

CITY OF MILTON, WISCONSIN

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT**

DECEMBER 31, 2012

CITY OF MILTON, WISCONSIN

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INDEPENDENT AUDITORS' REPORT

To the Common Council
City of Milton, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milton ("City"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milton, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 18, post-employment healthcare benefits on page 57, and budgetary comparison information on pages 58 and 59 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milton's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 1, 2013, on our consideration of the City of Milton'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 the 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 Milton's internal control over financial reporting and compliance.

Hankins, Ash, Dwyer & Company, LLP

La Crosse, Wisconsin
May 1, 2013

CITY OF MILTON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS



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

The City of Milton's discussion and analysis is designed to:

1. Assist the reader in focusing on significant financial issues;
2. Provide an overview of the City's financial activity;
3. Identify changes in the City's financial position (its ability to address the next and subsequent year challenges);
4. Identify any material deviations from the financial plan, the adopted budget; and,
5. Identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the report year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements (beginning on page 19).

The City's government-wide financial statements have been prepared on the full-accrual basis of accounting in conformity with generally accepted accounting principles (U.S. GAAP). The City's fund financial statements for governmental funds (General, Special Revenue, Debt Service, and Capital Projects) have been prepared on the modified accrual basis of accounting in conformity with GAAP. The City's Proprietary funds (Enterprise - Water, Sewer & Stormwater) are accounted for on the accrual basis. A detailed discussion on Government-wide and Fund financial statements can be found on pages 13-14.

Financial Highlights

- As shown on the Statement of Net Position, fiscal year December 31, 2012 ended with an Unrestricted Net Position Balance of \$162,842 in Governmental Activities. This is a decrease of \$650,791 in the prior year primarily due to the completion of the Department of Public Works building. These monies are intended to provide a cushion against significant downturns in revenues and to maintain sufficient working capital and cash flow to meet daily financial needs. Other reserves have been designated by management to address annual budget amendments, furniture and equipment replacement, major repairs and Parkland improvements.
- Also shown on the statement of Net Position is an Unrestricted Net Position Balance of \$1,410,692 in the Business Activities category. This is a decrease of \$164,916 in the prior year primarily due to an increase in expenses. These monies are intended to provide a cushion against significant downturns in revenues and to maintain sufficient working capital and cash flow to meet daily financial needs. Other reserves have been designated by management to address equipment replacement and bond reserve requirements.

- From the Statement of Activities, General Revenues, primarily property taxes were used to support the following major activities. The property tax amount for each function was:
 - \$526,358 for General Government purposed - administration, finance, facilities and City Council
 - \$1,172,961 for Public Safety - Police, Fire, Building Inspection.
 - \$691,917 for public works
 - \$7,946 for Health and Human Services
 - \$343,405 for Culture and Recreation
 - \$180,495 for Conservation and development
 - \$585,882 for Interest and Fiscal charges.

- As of December 31, 2012, the committed, assigned, or unassigned, all of which is available for spending at the City's discretion, general fund was \$1,781,864 or approximately 25% of total general fund revenues.

- As of December 31, 2012, total long-term obligations decreased by \$1,431,686 due primarily to scheduled debt service payments on existing debt. The City issued no new debt for the 2012 year.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the City of Milton's basic financial statements. These 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 report also contains other supplementary information in addition to the basic financial statements themselves. Comparative data for 2012 is provided for analysis of the City of Milton's change in net position.

The primary focus of the City of Milton's financial statements since the time of incorporation has been to summarize fund type information. With this new report, the old method has been discarded. The new focus is on both the City as a whole (government-wide) and the major individual funds. Providing both perspectives (government-wide and major fund) allows the user to address relevant questions, broaden a basis for comparison whether year to year or government to government, and enhance the City's accountability.

Government-Wide Financial Statements

The Government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns, which add to a total for the Primary government.

The statement of net position presents information on all of the City of Milton's assets and liabilities, with the difference between the two 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 of Milton is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 vacation and sick leave).

Both of the government wide financial statements distinguish functions of the City of Milton 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 of Milton include general government, public safety, public works, health and human services, culture, recreation and education, conservation and development. The business-type activities of the City of Milton include the Milton Water, Wastewater and Stormwater Utilities.

The government-wide financial statements can be found on pages 19-22 of this report.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. 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 of Milton, 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 of Milton can be divided into two categories: governmental funds and proprietary funds. The focus is now on Major Funds, rather than types. A Major Fund is defined in the following manner:

- a. Total assets, liabilities, and revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent (10%) of the corresponding total (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds): and,
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent (5%) of the corresponding total for all governmental and enterprise funds combined; or,
- c. Any other governmental or enterprise fund that the government's officials believe is particularly important. (Added to this report is the City's Debt Service Fund due to the City's borrowing policy).

Governmental Funds

The Governmental funds are presented on a sources and uses of liquid resources basis. This is the manner in which the budget is typically developed. The flow and availability of liquid resources is a clear and appropriate focus for any analysis of government. Governmental funds are established to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Milton maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Debt Service Fund and the Capital Improvements Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements later in this report.

The basic governmental fund financial statements can be found on pages 23-28 of this report.

Proprietary Funds

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Milton uses enterprise funds to account for the Milton Water, Wastewater and Stormwater Utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Milton Water, Wastewater and Stormwater Utilities, which are considered to be a major fund of the City of Milton.

The basic proprietary fund financial statements can be found on pages 29-33 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Milton's own programs. The accounting for fiduciary funds is similar to that used for proprietary funds. The City of Milton uses fiduciary funds to account for taxes collected for the benefit of overlapping tax jurisdictions.

The fiduciary fund financial statements can be found on page 34 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-56 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, required supplementary information presents a post healthcare benefits schedules to show funding level of the liability as well as a budgetary comparison schedule for the General Fund to demonstrate compliance with the budget.

The combining statements referred to earlier in connection with nonmajor governmental funds and other information related to the individual funds are presented immediately following the required supplementary information. Individual fund statements and schedules can be found on pages 60-63 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Milton, assets exceeded liabilities by \$33,032,873 at the close of 2012. The following table reflects the condensed Statement of Assets.

	2012		2011		2012		2011		
Current and other assets	\$	7,474,708	9,099,948	\$	3,502,266	3,445,861	\$	10,976,974	12,545,809
Capital assets		27,522,734	26,597,703		18,340,554	18,541,745		45,863,288	45,139,448
Total assets	\$	<u>34,997,442</u>	<u>35,697,651</u>	\$	<u>21,842,820</u>	<u>21,987,606</u>	\$	<u>56,840,262</u>	<u>57,685,257</u>
Long-term debt	\$	14,076,696	15,275,000	\$	3,296,580	3,536,508	\$	17,373,276	18,811,508
Other Liabilities		5,470,567	6,205,295		963,546	856,198		6,434,113	7,061,493
Total liabilities	\$	<u>19,547,263</u>	<u>21,480,295</u>	\$	<u>4,260,126</u>	<u>4,392,706</u>	\$	<u>23,807,389</u>	<u>25,873,001</u>
Net position:									
Invested in capital, net of debt	\$	14,742,734	12,856,701	\$	14,484,046	14,467,712	\$	29,226,780	27,324,413
Restricted		544,603	547,022		1,687,956	1,551,580		2,232,559	2,098,602
Unrestricted		162,842	813,633		1,410,692	1,575,608		1,573,534	2,389,241
Total net position	\$	<u>15,450,179</u>	<u>14,217,356</u>	\$	<u>17,582,694</u>	<u>17,594,900</u>	\$	<u>33,032,873</u>	<u>31,812,256</u>

For more detailed information see pages 19-20 of the Statement of Net Position

The largest portion of the City of Milton's net position (approximately 88 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City of Milton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Milton'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.

An additional portion of the City of Milton's net position (approximately 7%) represents resources that are subject to external restrictions on how they should be used. The remaining balance of unrestricted net position or \$1,573,534 may be used to meet the government's ongoing obligations to citizens or creditors.

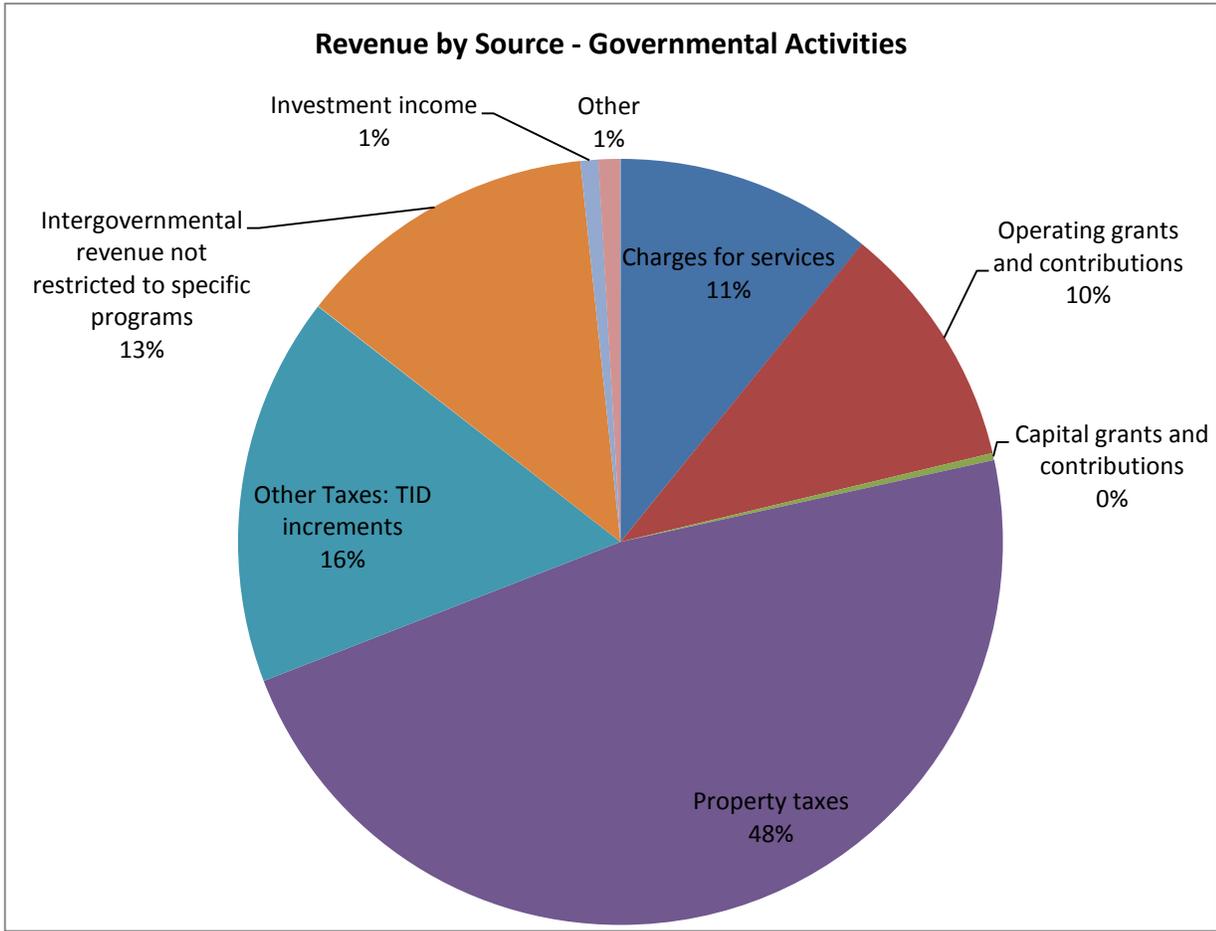
At the end of fiscal year 2012, the City of Milton is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

The 2012 change in net position for Governmental Activities shows an increase of \$1,066,821. See page 28 for the reconciliation of change in fund balances to the Statement of Activities.

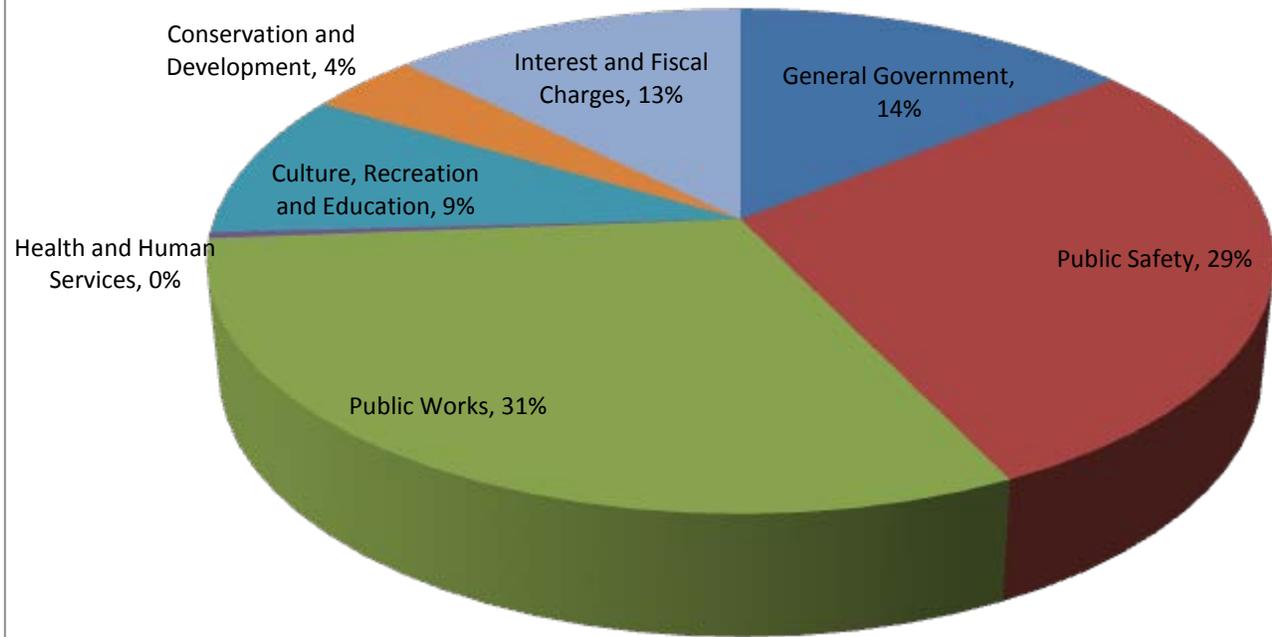
City of Milton's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for services	\$ 579,788	627,343	\$ 2,297,636	2,168,093	\$ 2,877,424	2,795,436
Operating grants and contributions	555,766	581,867	-	-	555,766	581,867
Capital grants and contributions	15,882	20,000	151,868	2,959	167,750	22,959
General Revenues						
Property taxes	2,536,631	2,361,072	-	-	2,536,631	2,361,072
Other Taxes: TID increments	876,943	814,558	-	-	876,943	814,558
Intergovernmental revenues not restricted to specific programs	683,499	732,596	-	-	683,499	732,596
Investment income	40,566	51,373	16,990	31,183	57,556	82,556
Other	48,889	351,344	-	-	48,889	351,344
Total revenues	\$ 5,337,964	5,540,153	\$ 2,466,494	2,202,235	\$ 7,804,458	7,742,388
Expenses						
General Government	\$ 662,413	734,965	\$ -	-	\$ 662,413	734,965
Public Safety	1,334,457	1,396,054	-	-	1,334,457	1,396,054
Public Works	1,441,122	1,628,067	-	-	1,441,122	1,628,067
Health and Human Services	17,996	32,308	-	-	17,996	32,308
Culture, Recreation and Education	435,005	475,860	-	-	435,005	475,860
Conservation and Development	183,525	95,909	-	-	183,525	95,909
Interest and fiscal charges	585,882	639,032	-	-	585,882	639,032
Water	-	-	790,214	757,945	790,214	757,945
Sewer	-	-	850,285	838,083	850,285	838,083
Stormwater	-	-	128,944	134,459	128,944	134,459
Total expenses	\$ 4,660,400	5,002,195	\$ 1,769,443	1,730,487	\$ 6,429,843	6,732,682
Change in Net Position before Transfers	677,564	537,958	697,051	471,748	1,374,615	1,009,706
Transfers	389,257	200,343	(389,257)	(200,343)	-	-
Change in Net Assets	1,066,821	738,301	307,794	271,405	1,374,615	1,009,706
Net position - 1/1	14,217,356	13,479,055	17,594,900	17,323,495	31,812,256	30,802,550
Prior Period Adjustment	166,002	-	(320,000)	-	(153,998)	-
Net position - 12/31	\$ 15,450,179	14,217,356	\$ 17,582,694	17,594,900	\$ 33,032,873	31,812,256

As shown by the following graphs and identified by the Statement of Activities on pages 21-22, property taxes and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities.



As identified above and on the following page, property taxes are the largest revenue source for the governmental activities accounting for approximately 48 percent of total revenues. Charges for services, operating grants and contributions, and capital grants and contributions provided approximately 11 percent, 1 percent and 0 percent of total revenues, respectively.

Expenditures- Governmental Activities



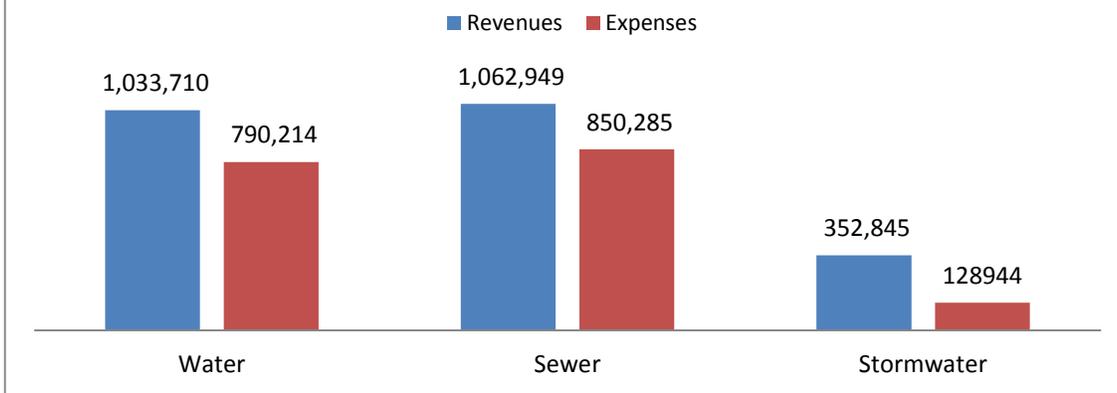
Public Works activities accounts for approximately 31% and Public Safety activities accounts for 29% of the total expenditures within the governmental activities of the City of Milton.

City departments across the board were within their approved budgets.

Business-type activities

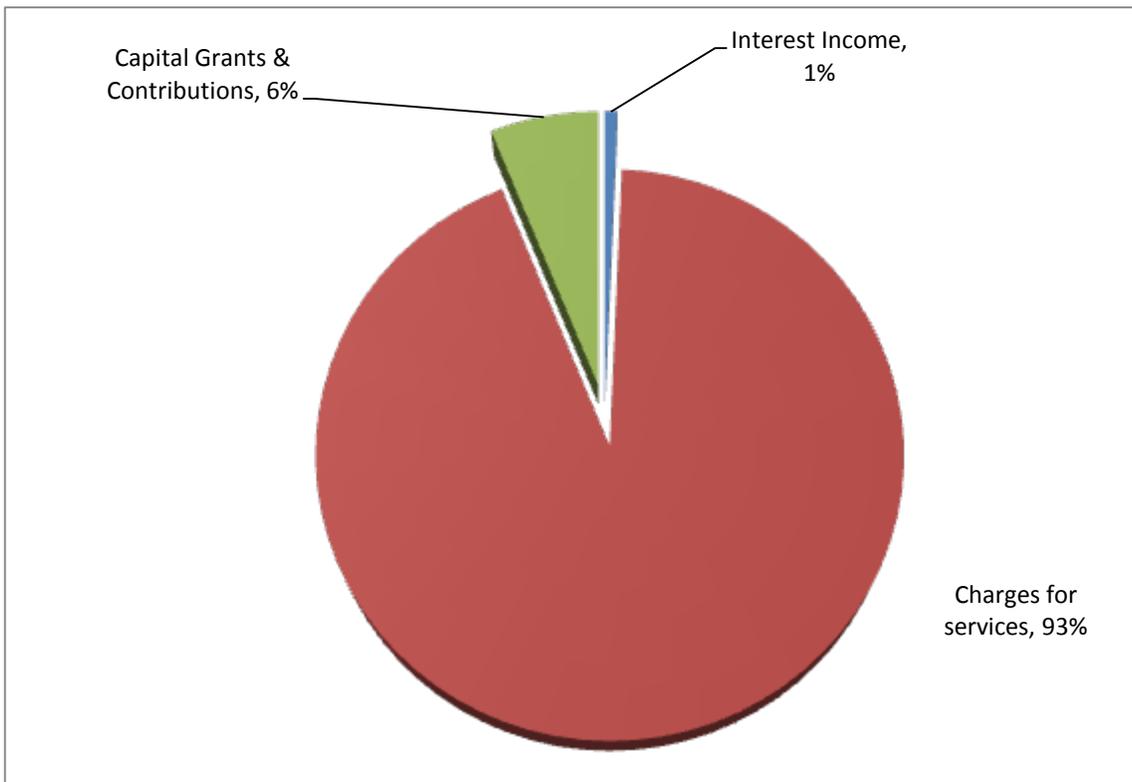
Business type activities increased the City of Milton's net position by \$307,794 during 2012. The following graph compares the charges for services to the operating expenses of each utility.

Operating Revenues and Expenses - Business Type Activities



As shown on the following chart, the revenues of the Milton Water, Wastewater and Stormwater Utilities included Capital Grants and Contributions and investment income in addition to charges for services (operating revenues).

Revenues by Source Business Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Milton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Milton'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 of Milton's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

In 2006, The City Council put a fund balance policy in place. The new fund balance policy seeks to maintain an unassigned fund balance at a minimum of 25% of total general fund annual revenues. The purpose is to provide adequate cash flow during the year and fund unforeseen emergencies. Any other use of these funds would require a majority vote of the Council. Should the unassigned fund balance fall below 25% of total general fund annual revenues, the City shall, in the following annual budget or through other financial means (whichever occurs first), provide adequate funding to meet the 25% balance. Any decision to not meet this rule shall require a majority vote of the Council. The full amount of fund balance over and above the 25% will be reserved for the following purposes; existing and future debt service, funding of future liability and/or actual costs for retiree health care benefits, and capital projects funding.

As of December 31, 2012, the City of Milton's governmental funds reported combined ending balances of \$3,309,336, a decrease of \$688,483 in comparison with the prior year. \$1,719,769 of the fund balance is assigned, unassigned or committed. The remainder of the fund balance (\$1,589,567) is nonspendable or restricted to indicate that it is not available for new spending because it has already been committed for other uses.

The General Fund is the chief operating fund of the City of Milton. As of December 31, 2012, the total fund balance of the general fund was \$1,860,190 of which \$1,622,047 is unassigned. This unassigned balance represents approximately 41 percent of total general fund revenues in 2012.

The fund balance of the general fund increased by \$85,261 in fiscal year 2012. The 2012 annual program budget for the City of Milton's general fund had revenues exceeding expenditures by \$699,078. The Common Council authorized additional expenditures of \$60,721. Actual expenditures were less than the amended budgeted expenditures by approximately 7 percent. The decrease in expenditures was primarily related to across the board departmental positive variances.

The Debt Service Fund has a total fund balance of \$80,531, all of which is restricted for the payment of debt service. The fund increased by \$2,126.

The Capital Improvement Fund provides funding for capital projects of the City of Milton or other unique expenditures which are not normal operating or maintenance type expenditures reportable within the general fund or other governmental funds. The Capital Project fund balance is restricted for capital projects and payment of debt.

Proprietary Fund.

The City of Milton's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The growth in Net Position for 2012 was \$307,794. Net position in the amount of \$1,687,956 are restricted for debt coverage and for equipment replacement. Unrestricted net position in the Water, Wastewater and Stormwater Utilities at the end of the year amounted to \$1,410,692.

The financial statements and a statement of cash flows for the enterprise funds can be found on pages 32-33 of this report.

Capital Asset and Debt Administration

Capital Assets

The City of Milton's investment in capital assets for its governmental and business type activities as of December 31, 2012, amounts to \$45,863,288 net of accumulated depreciation. This investment in capital assets includes land, buildings, infrastructure, improvements other than buildings, machinery and equipment and construction in progress. The total increase in the City of Milton's investment in capital assets for the current fiscal period was approximately \$723,840 net of depreciation.

City of Milton's Capital Assets					
Governmental Activities	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital Assets Not Being Depreciated:					
Land and Improvements	\$ 863,365	\$ -	\$ -	\$ -	\$ 863,365
Construction in process	2,035,773	163,254	-	(1,986,061)	212,966
Total Capital Assets not being Depreciated	<u>\$ 2,899,138</u>	<u>\$ 163,254</u>	<u>\$ -</u>	<u>\$ (1,986,061)</u>	<u>\$ 1,076,331</u>
Other Capital Assets:					
Buildings and improvements	2,929,400	1,222,396	(581)	1,973,952	6,125,167
Infrastructure	23,557,589	57,386	-	12,109	23,627,084
Improvements other than Bldg	363,750	19,061	-	-	382,811
Machinery and Equipment	5,952,790	153,294	-	-	6,106,084
Total Capital Assets being Depreciated	<u>\$ 32,803,529</u>	<u>\$ 1,452,137</u>	<u>\$ (581)</u>	<u>\$ 1,986,061</u>	<u>\$ 36,241,146</u>
Accumulated Depreciation	<u>(9,104,964)</u>	<u>(690,360)</u>	<u>581</u>	<u>-</u>	<u>\$ (9,794,743)</u>
Net Capital Assets- Governmental Activities	<u>\$ 26,597,703</u>	<u>\$ 925,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,522,734</u>

City of Milton Capital Assets					
Business Type Activities	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital Assets Not Being Depreciated:					
Land and Improvements	\$ 91,202	\$ -	\$ -	\$ -	\$ 91,202
Construction in process	143,059	-	-	-	143,059
Total Capital Assets not being Depreciated	<u>\$ 234,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 234,261</u>
Other Capital Assets:					
Buildings and improvements	6,472,352	84,199	-	-	6,556,551
Improvements other than Bldg	13,227,964	91,962	(3,250)	-	13,316,676
Machinery and Equipment	4,090,943	216,333	-	-	4,307,276
Total Capital Assets being Depreciated	<u>\$ 23,791,259</u>	<u>\$ 392,494</u>	<u>\$ (3,250)</u>	<u>\$ -</u>	<u>\$ 24,180,503</u>
Accumulated Depreciation	<u>(5,483,775)</u>	<u>(593,685)</u>	<u>3,250</u>	<u>\$ -</u>	<u>\$ (6,074,210)</u>
Net Capital Assets- Business Type Activities	<u>\$ 18,541,745</u>	<u>\$ (201,191)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,340,554</u>

Major additions to infrastructure included the completion of the new Department of Public Works Building/Garage, the resurface of Neumann Court and Parkview Drive as well as various park improvements. Equipment purchases included several vehicles for various City departments. Additional information of the City of Milton's capital assets can be found in Note 4 on pages 44-45.

Long-term debt

General obligation debt is secured by the full faith and credit and unlimited taxing powers of the City. General obligation debt is expected to be repaid with general property taxes, special assessments and TIF increments. General obligation debt is used to fund infrastructure projects within the City (streets, sidewalks, curb & gutter, etc), finance equipment replacement, or fund other capital projects. At the end of the current fiscal year, the City of Milton had total general obligation bonded debt outstanding of \$12,780,000 entirely backed by the full faith and credit of the government.

Summary of Long -Term Obligations					
	Governmental Activities				
	1/1/2012	Increases	Decreases	Adjustment	12/31/2012
Bonds Payable	\$ 12,410,000	\$ -	\$ 660,000	\$ (320,000)	\$ 11,430,000
Notes Payable	1,485,000	-	135,000	-	1,350,000
General Obligation Debt	<u>13,895,000</u>	<u>-</u>	<u>795,000</u>	<u>(320,000)</u>	<u>12,780,000</u>
CDA Lease Revenue					
Bonds	\$ 2,245,000	\$ -	\$ 70,000	\$ -	\$ 2,175,000
Post-retirement health benefits	263,925	70,906	41,511	-	293,320
Vested compensated absences	360,903	310,008	360,903	-	310,008
	<u>360,903</u>	<u>310,008</u>	<u>360,903</u>	<u>-</u>	<u>310,008</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 16,764,828</u>	<u>\$ 380,914</u>	<u>\$ 1,267,414</u>	<u>\$ (320,000)</u>	<u>\$ 15,558,328</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the City of Milton is \$17,298,985, which exceeds the current outstanding general obligation debt by \$4,198,985. As of December 31, 2012, the City of Milton's outstanding debt equaled 76 percent of the state authorized debt limit.

Additional information of the City of Milton's outstanding debt can be found in note 5 on pages 46-49.

Requests for Information

This financial report is designed to provide a general overview of the City of Milton's finances for all those with an interest in the government's finances. Question concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Treasurer, 430 E. High St., Milton, WI 53563.

General information relating to the City of Milton can be found at the City's website, <http://www.ci.milton.wi.us>

CITY OF MILTON, WISCONSIN

BASIC FINANCIAL STATEMENTS

CITY OF MILTON, WISCONSIN
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MILTON, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2012

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
Cash and investments	\$ 4,702,300	\$ 1,440,676	\$ 6,142,976
Cash and investments - restricted	-	1,708,297	1,708,297
Receivables			
Taxes	2,048,270	-	2,048,270
Accounts and other	161,224	288,810	450,034
Special assessments	295,889	-	295,889
Prepaid expenses	78,326	19,460	97,786
Internal balances	(16,035)	16,035	-
Inventories	-	28,988	28,988
Loans receivable	204,734	-	204,734
Capital assets, net of accumulated depreciation			
Land and construction in progress	1,076,331	234,261	1,310,592
Buildings, systems, and equipment	<u>26,446,403</u>	<u>18,106,293</u>	<u>44,552,696</u>
TOTAL ASSETS	<u>\$ 34,997,442</u>	<u>\$ 21,842,820</u>	<u>\$ 56,840,262</u>

(Continued on page 20)

The accompanying notes are an integral part of these financial statements.

CITY OF MILTON, WISCONSIN
STATEMENT OF NET POSITION - Continued
DECEMBER 31, 2012

<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
LIABILITIES			
Accounts payable	\$ 101,512	\$ 125,378	\$ 226,890
Accrued liabilities			
Payroll, payroll taxes	79,467	14,075	93,542
Interest	152,260	20,341	172,601
Due to other governments	824	-	824
Compensated absences			
Vacation	59,293	23,686	82,979
Sick	250,715	87,581	338,296
Unearned revenue - other	270,683	75	270,758
Current portion of long-term obligations	878,304	559,928	1,438,232
Net OPEB obligation	293,320	132,482	425,802
Noncurrent portion of long-term obligations	<u>14,076,696</u>	<u>3,296,580</u>	<u>17,373,276</u>
TOTAL LIABILITIES	<u>16,163,074</u>	<u>4,260,126</u>	<u>20,423,200</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - tax roll	<u>3,384,189</u>	-	<u>3,384,189</u>
NET POSITION			
Invested in capital assets, net of related debt	14,742,734	14,484,046	29,226,780
Restricted for:			
Debt service	232,791	1,687,956	1,920,747
Other purposes - rehab loans	311,812	-	311,812
Unrestricted	<u>162,842</u>	<u>1,410,692</u>	<u>1,573,534</u>
TOTAL NET POSITION	<u>15,450,179</u>	<u>17,582,694</u>	<u>33,032,873</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	 <u>\$ 34,997,442</u>	 <u>\$ 21,842,820</u>	 <u>\$ 56,840,262</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MILTON, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
GOVERNMENTAL ACTIVITIES				
General government	\$ 662,413	\$ 118,116	\$ 17,939	\$ -
Public safety	1,334,457	137,445	24,051	-
Public works	1,441,122	306,622	442,583	-
Health and human services	17,996	10,050	-	-
Culture, recreation, and education	435,005	4,525	71,193	15,882
Conservation and development	183,525	3,030	-	-
Interest and fiscal charges	585,882	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	4,660,400	579,788	555,766	15,882
BUSINESS-TYPE ACTIVITIES				
Water	790,214	1,033,350	-	360
Sewer	850,285	1,048,241	-	14,708
Storm Water	128,944	216,045	-	136,800
TOTAL BUSINESS-TYPE ACTIVITIES	1,769,443	2,297,636	-	151,868
TOTAL PRIMARY GOVERNMENT	\$ 6,429,843	\$ 2,877,424	\$ 555,766	\$ 167,750

GENERAL REVENUE

Taxes

Property taxes, levied for general purposes

Tax increments

Intergovernmental revenue not restricted to specific programs

Interest and investment income

Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUE AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION - BEGINNING OF YEAR

PRIOR PERIOD ADJUSTMENT

NET POSITION - END OF YEAR

The accompanying notes are an integral part of these financial statements.

NET (EXPENSES) REVENUE AND
CHANGES IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
\$ (526,358)		\$ (526,358)
(1,172,961)		(1,172,961)
(691,917)		(691,917)
(7,946)		(7,946)
(343,405)		(343,405)
(180,495)		(180,495)
<u>(585,882)</u>		<u>(585,882)</u>
<u>(3,508,964)</u>		<u>(3,508,964)</u>
	\$ 243,496	243,496
	212,664	212,664
	<u>223,901</u>	<u>223,901</u>
	<u>680,061</u>	<u>680,061</u>
<u>(3,508,964)</u>	<u>680,061</u>	<u>(2,828,903)</u>
2,536,631	-	2,536,631
876,943	-	876,943
683,499	-	683,499
40,566	16,990	57,556
48,889	-	48,889
<u>389,257</u>	<u>(389,257)</u>	<u>-</u>
<u>4,575,785</u>	<u>(372,267)</u>	<u>4,203,518</u>
1,066,821	307,794	1,374,615
14,217,356	17,594,900	31,812,256
<u>166,002</u>	<u>(320,000)</u>	<u>(153,998)</u>
<u>\$ 15,450,179</u>	<u>\$ 17,582,694</u>	<u>\$ 33,032,873</u>

CITY OF MILTON, WISCONSIN
FUND FINANCIAL STATEMENTS

CITY OF MILTON, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>DEBT SERVICE</u>	<u>TIF #6</u>	<u>CAPITAL PROJECTS</u>
Cash and investments	\$ 2,254,471	\$ 68,476	\$ 1,160,827	\$ 230,068
Receivables				
Taxes	2,048,270	-	-	-
Accounts and other	26,673	-	-	-
Special assessments	292,473	-	-	-
Loans	-	132,601	-	-
Prepaid expenses	78,326	-	-	-
Due from other funds	76,000	-	-	-
Due from other governments	-	-	-	-
TOTAL ASSETS	<u>\$ 4,776,213</u>	<u>\$ 201,077</u>	<u>\$ 1,160,827</u>	<u>\$ 230,068</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 77,276	\$ -	\$ 1,067	\$ 6,962
Accrued liabilities	79,467	-	-	-
Due to other governments	824	-	-	-
Due to other funds	284,417	-	-	-
Unearned revenue - other	1,425	120,546	-	-
TOTAL LIABILITIES	<u>443,409</u>	<u>120,546</u>	<u>1,067</u>	<u>6,962</u>
 DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - tax roll	2,472,614	-	792,207	-
Unavailable revenue - special assessments	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,472,614</u>	<u>-</u>	<u>792,207</u>	<u>-</u>
 FUND BALANCES (DEFICITS)				
Nonspendable	78,326	-	-	-
Restricted	-	80,531	367,553	223,106
Committed	159,817	-	-	-
Unassigned	1,622,047	-	-	-
TOTAL FUND BALANCES	<u>1,860,190</u>	<u>80,531</u>	<u>367,553</u>	<u>223,106</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	 <u>\$ 4,776,213</u>	 <u>\$ 201,077</u>	 <u>\$ 1,160,827</u>	 <u>\$ 230,068</u>

The accompanying notes are an integral part of these financial statements.

NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 988,458	\$ 4,702,300
-	2,048,270
1,950	28,623
3,416	295,889
204,734	337,335
-	78,326
263,382	339,382
5,000	5,000
<u>\$ 1,466,940</u>	<u>\$ 7,835,125</u>

\$ 16,207	\$ 101,512
-	79,467
-	824
76,000	360,417
473,993	595,964
<u>566,200</u>	<u>1,138,184</u>

119,368	3,384,189
3,416	3,416
<u>122,784</u>	<u>3,387,605</u>

-	78,326
840,051	1,511,241
-	159,817
(62,095)	1,559,952
<u>777,956</u>	<u>3,309,336</u>

<u>\$ 1,466,940</u>	<u>\$ 7,835,125</u>
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CITY OF MILTON, WISCONSIN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012

Fund balances - total governmental funds		\$ 3,309,336
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in government activities are not financial resources and therefore, are not reported in the funds.		27,522,734
Some revenue is unavailable in the funds because they are not available to pay current period's expenditures.		328,697
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. 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.		
Accrued interest payable	\$ (152,260)	
Bonds and notes payable	(14,955,000)	
Compensated absences	(310,008)	
OPEB liability	<u>(293,320)</u>	
		<u>(15,710,588)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$15,450,179</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MILTON, WISCONSIN
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012

REVENUE	GENERAL	DEBT SERVICE	TIF #6	CAPITAL PROJECTS
Taxes	\$ 2,536,631	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	1,150,885	-	6,040	7,224
Licenses and permits	109,666	-	-	-
Fines, forfeits, and penalties	59,762	-	-	-
Public charges for services	44,351	-	-	-
Intergovernmental charges for services	52,368	-	786,029	-
Other	102,827	626	4,985	28,065
TOTAL REVENUE	<u>4,056,490</u>	<u>626</u>	<u>797,054</u>	<u>35,289</u>
EXPENDITURES				
Current				
General government	669,191	-	-	-
Public safety	1,188,763	-	-	-
Public works	618,943	-	-	-
Health and human services	25,980	-	-	-
Culture, recreation, and education	362,862	-	-	-
Conservation and development	56,233	-	21,798	-
Capital outlay	65,506	-	21,960	1,438,722
Debt service				
Principal	-	635,891	214,000	-
Interest and fiscal charges	-	426,615	138,317	-
TOTAL EXPENDITURES	<u>2,987,478</u>	<u>1,062,506</u>	<u>396,075</u>	<u>1,438,722</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>1,069,012</u>	<u>(1,061,880)</u>	<u>400,979</u>	<u>(1,403,433)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	193,357	1,064,006	-	512,102
Transfers out	(1,177,108)	-	(195,600)	-
TOTAL OTHER FINANCING (USES) SOURCES	<u>(983,751)</u>	<u>1,064,006</u>	<u>(195,600)</u>	<u>512,102</u>
NET CHANGE IN FUND BALANCES	85,261	2,126	205,379	(891,331)
FUND BALANCES AT BEGINNING OF YEAR	<u>1,774,929</u>	<u>78,405</u>	<u>162,174</u>	<u>1,114,437</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,860,190</u>	<u>\$ 80,531</u>	<u>\$ 367,553</u>	<u>\$ 223,106</u>

The accompanying notes are an integral part of these financial statements.

NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 2,536,631
285	285
31,965	1,196,114
-	109,666
13,383	73,145
274,546	318,897
90,914	929,311
60,191	196,694
<u>471,284</u>	<u>5,360,743</u>
5,226	674,417
-	1,188,763
272,608	891,551
-	25,980
989	363,851
10,663	88,694
191,723	1,717,911
45,000	894,891
27,493	592,425
<u>553,702</u>	<u>6,438,483</u>
<u>(82,418)</u>	<u>(1,077,740)</u>
97,075	1,866,540
<u>(104,575)</u>	<u>(1,477,283)</u>
<u>(7,500)</u>	<u>389,257</u>
(89,918)	(688,483)
<u>867,874</u>	<u>3,997,819</u>
<u>\$ 777,956</u>	<u>\$ 3,309,336</u>

CITY OF MILTON, WISCONSIN
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - total governmental funds		\$ (688,483)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.		
Capital outlay reported in governmental fund statements	\$ 1,717,911	
Depreciation expense reported in the statement of activities	<u>(690,360)</u>	
Amount by which capital outlays are greater than depreciation in the current period:		1,027,551
The net effect of various transactions involving capital assets (i.e., noncapitalized outlay and contributions) is to decrease net position.		(102,520)
Certain employee benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.		
This year the accrual of these benefits decreased by:		50,895
OPEB expense is not recorded in the statement of activities.		(29,395)
Certain revenue is unavailable in the governmental funds because they are not available to pay current period expenditures. In the statement of activities, these are recorded as revenue in the current year.		(62,770)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.		
The amount of long-term debt principal payments in the current year:		865,000
In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as it accrues.		
The amount of interest paid during the current period.	\$ 592,425	
The amount of interest accrued during the current period.	<u>(585,882)</u>	
Interest paid is greater than interest accrued by:		<u>6,543</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 1,066,821</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MILTON, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

<u>ASSETS</u>	<u>WATER</u>	<u>SEWER</u>	<u>STORM WATER</u>	<u>TOTAL ENTERPRISE FUNDS</u>
CURRENT ASSETS				
Cash and investments	\$ 526,442	\$ 827,362	\$ 86,872	\$ 1,440,676
Cash and investments - restricted	474,738	1,233,559	-	1,708,297
Accounts receivable	122,519	134,541	31,234	288,294
Other accounts receivable	203	313	-	516
Prepaid expenses	9,354	9,172	934	19,460
Due from other funds	25,025	6,006	2,795	33,826
Inventories	28,988	-	-	28,988
TOTAL CURRENT ASSETS	<u>1,187,269</u>	<u>2,210,953</u>	<u>121,835</u>	<u>3,520,057</u>
CAPITAL ASSETS				
Land	17,734	73,468	-	91,202
Buildings	357,790	6,198,761	-	6,556,551
Improvements other than buildings	9,062,794	4,253,882	-	13,316,676
Machinery and equipment	736,722	639,261	2,931,293	4,307,276
Construction work in progress	20,535	122,524	-	143,059
TOTAL CAPITAL ASSETS	10,195,575	11,287,896	2,931,293	24,414,764
Less accumulated depreciation	<u>2,650,825</u>	<u>2,929,799</u>	<u>493,586</u>	<u>6,074,210</u>
NET CAPITAL ASSETS	<u>7,544,750</u>	<u>8,358,097</u>	<u>2,437,707</u>	<u>18,340,554</u>
 TOTAL ASSETS	 <u>\$8,732,019</u>	 <u>\$ 10,569,050</u>	 <u>\$ 2,559,542</u>	 <u>\$ 21,860,611</u>

(Continued on page 30)

The accompanying notes are an integral part of these financial statements.

CITY OF MILTON, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - Continued
DECEMBER 31, 2012

<u>LIABILITIES AND NET POSITION</u>	<u>WATER</u>	<u>SEWER</u>	<u>STORM WATER</u>	<u>TOTAL ENTERPRISE FUNDS</u>
CURRENT LIABILITIES				
Accounts payable	\$ 106,768	\$ 18,610	\$ -	\$ 125,378
Accrued payroll and fringe benefits	5,645	7,590	840	14,075
Accrued interest	-	-	-	-
Due to other funds	-	17,791	-	17,791
Compensated absences				
Vacation	11,026	9,642	3,018	23,686
Sick	41,521	37,070	8,990	87,581
Net OPEB liability	59,164	56,800	16,518	132,482
Unearned revenue - other	75	-	-	75
Payable from restricted assets				
Accrued interest	7,988	12,353	-	20,341
Current portion of revenue bonds	<u>241,696</u>	<u>318,232</u>	<u>-</u>	<u>559,928</u>
TOTAL CURRENT LIABILITIES	473,883	478,088	29,366	981,337
NONCURRENT LIABILITIES				
Revenue bonds	<u>988,304</u>	<u>2,308,276</u>	<u>-</u>	<u>3,296,580</u>
TOTAL LIABILITIES	<u>1,462,187</u>	<u>2,786,364</u>	<u>29,366</u>	<u>4,277,917</u>
NET POSITION				
Invested in capital assets, net of related debt	6,314,750	5,731,589	2,437,707	14,484,046
Restricted	466,750	1,221,206	-	1,687,956
Unrestricted	<u>488,332</u>	<u>829,891</u>	<u>92,469</u>	<u>1,410,692</u>
TOTAL NET POSITION	<u>7,269,832</u>	<u>7,782,686</u>	<u>2,530,176</u>	<u>17,582,694</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$8,732,019</u>	<u>\$ 10,569,050</u>	<u>\$ 2,559,542</u>	<u>\$ 21,860,611</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MILTON, WISCONSIN
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2012

	<u>WATER</u>	<u>SEWER</u>	<u>STORM WATER</u>	<u>TOTAL ENTERPRISE FUNDS</u>
OPERATING REVENUE				
Charges for services	<u>\$ 992,314</u>	<u>\$ 949,808</u>	<u>\$ 216,045</u>	<u>\$ 2,158,167</u>
OPERATING EXPENSES				
Operations	320,476	141,842	20,969	483,287
Maintenance	72,475	160,743	13,699	246,917
General and administration	111,005	157,634	57,941	326,580
Depreciation	243,782	313,568	36,335	593,685
Taxes	4,960	-	-	4,960
TOTAL OPERATING EXPENSES	<u>752,698</u>	<u>773,787</u>	<u>128,944</u>	<u>1,655,429</u>
OPERATING INCOME	<u>239,616</u>	<u>176,021</u>	<u>87,101</u>	<u>502,738</u>
NONOPERATING REVENUE (EXPENSES)				
Interest income	6,812	10,027	151	16,990
Connection fees	41,036	98,433	-	139,469
Interest expense	(37,516)	(76,498)	-	(114,014)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>10,332</u>	<u>31,962</u>	<u>151</u>	<u>42,445</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>249,948</u>	<u>207,983</u>	<u>87,252</u>	<u>545,183</u>
TRANSFERS (OUT)	<u>(202,643)</u>	<u>(122,754)</u>	<u>(63,860)</u>	<u>(389,257)</u>
CAPITAL CONTRIBUTIONS	<u>360</u>	<u>14,708</u>	<u>136,800</u>	<u>151,868</u>
CHANGE IN NET POSITION	<u>47,665</u>	<u>99,937</u>	<u>160,192</u>	<u>307,794</u>
NET POSITION AT BEGINNING OF YEAR	<u>7,542,167</u>	<u>7,682,749</u>	<u>2,369,984</u>	<u>17,594,900</u>
PRIOR PERIOD ADJUSTMENT	<u>(320,000)</u>	<u>-</u>	<u>-</u>	<u>(320,000)</u>
NET POSITION AT END OF YEAR	<u>\$7,269,832</u>	<u>\$7,782,686</u>	<u>\$2,530,176</u>	<u>\$17,582,694</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MILTON, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2012

	WATER	SEWER	STORM WATER	TOTAL ENTERPRISE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 720,268	\$ 918,901	\$ 192,730	\$ 1,831,899
Receipts from municipality	296,066	34,855	22,753	353,674
Payments to municipality	-	(63,923)	(11,999)	(75,922)
Payments to suppliers for goods and services	(177,551)	(245,830)	(31,869)	(455,250)
Payments to employees for services	(190,469)	(175,340)	(53,618)	(419,427)
Payments for employee benefits	(60,128)	(43,437)	(4,104)	(107,669)
NET CASH PROVIDED BY OPERATING ACTIVITIES	588,186	425,226	113,893	1,127,305
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(202,643)	(122,754)	(63,860)	(389,257)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property, plant, and equipment	(103,514)	(93,501)	(58,679)	(255,694)
Connection fees and cash contributions	41,396	98,433	-	139,829
Retirement of bonds and loans	(215,000)	(322,525)	-	(537,525)
Advance to municipality	75,000	100,000	-	175,000
Interest paid	(39,371)	(79,506)	-	(118,877)
Contributed capital	-	14,708	-	14,708
NET CASH (USED IN) RELATED FINANCING ACTIVITIES	(241,489)	(282,391)	(58,679)	(582,559)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	6,812	10,027	151	16,990
Purchase of investments	(13)	(200,106)	-	(200,119)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	6,799	(190,079)	151	(183,129)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	150,853	(169,998)	(8,495)	(27,640)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	850,211	2,030,610	95,367	2,976,188
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,001,064	\$ 1,860,612	\$ 86,872	\$ 2,948,548
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u>				
Capital contributions developers	\$ -	\$ -	\$ 136,800	\$ 136,800

(Continued on page 33)

The accompanying notes are an integral part of these financial statements.

CITY OF MILTON, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - Continued
YEAR ENDED DECEMBER 31, 2012

	<u>WATER</u>	<u>SEWER</u>	<u>STORM WATER</u>	<u>TOTAL ENTERPRISE FUNDS</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>				
Operating income	\$ 239,616	\$ 176,021	\$ 87,101	\$ 502,738
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation	243,782	313,568	36,335	593,685
Depreciation charged to sewer	12,089	(12,089)	-	-
Changes in assets and liabilities				
(Increase) decrease in assets				
Accounts receivable	194	4,651	760	5,605
Due from other funds	11,662	(703)	(1,322)	9,637
Prepaid expenses	(9,354)	(9,172)	(934)	(19,460)
Inventories	(2,874)	-	-	(2,874)
Increase (decrease) in liabilities				
Accounts payable	97,124	2,856	(3,055)	96,925
Other accrued expenses	(17,356)	(13,585)	(10,601)	(41,542)
Deferred revenue	75	-	-	75
Post employment benefits	13,228	15,513	5,609	34,350
Due to other funds	-	(51,834)	-	(51,834)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 588,186</u>	<u>\$ 425,226</u>	<u>\$ 113,893</u>	<u>\$ 1,127,305</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION

	<u>WATER</u>		
	<u>CASH AND INVESTMENTS</u>	<u>RESTRICTED CASH AND INVESTMENTS</u>	<u>TOTALS</u>
Cash and cash equivalents	\$ 526,326	\$ 474,738	\$ 1,001,064
Investments	116	-	116
CASH AND INVESTMENTS PER STATEMENT OF NET POSITION	<u>\$ 526,442</u>	<u>\$ 474,738</u>	<u>\$ 1,001,180</u>
	<u>SEWER</u>		
	<u>CASH AND INVESTMENTS</u>	<u>RESTRICTED CASH AND INVESTMENTS</u>	<u>TOTALS</u>
Cash and cash equivalents	\$ 627,053	\$ 1,233,559	\$ 1,860,612
Investments	200,309	-	200,309
CASH AND INVESTMENTS PER STATEMENT OF NET POSITION	<u>\$ 827,362</u>	<u>\$ 1,233,559</u>	<u>\$ 2,060,921</u>
	<u>STORM WATER</u>		
	<u>CASH AND INVESTMENTS</u>	<u>RESTRICTED CASH AND INVESTMENTS</u>	<u>TOTALS</u>
Cash and cash equivalents	\$ 86,872	\$ -	\$ 86,872
Investments	-	-	-
CASH AND INVESTMENTS PER STATEMENT OF NET POSITION	<u>\$ 86,872</u>	<u>\$ -</u>	<u>\$ 86,872</u>
	<u>TOTALS</u>		
	<u>CASH AND INVESTMENTS</u>	<u>RESTRICTED CASH AND INVESTMENTS</u>	<u>TOTALS</u>
Cash and cash equivalents	\$ 1,240,251	\$ 1,708,297	\$ 2,948,548
Investments	200,425	-	200,425
CASH AND INVESTMENTS PER STATEMENT OF NET POSITION	<u>\$ 1,440,676</u>	<u>\$ 1,708,297</u>	<u>\$ 3,148,973</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MILTON, WISCONSIN
STATEMENT OF FIDICIARY NET POSITION
AGENCY FUND
DECEMBER 31, 2012

ASSETS

Cash and investments	\$ 2,840,337
Taxes receivable	<u>2,507,121</u>
TOTAL ASSETS	<u>\$ 5,347,458</u>

LIABILITIES

Due to other governments	<u>\$ 5,347,458</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - Summary of Significant Accounting Policies

The financial statements of the City of Milton, Wisconsin (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the City are described below:

Reporting Entity

The City of Milton, Wisconsin, was incorporated under the provisions of Chapter 280, Laws of Wisconsin, 1883. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The City's basic financial statements do not include any component units, as defined in GASB 14, and amended by GASB 39, as there are no organizations which meet the criterion.

The basic criterion for including a legally separate organization as a component unit is the degree of financial accountability the City has with the organization. The following circumstances set forth the City's financial accountability for a legally separate organization:

- a. The City is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.
- b. The City may be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

Basis of Presentation

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer functions 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 MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 1 - Summary of Significant Accounting Policies - Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. 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 revenue includes 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 revenue are reported as general revenue.

Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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

- a. Total assets, liabilities, revenue, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent 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 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary 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.

Debt Service - Accounts for the accumulation of resources for, and payments of, general long-term principal, interest, and related costs.

TIF #6 Fund - Accounts for the activity of the Tax Incremental Financing District #6.

Capital Projects Fund - Accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 1 - Summary of Significant Accounting Policies - Continued

The City reports the following major enterprise funds:

Water - Accounts for all activities necessary to provide water services to residents of the City and outlying areas. Fund activities include administration, billing and collection, operations, maintenance, and financing.

Sewer - Accounts for the maintenance of the City's sewer system. Wisconsin State Statutes Section 66.076, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

Storm Water - Accounts for the storm water management services of the City.

In addition, the City reports the following fund type:

Agency - Accounts for taxes and deposits collected by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 1 - Summary of Significant Accounting Policies - Continued

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes are recorded in the year levied as receivables and unavailable revenue. They are recognized as revenue in the succeeding year when services financed by the levy are being provided. Special assessments are recorded as revenue when they become measurable and available as current assets. Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

Cash and Cash Equivalents - Cash and cash equivalents, as classified in the statement of cash flows, consist of highly liquid investments with an initial maturity of three months or less.

Accounts Receivable - Accounts receivable are recorded at gross amounts. No allowance for uncollectible accounts has been provided since management believes that the amount of such allowance would not be material. The City used the tax roll, as allowed by State statutes, to collect delinquent accounts.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 1 - Summary of Significant Accounting Policies - Continued

Due To/From Advance To/From Other Funds - 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 fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Prepaid Items - Cash payments benefiting future periods have been recorded as prepaid items. They will be reflected as expenditures or expenses when incurred in the subsequent year. Prepaid items in governmental funds are reserved for in nonspendable fund balance because prepaids are not expendable available financial resources.

Inventory - Inventory is priced at the lower of cost (first-in, first-out) or market. The cost of governmental fund-type inventories are recorded as expenditures when purchased.

Restricted Cash and Investments - Restricted cash and investments include the following restricted asset accounts:

Revenue Bond Special Redemption Account - Segregated resources accumulated for future debt service payments.

Revenue Bond Reserve Accounts - Resources set aside to secure payment of principal and interest on the outstanding bonds.

Depreciation Fund - Resources set aside to meet deficiencies in the reserve or redemption accounts and for repairs or additions to utility systems.

DNR Replacement Fund - Resources set aside for repairs and maintenance of the sewer plant as required by the Wisconsin Department of Natural Resources.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure, are reported at cost or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. General infrastructure assets, such as roads, bridges, curbs, gutters, streets, sidewalks and drainage and lighting systems, acquired prior to January 1, 2003, are reported at estimated historical cost using deflated replacement cost. Capital assets are depreciated using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Water, sewer, and storm water assets are being depreciated using rates prescribed by the Wisconsin Public Service Commission and range from 1 to 15 percent

Major capital outlays for capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Interest expenses incurred during construction were not capitalized as part of the additions to capital assets.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 1 - Summary of Significant Accounting Policies - Continued

Capitalization thresholds and the estimated useful lives for the City are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Infrastructure	\$ 2,500	75
Land	-	N/A
Land improvements	2,500	10-100
Buildings/structures/building improvements	2,500	40-100
Machinery and equipment	2,500	10-100
Vehicles	2,500	10-30

Impairment of Long-Lived Assets - In accordance with U.S. GAAP, the City reviews its non-current assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recovered. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the year ended December 31, 2012.

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay is accrued when incurred in the government-wide and proprietary funds financial statements and reported as a fund liability. Vacation and sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the governmental fund that will pay it.

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The City has one item that qualifies for reporting in this category. It is a deferred inflow from unavailable revenue. A deferred inflow from unavailable revenue arises under a modified accrual basis of accounting. The unavailable revenue is from property taxes. This amount is deferred and recognized as an inflow in the period the amount becomes available.

Post-Employment Benefits - The City provides post-retirement health insurance to retired employees who were hired before January 1, 2008. These payments are recorded as expenditures in the year paid in the governmental and proprietary fund financial statements and an estimate of the future benefits is recognized as a liability in the government-wide and proprietary funds statements of net position.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 1 - Summary of Significant Accounting Policies - Continued

Net Position Classifications - Net position represents the difference between the total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balances - The City classifies its fund equity as follows:

- a. Nonspendable fund balance consists of equity not in a spendable form or is legally or contractually required to be maintained intact.
- b. Restricted fund balance consists of equity constrained to specific purposes by their providers, externally imposed by creditors, constitutional provisions or by enabling legislation.
- c. Committed fund balance consists of equity constrained to specific purposes by the City itself, using its highest level of decision making authority – Common Council policies.
- d. Assigned fund balance consists of equity the governing body intends to use for a specific purpose, intent can be expressed by the governing body. The Common Council has authorized the Clerk-Treasurer to assign fund balances through its financial management policy.
- e. Unassigned fund balance consists of equity available for any purpose.

When net losses occur, it is the City's policy to record the net loss against committed fund balance, then assigned fund balance, and lastly to unassigned fund balance. The City applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

State and Federal Aids - State general and categorical aids are recognized as revenue in the entitlement year. Federal aids and certain state aids for reimbursable programs are recognized as revenue in the year related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as deferred revenue.

Interfund Transactions - Quasi-external transactions are accounted for as revenue, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Employment Retirement Plan -The City has a retirement plan covering substantially all of its employees that is funded through contributions to the Wisconsin Retirement System.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 1 - Summary of Significant Accounting Policies - Continued

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - The City has evaluated subsequent events through May 1, 2013, the date which the financial statements were available to be issued.

Change in Accounting Principle - The City adopted GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* on January 1, 2012. Accordingly, the cumulative effect the accounting change as of the beginning of the year is reported in the statement of activities. The implementation of these principles has reduced the prior period net position for governmental activities.

NOTE 2 - Cash and Investments

State statutes permit the City to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, state obligations, U.S. Treasury obligations, U.S. agency issues, repurchase agreements and other investments secured by federal securities, high grade commercial paper, and the local government pooled-investment fund administered by the state investment board. Available balances in the Debt Service Fund may be invested in municipal obligations, obligations of the United States and the local government pooled-investment fund. No significant violations of these restrictions occurred during the year.

As of December 31, 2012, the City had the following investments:

<u>INVESTMENT</u>	<u>WEIGHTED AVERAGE MATURITIES</u>	<u>FAIR VALUE</u>
State of Wisconsin Investment Pool	Less than one year	<u>\$ 3,385,412</u>

Fair (Market) Value of Deposits and Investments - Deposits and investments are reported at fair value. At December 31, 2012, the fair value of the City's deposits and investments approximated original cost, therefore no fair value adjustments were necessary.

Investment Pool Information - Participation in the State of Wisconsin Local Government Investment Pool is voluntary. The Pool's regulatory oversight is provided by state statutes and its investment board. The fair value of the City's position in the Pool is the same as the value of the Pool shares. At December 31, 2012, the Pool's fair value was 100 percent of book value.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 2 - Cash and Investments - Continued

Determining Fair Value - Fair value of the City's deposits and investments are determined as follows:

- 1) Deposits and investments with stated interest rates (savings account, certificates of deposit, repurchase agreements) are stated at cost, and
- 2) State of Wisconsin Local Government Investment Pool fair value is determined by the Pool's investment board based on published market quotations.

Income Allocation - Interest income is generally allocated to the fund which owns the checking account, savings account, money market account, certificate of deposit, and investment.

Interest Rate Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to mature or may be tendered for purchase at the option of the holder within not more than seven years of the date acquired. The City does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. The State of Wisconsin Investment Pool is not rated; however, the investments at all times consist solely of securities and instruments in which municipalities are permitted to invest.

Custodial Credit Risk - Deposits - Custodial credit is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund availability. As of December 31, 2012, \$3,224,912 of the City's bank balance of \$5,793,836 was exposed to custodial credit risk as follows:

Uninsured, collateral pledged by bank	\$ 2,192,711
Uninsured and uncollateralized	<u>1,032,201</u>
	<u>\$ 3,224,912</u>

NOTE 3 - Property Taxes

Property taxes attach as an enforceable lien on property in December when the tax roll is certified. Taxes are levied in December and payable in two installments on January 31 and July 31, or payable in full on January 31. Special assessments, charges, and personal property taxes are payable in full on January 31. The City bills and collects its own property taxes and also taxes for the State, County, Technical College, and Public Schools until February 1, at which time all uncollected real estate taxes are turned over to the County for collection. Delinquent personal property tax remains the collection responsibility of the City. Collection of the taxes and remittance of them to the appropriate entities are accounted for in the Tax Agency Fund. City property tax revenue is recognized in the year they are levied for and available for use. The 2012 tax roll has been set up as a receivable and offset by the amounts due to other governmental units and deferred income tax revenue for the City's portion. Advance tax collections are offset against the receivable.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 4 - Capital Assets

Capital asset balances and activity for the year ended December 31, 2012, are as follows:

	<u>BALANCES</u> <u>01/01/12</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>TRANSFERS/ ADJUSTMENTS</u>	<u>BALANCES</u> <u>12/31/12</u>
<u>GOVERNMENTAL ACTIVITIES</u>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 863,365	\$ -	\$ -	\$ -	\$ 863,365
Construction in progress	<u>2,035,773</u>	<u>163,254</u>	<u>-</u>	<u>(1,986,061)</u>	<u>212,966</u>
Total capital assets not being depreciated	<u>2,899,138</u>	<u>163,254</u>	<u>-</u>	<u>(1,986,061)</u>	<u>1,076,331</u>
<i>Capital assets being depreciated</i>					
Buildings	2,929,400	1,222,396	(581)	1,973,952	6,125,167
Infrastructure	23,557,589	57,386	-	12,109	23,627,084
Improvements other than buildings	363,750	19,061	-	-	382,811
Machinery and equipment	<u>5,952,790</u>	<u>153,294</u>	<u>-</u>	<u>-</u>	<u>6,106,084</u>
Total capital assets being depreciated	<u>32,803,529</u>	<u>1,452,137</u>	<u>(581)</u>	<u>1,986,061</u>	<u>36,241,146</u>
<i>Less accumulated depreciation for:</i>					
Buildings	1,474,372	88,190	(581)	-	1,561,981
Infrastructure	2,877,553	390,033	-	-	3,267,586
Improvements other than buildings	285,275	11,926	-	-	297,201
Machinery and equipment	<u>4,467,764</u>	<u>200,211</u>	<u>-</u>	<u>-</u>	<u>4,667,975</u>
Total accumulated depreciation	<u>9,104,964</u>	<u>690,360</u>	<u>(581)</u>	<u>-</u>	<u>9,794,743</u>
Total capital assets being depreciated, net	<u>23,698,565</u>	<u>761,777</u>	<u>-</u>	<u>1,986,061</u>	<u>26,446,403</u>
GOVERNMENT ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$ 26,597,703</u>	<u>\$ 925,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,522,734</u>

Depreciation expense for governmental activities was charged to functions as follows:

General Government	\$ 33,033
Public Safety	101,322
Public Works	505,172
Health and Human Services	1,389
Culture, Recreation, and Education	<u>49,444</u>
TOTAL	<u>\$ 690,360</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 4 - Capital Assets - Continued

<u>BUSINESS-TYPE ACTIVITIES</u>	<u>BALANCES</u> <u>01/01/12</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCES</u> <u>12/31/12</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 91,202	\$ -	\$ -	\$ 91,202
Construction in progress	143,059	-	-	143,059
Total capital assets not being depreciated	<u>234,261</u>	<u>-</u>	<u>-</u>	<u>234,261</u>
<i>Capital assets being depreciated</i>				
Buildings	6,472,352	84,199	-	6,556,551
Improvements other than buildings	13,227,964	91,962	(3,250)	13,316,676
Machinery and equipment	4,090,943	216,333	-	4,307,276
Total capital assets being depreciated	<u>23,791,259</u>	<u>392,494</u>	<u>(3,250)</u>	<u>24,180,503</u>
Less accumulated depreciation for:				
Buildings	1,548,932	214,882	-	1,763,814
Improvements other than buildings	2,854,976	237,740	(3,250)	3,089,466
Machinery and equipment	1,079,867	141,063	-	1,220,930
Total accumulated depreciation	<u>5,483,775</u>	<u>593,685</u>	<u>(3,250)</u>	<u>6,074,210</u>
Total capital assets being depreciated, net accumulated depreciation	<u>18,307,484</u>	<u>(201,191)</u>	<u>-</u>	<u>18,106,293</u>
<u>BUSINESS-TYPE ACTIVITIES</u>				
<u>CAPITAL ASSETS, NET OF ACCUMULATED</u>				
<u>DEPRECIATION</u>	<u>\$18,541,745</u>	<u>\$ (201,191)</u>	<u>\$ -</u>	<u>\$18,340,554</u>

Depreciation expense was charged to functions as follows:

Business-type activities	
Water	\$ 243,782
Sewer	313,568
Storm Water	36,335
TOTAL	<u>\$ 593,685</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 5 - Long-Term Obligations

Details of the City's long-term obligations are as follows:

Summary of Long-Term Obligations

	<u>BALANCES</u> 01/01/12	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>TRANSFERS</u>	<u>BALANCES</u> 12/31/12	<u>AMOUNT</u> <u>DUE WITHIN</u> <u>ONE YEAR</u>
<u>GOVERNMENTAL ACTIVITIES:</u>						
Bonds payable	\$ 12,410,000	\$ -	\$ (660,000)	\$ (320,000)	\$ 11,430,000	\$ 668,304
Notes payable	1,485,000	-	(135,000)	-	1,350,000	135,000
CDA revenue bonds payable	2,245,000	-	(70,000)	-	2,175,000	75,000
Compensated absences						
Vacation	66,032	59,293	(66,032)	-	59,293	59,293
Sick	294,871	250,715	(294,871)	-	250,715	250,715
Net OPEB obligation	<u>263,925</u>	<u>70,906</u>	<u>(41,511)</u>	<u>-</u>	<u>293,320</u>	<u>293,320</u>
TOTAL	<u>\$ 16,764,828</u>	<u>\$ 380,914</u>	<u>\$ (1,267,414)</u>	<u>\$ (320,000)</u>	<u>\$ 15,558,328</u>	<u>\$ 1,481,632</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>						
Mortgage revenue bonds						
Sewer	\$ 2,949,033	\$ -	\$ (322,525)	\$ -	\$ 2,626,508	\$ 318,232
Water	1,125,000	-	(215,000)	-	910,000	230,000
General obligation bonds						
Water	-	-	-	320,000	320,000	11,696
Compensated absences						
Vacation	27,346	23,686	(27,346)	-	23,686	23,686
Sick	125,932	87,581	(125,932)	-	87,581	87,581
Net OPEB obligation	<u>98,132</u>	<u>34,350</u>	<u>-</u>	<u>-</u>	<u>132,482</u>	<u>132,482</u>
TOTAL	<u>\$ 4,325,443</u>	<u>\$ 145,617</u>	<u>\$ (690,803)</u>	<u>\$ 320,000</u>	<u>\$ 4,100,257</u>	<u>\$ 803,677</u>

GOVERNMENTAL FUNDS

General Obligation Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the City. The general obligation debt is expected to be repaid with general property taxes, special assessments and tax increments (TIF). General obligation debt at December 31, 2012, is comprised of the following issues:

<u>ISSUE DESCRIPTION</u>	<u>RATES (%)</u>	<u>DATES OF</u> <u>MATURITY</u>	<u>BALANCE</u> 12/31/12
<u>GENERAL OBLIGATION BONDS</u>			
2005 Issue	2.50 - 3.35%	2016	\$ 555,000
2007 Issue	4.00%	2026	3,100,000
2007 Issue	4.00%	2027	4,020,000
2010 Issue	1.00 - 2.20%	2016	410,000
2011 Issue	0.90 - 3.80%	2023	1,475,000
2011 Issue	2.40 - 4.50%	2031	<u>1,870,000</u>
TOTAL GOVERNMENTAL FUNDS GENERAL OBLIGATION BONDS			11,430,000
<u>GENERAL OBLIGATION NOTES</u>			
2011 Issue	0.60 - 3.15%	2021	<u>1,350,000</u>
TOTAL GOVERNMENTAL FUNDS GENERAL OBLIGATION DEBT			<u>\$ 12,780,000</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 5 - Long-Term Obligations - Continued

Community Development Authority Lease Revenue Bonds

Community development authority bonds are not deemed a debt or obligation of the City, nor a charge against its general credit. It is solely an obligation of the Community Development Authority. Repayment is provided by annual charges to the general and capital projects funds paid from property taxes.

<u>ISSUE DESCRIPTION</u>	<u>RATE (%)</u>	<u>DATES OF MATURITY</u>	<u>ORIGINAL INDEBTEDNESS</u>	<u>BALANCE 12/31/12</u>
Lease Revenue Bonds TIF #6 2006 Issue	3.5 - 4.6%	2026	\$ 1,940,000	\$ 1,730,000
Lease Revenue Bonds TIF #7 2006 Issue	3.5 - 4.6%	2026	555,000	<u>445,000</u>
TOTAL LEASE REVENUE BONDS				<u>\$ 2,175,000</u>

Enterprise Fund Debt

Enterprise fund debt is expected to be repaid with water and sewer revenue. Enterprise fund debt at December 31, 2012, is comprised of the following issues:

<u>ISSUE DESCRIPTION</u>	<u>RATES (%)</u>	<u>DATES OF MATURITY</u>	<u>BALANCE 12/31/12</u>	
<u>General Obligation Bonds</u> 2007 Water Issue	4.00%	2026	\$ 320,000	
<u>Mortgage Revenue Bonds</u> 2002 Sewer Issue	2.75%	2022	2,416,508	
2005 Sewer Issue	2.50 - 3.70%	2014	210,000	
2005 Water Issue	3.25 - 3.55%	2015	<u>910,000</u>	
TOTAL ENTERPRISE FUND DEBT				<u>\$ 3,856,508</u>

Mortgage Revenue Bond Requirements

The City's Mortgage Revenue Bonds require that cash be set aside in separate funds and restricted for specific purposes. Required and actual amounts as of December 31, 2012, are as follows:

	<u>WATER UTILITY</u>		<u>SEWER UTILITY</u>	
	<u>REQUIRED</u>	<u>ACTUAL</u>	<u>REQUIRED</u>	<u>ACTUAL</u>
Special Redemption Fund	\$ 65,488	\$ 73,435	\$ 224,508	\$ 241,327
Reserve Fund	211,500	211,500	108,500	108,500
Depreciation Fund	185,325	185,906	195,128	195,128

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 5 - Long-Term Obligations - Continued

Equipment Replacement Fund Requirements

The Sewer Utility has established an equipment replacement fund to be used for significant wastewater treatment mechanical equipment replacement as required by the Wisconsin Department of Natural Resources as a condition to receiving construction grants. At December 31, 2012, this fund had available resources of \$688,604.

The City is in compliance with all material funding requirements of its mortgage revenue bonds.

Statutory Liens

A statutory mortgage lien has been placed upon the Water and Sewer Utility and any additions, improvements, and extensions thereto as provided for in the resolutions creating the Bond issues.

The mortgage revenue bonds also require the following disclosures:

The number of Utility connections for each user class at December 31, 2012, was as follows:

<u>CLASS</u>	
Residential	2,129
Commercial	190
Industrial	33
Public authority	<u>35</u>
Total	<u>2,387</u>

The volume of water used in calculating utility charges for each user class for 2012 was as follows:

<u>CLASS</u>	
Residential	96,368,000
Commercial	18,931,000
Industrial	178,478,000
Public authority	<u>13,117,000</u>
Total	<u>306,894,000</u>

Insurance coverage:

<u>INSURANCE TYPE</u>	<u>COMPANY</u>	<u>POLICY TERM</u>	<u>COVERAGE</u>
Property	WI Local Government Property Insurance	1/1/12 - 12/31/12	\$21.3 million
Liability	CVMIC	1/1/12 - 12/31/12	\$10 million
Workers' Compensation	CVMIC	1/1/12 - 12/31/12	\$100,000
Errors & Omissions	CVMIC	1/1/12 - 12/31/12	\$25,000

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 5 - Long-Term Obligations - Continued

General Obligation Debt Limit Calculation

The 2012 equalized valuation of the City as certified by the Wisconsin Department of Revenue is \$345,979,700. The legal debt limit and margin of indebtedness as of December 31, 2012, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (5% of \$345,979,700)	\$ 17,298,985
Applicable long-term debt	(13,100,000)
Amount available in debt service	<u>80,531</u>
MARGIN OF INDEBTEDNESS	<u>\$ 4,279,516</u>

Maturities of Long-Term Obligations

Maturities of the long-term obligations at December 31, 2012, are:

YEARS	GENERAL OBLIGATION DEBT		CDA LEASE REVENUE BONDS		ENTERPRISE FUND DEBT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2013	\$ 803,304	\$ 437,925	\$ 75,000	\$ 95,298	\$ 559,928	\$ 113,816
2014	832,836	416,176	75,000	92,335	581,260	95,627
2015	852,836	392,558	90,000	88,990	672,285	78,515
2016	867,368	367,095	105,000	84,940	243,944	56,299
2017	750,497	340,805	115,000	80,263	252,176	49,309
2018-2022	4,062,368	1,298,789	855,000	301,750	1,382,706	133,789
2023-2027	3,990,791	507,988	860,000	79,120	164,209	14,830
2028-2031	620,000	56,080	-	-	-	-
TOTAL	<u>\$12,780,000</u>	<u>\$3,817,416</u>	<u>\$ 2,175,000</u>	<u>\$ 822,696</u>	<u>\$ 3,856,508</u>	<u>\$ 542,185</u>

Other long-term obligations (compensated absences and post-retirement healthcare benefit OPEB liability) for the governmental activities are generally liquidated by the general fund and by the water, sewer, and storm water funds for business-type activities.

NOTE 6 - Wisconsin Retirement System

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer, defined benefit, public employee retirement system (PERS). All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district education support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 6 - Wisconsin Retirement System - Continued

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

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

	<u>EMPLOYEE</u>	<u>EMPLOYER</u>
General	5.90%	5.90%
Executive & Elected Officials	7.05	7.05
Protective with Social Security	5.90	11.40
Protective without Social Security	5.90	13.70

The payroll for City employees covered by the WRS for the year ended December 31, 2012 was \$1,708,190; the employer's total payroll was \$1,844,401. The total required contribution for the year ended December 31, 2012 was \$232,851, which consisted of \$132,068, or 5.9 - 11.4 percent of payroll from the employer and \$100,783, or 5.9 percent of payroll from employees. Total contributions for the years ending December 31, 2011 and 2010 were \$219,025 and \$203,315, respectively, equal to the required contributions for each year.

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

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

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 7 - Post-Retirement Healthcare Benefits

Plan Description - The City, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a single-employer defined benefit plan to provide certain post-retirement healthcare benefits to former employees who meet retirement eligibility requirements and continue retiree medical coverage until he/she is eligible for Medicare. The City is under contractual obligation to provide these post-retirement healthcare benefits. Because the Plan consists solely of the City's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Funding Policy - Premiums under the Plan for post-employment healthcare benefits are funded by retirees desiring such coverage via co-pays paid to the City in accordance with rates established by the City and from the City itself from appropriate governmental and business-type funds on a pay-as-you-go basis. The City may make additional contributions as determined by management. For the year ended December 31, 2012, the net outlay from the City, which equaled \$41,511, represents the City's net cost paid for current year premiums due.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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 of 30 years. The following table illustrates 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:

Annual required contribution	\$ 110,414
Interest on net OPEB obligation	3,621
Adjustment to annual required contribution	<u>(8,779)</u>
Annual OPEB cost	105,256
Contributions made	<u>(41,511)</u>
Increase in net OPEB obligation	63,745
Net OPEB obligation - beginning of year	<u>362,057</u>
NET OPEB OBLIGATION - END OF YEAR	<u>\$ 425,802</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012 were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation -</u> <u>End of Year</u>
12/31/10	\$ 150,072	21.34	\$ 246,682
12/31/11	150,074	23.12	362,057
12/31/12	105,256	39.44	425,802

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 7 - Post-Retirement Healthcare Benefits - Continued

Funding Status and Funding Progress - As of December 31, 2012, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits equaled \$1,513,434, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,513,434. The covered payroll (annual payroll of active employees covered the Plan) equaled \$609,418, and the ratio of the UAAL to the covered payroll equaled 248.3 percent.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits are based on the types of benefits provided under the Plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members. Projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of unknown legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and assets.

The schedule of funding progress, presented as RSI following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

In the actuarial valuation dated December 31, 2012, the alternative measurement method was used. Because the City funds its OPEB on a pay-as-you-go basis, the Plan has no assets (investments) used specifically for paying the post-retirement medical benefits; therefore, the actuarial assumptions included a 2.5 percent discount rate, which approximates the expected rate of return on non-pension investments held by the City. The UAAL is being amortized as a level dollar amount over 30 years on an open basis.

NOTE 8 - Interfund Receivables, Payables, Advances, and Transfers

Individual interfund receivable and payable balances at December 31, 2012, are as follows:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
Due from/to Other Funds:		
General	TIF #7	\$ 76,000
Refuse and Recycling	General	263,382
Sewer	General	6,006
Water	General	7,234
Dog Park	General	5,000
Storm Water	General	2,795
Water	Sewer	17,791
TOTAL		<u>\$ 378,208</u>

The above balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are due within one year.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 8 - Interfund Receivables, Payables, Advances, and Transfers - Continued

Individual fund transfers during 2012 are as follows:

<u>RECEIVING FUND</u>	<u>PAYING FUND</u>	<u>AMOUNT</u>
Transfers:		
Debt Service	General	\$ 665,006
Debt Service	TIF #6	188,100
Debt Service	Water	28,100
Debt Service	Sewer	118,940
Debt Service	Storm Water	63,860
General	Water	174,543
General	Sewer	3,814
General	TIF #6	7,500
General	TIF #8	7,500
Capital Projects	General	502,102
Capital Projects	Sidewalks Fund	10,000
Small Business Development	General	10,000
TIF 8	Crossridge Park	87,075
TOTAL		<u>\$ 1,866,540</u>

Generally, transfers are used to move revenue from the fund that collects them to the fund that the budget requires to expend them and use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

NOTE 9 - Fund Balances and Net Position

Portions of fund balances and net position are nonspendable, restricted, and committed as follows:

<u>FUND</u>	<u>PURPOSE/REASON</u>	<u>AMOUNT</u>
<u>Deficit</u>		
TIF #7	Awaiting future revenue increments	<u>\$ 62,095</u>
<u>Nonspendable</u>		
General Fund	Prepaid Expenses	<u>\$ 78,326</u>
<u>Restricted</u>		
Debt Service	Debt Service	\$ 80,531
TIF #6	Capital Projects	367,553
TIF #8	Capital Projects	499,827
Grant Fund	Rehab Loans	107,078
Sidewalk Fund	Sidewalks	160,711
Refuse and Recycling	Refuse and Recycling	25,766
Dog Park Fund	Dog Park	11,006
Capital Projects	Capital Projects	223,106
Library Fund	Library	15,663
Small Business Development	Small Business	20,000
Total Restricted Fund Balances		<u>\$ 1,511,241</u>
Enterprise Fund	Water Bond Requirements	\$ 466,750
Enterprise Fund	Sewer Bond Requirements	1,221,206
Total Restricted Net Position		<u>\$ 1,687,956</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 9 - Fund Balances and Net Position - Continued

<u>FUND</u>	<u>PURPOSE/REASON</u>	<u>AMOUNT</u>
<u>Committed</u>		
General Fund	Milton Library Trust Fund	\$ 4,000
General Fund	Library Reserve Fund	2,361
General Fund	Ambulance Contribution Fund	7,996
General Fund	PEG Fund Reserve	9,966
General Fund	Parkland Contribution Fund	8,880
General Fund	Eastside Parkland Fund	8,087
General Fund	Community House Reserve	620
General Fund	Elections Equipment Reserve	3,367
General Fund	Shaw Maintenance Fund	5,308
General Fund	Reserve for OPEB	24,530
General Fund	TIF #5 Surplus Reserve for Capital	81,361
General Fund	Police Department Radio	500
General Fund	Police Department Tuition Assistance	294
General Fund	Historic Preservation	2,547
Total Committed Fund Balance		<u>\$ 159,817</u>

NOTE 10 - Tax Incremental Finance Districts

Tax increment financing, as authorized by Section 66.1105 of the Wisconsin Statutes, is a method by which the City can recover its development and public improvement costs in Tax Incremental Finance (TIF) District designated areas. These costs are recovered from the increased valuation in the designated area. The City has financed development and public improvement costs in its Districts through general fund advances and through the issuance of general obligation long-term debt. Project costs have been reported primarily as Capital Projects Funds expenditures. Tax increments will be used to repay general fund advances and to meet maturing debt obligations incurred to provide financing for development and public improvement costs within each District. Each District is allowed to collect tax increments until its termination date. Any over-collections are returned to the various taxing entities of the District. The City becomes liable for any cost not recovered by the termination date.

The City has three Tax Incremental Financing Districts. The following are project summaries of the activity and status of the TIF Districts through December 31, 2012:

SOURCES OF FUNDS	<u>TIF DISTRICT</u>		
	<u>#6</u>	<u>#7</u>	<u>#8</u>
Tax increments	\$ 3,745,911	\$ 364,758	\$ 787,780
Grants	265,009	-	15,000
Interest income	118,690	-	5,255
Sales of property	6,269	-	-
Proceeds from long-term debt	7,815,000	555,000	220,000
Rent	74,524	-	10,600
Contributions	1,250	-	1,250
Transfer from other TIF's	29,179	-	-
Transfer from debt service	259,566	-	-
Transfer from general fund	-	-	56,625
Transfer from special revenue funds	-	-	87,075
Exempt computer aids	28,173	837	28,495
TOTAL SOURCES	<u>12,343,571</u>	<u>920,595</u>	<u>1,212,080</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 10 - Tax Incremental Finance Districts - Continued

	TIF DISTRICT		
	#6	#7	#8
USES OF FUNDS			
Administrative expenditures	\$ 302,142	\$ 158,247	\$ 62,526
Project cost	3,013,490	516,302	145,469
Principal and interest on long-term debt	4,144,227	221,704	26,510
Debt issuance costs	38,450	-	4,691
Transfer to capital projects	3,622,582	37,679	154,628
Transfer to debt service	840,127	48,758	-
Transfer to general fund	15,000	-	318,429
TOTAL USES	<u>11,976,018</u>	<u>982,690</u>	<u>712,253</u>
FUND BALANCES AS OF DECEMBER 31, 2012	<u>\$ 367,553</u>	<u>\$ (62,095)</u>	<u>\$ 499,827</u>
FUTURE REQUIREMENTS			
Debt service	\$ 8,749,297	\$ 601,108	\$ 224,736
Accounts payable	1,067	-	16,207
TOTAL FUTURE REQUIREMENTS	<u>8,750,364</u>	<u>601,108</u>	<u>240,943</u>
Less cash on hand	(1,160,827)	(106,977)	(542,330)
BALANCE TO BE COLLECTED ON TIF DISTRICT	<u>\$ 7,589,537</u>	<u>\$ 494,131</u>	<u>\$ (301,387)</u>
2012 Tax Increment	\$ 792,207	\$ 93,072	\$ 26,296

NOTE 11 - Risk Management

The City purchases commercial insurance with various deductibles and coverages to cover liability, property, workers' compensation, errors, and omissions and employee defalcation risk. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 12 - Joint Venture

The City and Town of Milton share equally in the control and operating cost of a joint fire department. Each municipality appoints three members to the Milton Joint Fire Commission. Each municipality pays 50 percent of the operating and capital costs of the fire department. The City paid \$143,750 of operating expenses during 2012. Financial information is available from the Fire Commission upon request.

NOTE 13 - Prior Period Adjustments

The prior period adjustment of \$153,998 on the statement of activities is due to the adoption of GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* to write off prior year bond issue costs.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2012

NOTE 13 - Prior Period Adjustments - Continued

The prior period adjustment of \$320,000 is a result of a transfer of debt between Water and the General Fund that had been recorded incorrectly in previous years.

NOTE 14 - Subsequent Event

In March 2013, the City borrowed from the state trust fund. The new loan is for \$500,000, payable in annual installments on March 15 of each year with the first payment due on March 15, 2014, and the final payment due on March 15, 2015. The loan has an interest rate of 2.0 percent.

CITY OF MILTON, WISCONSIN

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILTON, WISCONSIN
POST-EMPLOYMENT HEALTHCARE BENEFITS SCHEDULE
YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/10	\$ -	\$ 1,657,752	\$ 1,657,752	0.0%	\$ 1,031,361	160.7%
12/31/12	\$ -	\$ 1,513,434	\$ 1,513,434	0.0%	\$ 609,418	248.3%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Annual Required Contribution	Actual Contribution	Percentage Contributed
2010	\$ 150,072	\$ 32,019	21.3%
2011	\$ 150,074	\$ 34,699	23.1%
2012	\$ 110,414	\$ 41,511	37.6%

The accompanying notes are an integral part of these financial statements.

CITY OF MILTON, WISCONSIN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		WITH FINAL BUDGET
REVENUE				
Taxes	\$ 2,467,968	\$ 2,467,968	\$ 2,536,631	\$ 68,663
Intergovernmental	1,077,196	1,077,196	1,150,885	73,689
Licenses and permits	97,505	97,505	109,666	12,161
Fines, forfeits, and penalties	55,000	55,000	59,762	4,762
Public charges for services	34,400	24,400	44,351	19,951
Intergovernmental charges for services	79,000	79,000	52,368	(26,632)
Other	46,905	46,905	102,827	55,922
TOTAL REVENUE	<u>3,857,974</u>	<u>3,847,974</u>	<u>4,056,490</u>	<u>208,516</u>
EXPENDITURES				
Current				
General government	785,864	802,544	669,191	133,353
Public safety	1,228,774	1,228,774	1,188,763	40,011
Public works	702,368	706,368	618,943	87,425
Health and human services	28,908	28,908	25,980	2,928
Culture, recreation, and education	388,225	388,225	362,862	25,363
Conservation and development	54,585	55,126	56,233	(1,107)
Capital outlay	6,700	12,200	65,506	(53,306)
TOTAL EXPENDITURES	<u>3,195,424</u>	<u>3,222,145</u>	<u>2,987,478</u>	<u>234,667</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>662,550</u>	<u>625,829</u>	<u>1,069,012</u>	<u>443,183</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	145,000	145,000	193,357	48,357
Transfers out	(820,078)	(844,078)	(1,177,108)	(333,030)
TOTAL OTHER FINANCING (USES)	<u>(675,078)</u>	<u>(699,078)</u>	<u>(983,751)</u>	<u>(284,673)</u>
NET CHANGE IN FUND BALANCE	(12,528)	(73,249)	85,261	158,510
FUND BALANCE AT BEGINNING OF YEAR	<u>1,774,929</u>	<u>1,774,929</u>	<u>1,774,929</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,762,401</u>	<u>\$ 1,701,680</u>	<u>\$ 1,860,190</u>	<u>\$ 158,510</u>

CITY OF MILTON, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
YEAR ENDED DECEMBER 31, 2012

Budgets and Budgetary Accounting - The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 15, City management submits to the Common Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted in the Council Chambers to obtain taxpayer comments.
3. Prior to December 1, the budget is legally enacted through passage of a resolution.
4. All budget revisions must be approved by the Common Council.
5. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
6. Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles.
7. Budgetary expenditure control is exercised at the department level within the fund.
8. Budgeted amounts are as authorized in the original budget resolution and subsequent revisions authorized by the Common Council.
9. The supplemental appropriations to increase the General Fund budget during the year were \$60,721.
10. Appropriations lapse at year end, except those specifically carried forward by Council action.
11. Encumbrance accounting is not used.

CITY OF MILTON, WISCONSIN
OTHER SUPPLEMENTARY INFORMATION

CITY OF MILTON, WISCONSIN
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

<u>ASSETS</u>	SPECIAL REVENUE			
	GRANT FUND	SIDEWALK FUND	SMALL BUSINESS DEVELOPMENT	LIBRARY FUND
Cash and investments	\$ 107,078	\$ 160,711	\$ 20,000	\$ 15,663
Receivables				
Accounts and other	-	-	-	-
Special assessments	-	3,416	-	-
Loans	204,734	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
TOTAL ASSETS	<u>\$ 311,812</u>	<u>\$ 164,127</u>	<u>\$ 20,000</u>	<u>\$ 15,663</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Unearned revenue - other	204,734	-	-	-
TOTAL LIABILITIES	<u>204,734</u>	<u>-</u>	<u>-</u>	<u>-</u>
 DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - tax roll	-	-	-	-
Unavailable revenue - special assessments	-	3,416	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>3,416</u>	<u>-</u>	<u>-</u>
 FUND BALANCES (DEFICITS)				
Restricted	107,078	160,711	20,000	15,663
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>107,078</u>	<u>160,711</u>	<u>20,000</u>	<u>15,663</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	 <u>\$ 311,812</u>	 <u>\$ 164,127</u>	 <u>\$ 20,000</u>	 <u>\$ 15,663</u>

REFUSE AND RECYCLING FUND	DOG PARK	CAPITAL PROJECTS		NONMAJOR GOVERNMENTAL FUNDS
		TIF #7	TIF #8	
\$ 29,693	\$ 6,006	\$ 106,977	\$ 542,330	\$ 988,458
1,950	-	-	-	1,950
-	-	-	-	3,416
-	-	-	-	204,734
263,382	-	-	-	263,382
-	5,000	-	-	5,000
<u>\$ 295,025</u>	<u>\$ 11,006</u>	<u>\$ 106,977</u>	<u>\$ 542,330</u>	<u>\$ 1,466,940</u>
\$ -	\$ -	\$ -	\$ 16,207	\$ 16,207
-	-	76,000	-	76,000
269,259	-	-	-	473,993
<u>269,259</u>	<u>-</u>	<u>76,000</u>	<u>16,207</u>	<u>566,200</u>
-	-	93,072	26,296	119,368
-	-	-	-	3,416
-	-	93,072	26,296	122,784
25,766	11,006	-	499,827	840,051
-	-	(62,095)	-	(62,095)
<u>25,766</u>	<u>11,006</u>	<u>(62,095)</u>	<u>499,827</u>	<u>777,956</u>
<u>\$ 295,025</u>	<u>\$ 11,006</u>	<u>\$ 106,977</u>	<u>\$ 542,330</u>	<u>\$ 1,466,940</u>

CITY OF MILTON, WISCONSIN
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012

	SPECIAL REVENUE			
	GRANT FUND	SIDEWALK FUND	SMALL BUSINESS DEVELOPMENT	LIBRARY FUND
REVENUE				
Special assessments	\$ -	\$ 285	\$ -	\$ -
Intergovernmental	-	-	-	2,280
Fines, forfeits and penalties	-	-	-	13,383
Public charges for services	-	-	-	-
Intergovernmental charges for services	-	-	-	-
Other	44,075	562	10,000	-
TOTAL REVENUE	<u>44,075</u>	<u>847</u>	<u>10,000</u>	<u>15,663</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Public works	-	-	-	-
Culture, recreation, and education	-	-	-	-
Conservation and development	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER)				
EXPENDITURES	<u>44,075</u>	<u>847</u>	<u>10,000</u>	<u>15,663</u>
OTHER FINANCING (USES) SOURCES				
Transfers in	-	-	10,000	-
Transfers out	-	(10,000)	-	-
TOTAL OTHER FINANCING (USES)	<u>-</u>	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
SOURCES	<u>-</u>	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	44,075	(9,153)	20,000	15,663
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>63,003</u>	<u>169,864</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 107,078</u>	<u>\$ 160,711</u>	<u>\$ 20,000</u>	<u>\$ 15,663</u>

REFUSE AND RECYCLING FUND	DOG PARK	CROSSRIDGE PARK	CAPITAL PROJECTS		NONMAJOR GOVERNMENTAL FUNDS
			TIF #7	TIF #8	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 285
20,871	-	-	151	8,663	31,965
-	-	-	-	-	13,383
274,546	-	-	-	-	274,546
-	-	-	90,914	-	90,914
325	440	275	-	4,514	60,191
<u>295,742</u>	<u>440</u>	<u>275</u>	<u>91,065</u>	<u>13,177</u>	<u>471,284</u>
-	-	-	5,226	-	5,226
272,608	-	-	-	-	272,608
-	989	-	-	-	989
-	-	-	-	10,663	10,663
-	-	-	8,500	183,223	191,723
-	-	-	25,000	20,000	45,000
-	-	-	22,960	4,533	27,493
<u>272,608</u>	<u>989</u>	<u>-</u>	<u>61,686</u>	<u>218,419</u>	<u>553,702</u>
<u>23,134</u>	<u>(549)</u>	<u>275</u>	<u>29,379</u>	<u>(205,242)</u>	<u>(82,418)</u>
-	-	-	-	87,075	97,075
-	-	(87,075)	-	(7,500)	(104,575)
-	-	(87,075)	-	79,575	(7,500)
23,134	(549)	(86,800)	29,379	(125,667)	(89,918)
2,632	11,555	86,800	(91,474)	625,494	867,874
<u>\$ 25,766</u>	<u>\$ 11,006</u>	<u>\$ -</u>	<u>\$ (62,095)</u>	<u>\$ 499,827</u>	<u>\$ 777,956</u>

CITY OF MILTON, WISCONSIN

OTHER REPORT

**INDEPENDENT AUDITORS' 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**

To the Common Council
City of Milton, Wisconsin

We have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Milton (the "City") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 1, 2013.

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 opinions 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 City'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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

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 result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hawkins, Ash, Daptis & Company, LLP

La Crosse, Wisconsin
May 1, 2013