the Bond Resolution, the Bonds are issued on a parity with the Issuer's outstanding Water System Revenue Bonds, Series 2009, dated May 28, 2009, Water System Revenue Bonds, Series 2010, dated April 6, 2010, Water System Revenue Refunding Bonds, Series 2013B, dated February 13, 2013, and Water System Revenue Refunding Bonds, Series 2016C, dated November 9, 2016 (collectively, the "Prior Bonds"). The Issuer covenanted in the Bond Resolution that revenues derived from the operation of the Water System (the "System") of the Issuer which are deposited in the Special Redemption Fund provided by the Bond Resolution (the "Revenues") shall at all times be sufficient to pay the principal of and interest on the Prior Bonds and the Bonds as the same falls due.

The Bonds are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on November 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>
2018	\$100,000	___%
2019	100,000	___
2020	100,000	___
2021	100,000	___
2022	100,000	___
2023	100,000	___
2024	110,000	___

* Preliminary, subject to change.

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>
2025	\$120,000	___%
2026	120,000	___
2027	125,000	___
2028	125,000	___
2029	200,000	___
2030	225,000	___
2031	290,000	___
2032	300,000	___
2033	300,000	___
2034	300,000	___
2035	300,000	___
2036	300,000	___
2037	300,000	___
2038	300,000	___

Interest is payable semi-annually on May 1 and November 1 of each year commencing on November 1, 2018.

The Bonds maturing on November 1, 2027 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on November 1, 2026 or on any date thereafter. Said Bonds are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer, and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

[The Bonds maturing in the years _____ are subject to mandatory redemption by lot as provided in the Supplemental Resolution, at the redemption price of par plus accrued interest to the date of redemption and without premium.]

We further certify that we have examined a sample of the Bonds and find the same to be in proper form.

Based upon and subject to the foregoing, it is our opinion under existing law that:

1. The Issuer is duly created and validly existing under the Constitution and laws of the State of Wisconsin with the power to adopt the Resolutions, perform the agreements on its part contained therein and issue the Bonds.

2. The Resolutions have been duly adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable upon the Issuer.

* Preliminary, subject to change.

3. The Bonds have been lawfully authorized and issued by the Issuer pursuant to the laws of the State of Wisconsin now in force and are valid and binding special obligations of the Issuer in accordance with their terms payable solely from the Revenues of the System. The Bonds, together with interest thereon, do not constitute an indebtedness of the Issuer nor a charge against its general credit or taxing power.

4. The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. We note, however, that the 2017 tax act (Public Law 115-97) enacted on December 22, 2017, repealed the alternative minimum tax on corporations for tax years beginning after December 31, 2017. Accordingly, any discussion herein regarding corporate alternative minimum tax is applicable only to a corporation's tax years beginning before January 1, 2018. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

We express no opinion regarding the creation, perfection or priority of any security interest in the Revenues or other funds created by the Resolutions or on the sufficiency of the Revenues.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

QUARLES & BRADY LLP

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Beloit, Rock County, Wisconsin (the "Issuer") in connection with the issuance of \$4,015,000* Water System Revenue Bonds, Series 2018C, dated May 3, 2018 (the "Securities"). The Securities are being issued pursuant to a resolution adopted on April 16, 2018 (the "Resolution") and delivered to _____ (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

Section 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Final Official Statement" means the Final Official Statement dated April 17, 2018 delivered in connection with the Securities, which is available from the MSRB.

"Fiscal Year" means the fiscal year of the Issuer.

"Governing Body" means the City Council of the Issuer or such other body as may hereafter be the chief legislative body of the Issuer.

* Preliminary, subject to change.

"Issuer" means the City of Beloit, Rock County, Wisconsin, which is the obligated person with respect to the Securities.

"Issuer Contact" means the Finance and Administrative Services Director of the Issuer who can be contacted at 100 State Street, Beloit, Wisconsin, 53511 phone (608) 364-6676, fax (608) 364-6642.

"Listed Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

"SEC" means the Securities and Exchange Commission.

Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 365 days after the end of the Fiscal Year, commencing with the year ended December 31, 2017, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 365 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

(b) If the Issuer is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

1. DEBT - DIRECT DEBT
2. DEBT - DEBT LIMIT
3. VALUATIONS - CURRENT PROPERTY VALUATIONS
4. THE BONDS - DESCRIPTION OF WATER SYSTEM

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet website or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
7. Modification to rights of holders of the Securities, if material;
8. Securities calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake

such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) When a Listed Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(c) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if the following conditions are met:

(a)(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or the type of business conducted; or

(ii) This Disclosure Certificate, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of beneficial owners of the Securities, as determined and certified to the Issuer by an underwriter, financial advisor, bond counsel or trustee.

In the event this Disclosure Certificate is amended for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees the next Annual Report it submits after such amendment shall include an explanation of the reasons for the amendment and the impact of the change, if any, on the type of financial statements or operating data being provided.

If the amendment concerns the accounting principles to be followed in preparing financial statements, then the Issuer agrees that it will give an event notice and that the next Annual Report it submits after such amendment will include a comparison between financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. (a) Except as described in the Final Official Statement, in the previous five years, the Issuer has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 3rd day of May, 2018.

(SEAL)

Lori S. Curtis Luther
City Manager

Lorena Rae Stottler
City Clerk/Treasurer

NOTICE OF SALE

**\$4,015,000* WATER SYSTEM REVENUE BONDS, SERIES 2018C
CITY OF БЕЛОIT, WISCONSIN**

Bids for the purchase of \$4,015,000* Water System Revenue Bonds, Series 2018C (the "Bonds") of the City of Beloit, Wisconsin (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the City, until 11:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 11:00 A.M. Central Time, on April 16, 2018, at which time they will be opened, read and tabulated. The bids will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The bid offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all bids are rejected.

PURPOSE

The Bonds are being issued pursuant to Section 66.0621, Wisconsin Statutes, to provide funds for the public purpose of financing additions, improvements and extensions to the City's Water System, including water main improvements and replacement and the acquisition and installation of equipment (the "Water System"). The Bonds are not general obligations of the City but are payable only from the net revenues of the Water System. The Bonds are being issued on a parity with the City's outstanding Water System Revenue Bonds, Series 2009, dated May 28, 2009, the Water System Revenue Bonds, Series 2010, dated April 6, 2010, the Water System Revenue Refunding Bonds, Series 2013B, dated February 13, 2013 and the Water System Revenue Refunding Bonds, Series 2016C, dated November 9, 2016.

DATES AND MATURITIES

The Bonds will be dated May 3, 2018, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on November 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2018	\$100,000	2025	\$120,000	2032	\$300,000
2019	100,000	2026	120,000	2033	300,000
2020	100,000	2027	125,000	2034	300,000
2021	100,000	2028	125,000	2035	300,000
2022	100,000	2029	200,000	2036	300,000
2023	100,000	2030	225,000	2037	300,000
2024	110,000	2031	290,000	2038	300,000

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Bids for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on May 1 and November 1 of each year, commencing November 1, 2018, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after November 1, 2027 shall be subject to optional redemption prior to maturity on November 1, 2026 or on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about May 3, 2018, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL MATTERS

An opinion as to the validity of the Bonds and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will be issued on the basis of existing law and will state that the Bonds are valid and binding special obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). (See "FORM OF LEGAL OPINION" found in Appendix B).

Quarles & Brady LLP has also been retained by the City to serve as Disclosure Counsel to the City with respect to the Bonds. Although, as Disclosure Counsel to the City, Quarles & Brady LLP has assisted the City with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in this Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Bonds for any investor.

SUBMISSION OF BIDS

Bids must not be for less than \$3,964,812, nor more than \$4,255,900, plus accrued interest on the principal sum of \$4,015,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of bids, interested parties may submit a bid as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Notice of Sale until 11:00 A.M. Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Bids must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of bids. Each bid must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$80,300 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the bid is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the bid is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have

no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No bid can be withdrawn after the time set for receiving bids unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all bids and to waive any informality in any bid.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

NOT-QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

CONTINUING DISCLOSURE

In order to assist the underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Notice of Sale

to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in this bid.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the Underwriter. In such event, any bid submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the Underwriter on its bid form to determine the issue price for the Bonds. On its bid form, each Underwriter must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to

comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the 10% test, the Underwriter agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a certain maturity have been sold.

(f) By submitting a bid, each bidder confirms that (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(g) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the bid opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the bid acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and bid forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

Lorena Rae Stottler, City Clerk/Treasurer
City of Beloit, Wisconsin

BID FORM

The City Council
City of Beloit, Wisconsin

April 16, 2018

RE: \$4,015,000* Water System Revenue Bonds, Series 2018C
DATED: May 3, 2018

For all or none of the above Bonds, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$3,964,812, nor more than \$4,255,900) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2018	_____ % due 2025	_____ % due 2032
_____ % due 2019	_____ % due 2026	_____ % due 2033
_____ % due 2020	_____ % due 2027	_____ % due 2034
_____ % due 2021	_____ % due 2028	_____ % due 2035
_____ % due 2022	_____ % due 2029	_____ % due 2036
_____ % due 2023	_____ % due 2030	_____ % due 2037
_____ % due 2024	_____ % due 2031	_____ % due 2038

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of \$80,300, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers & Associates no later than two hours after the bid opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best bid provided such bidder agrees to such award. If our bid is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about May 3, 2018.

This bid is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the bid acceptance.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale.

By submitting this bid, we confirm that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members: _____

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from May 3, 2018 of the above bid is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Beloit, Wisconsin, on April 16, 2018.

By: _____ By: _____
Title: _____ Title: _____