

CITY OF MILTON, WISCONSIN

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT**

DECEMBER 31, 2014

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, 2014, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 17, post-employment healthcare benefits schedules on page 49, and budgetary comparison information on pages 50 and 51 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 June 24, 2015, 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.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin

June 24, 2015

CITY OF MILTON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2014

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 18).

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 30-32.

Financial Highlights

- As shown on the Statement of Net Position, fiscal year December 31, 2014 ended with an Unrestricted Net Position Balance of \$(618,897) in Governmental Activities. This is a decrease of \$1,431,361 from the prior year primarily due to the construction of the new City Hall and police station. 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 \$1,180,468 in the Business Activities category. This is a decrease of \$447,835 from the prior year primarily due to the purchase of capital assets. 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:
 - \$566,767 for General Government purposed - administration, finance, facilities and City Council
 - \$1,228,444 for Public Safety - Police, Fire, Building Inspection.
 - \$843,801 for public works
 - \$14,960 for Health and Human Services
 - \$355,885 for Culture and Recreation
 - \$256,316 for Conservation and development
 - \$579,936 for Interest and Fiscal charges.
- As of December 31, 2014, the committed, assigned, or unassigned, all of which is available for spending at the City's discretion, general fund was \$1,350,518 or approximately 34% of total general fund revenues.
- As of December 31, 2014, total long-term obligations decreased by \$830,770 due to the City not issuing any new long-term debt.

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 2014 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 18-19 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 20-23 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 24-27 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 28 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 29-46 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 58-61 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 \$17,126,115 at the close of 2014. The following table reflects the condensed Statement of Assets.

2014 City of Milton' s Net Position						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 6,910,287	8,495,517	\$ 2,918,273	3,460,524	\$ 9,828,560	11,956,041
Capital assets	30,370,814	28,764,998	17,832,306	18,228,800	48,203,120	46,993,798
Total assets	\$ 37,281,101	37,260,515	\$ 20,750,579	21,689,324	\$ 58,031,680	58,949,839
Long-term debt	\$ 14,822,463	15,149,322	\$ 2,296,089	2,274,181	\$ 17,118,552	17,423,503
Other Liabilities	5,332,523	5,905,421	528,397	1,437,260	5,860,920	7,342,681
Total liabilities	\$ 20,154,986	21,054,743	\$ 2,824,486	3,711,441	\$ 22,979,472	24,766,184
Net position:						
Invested in capital, net of debt	\$ 17,222,925	14,810,678	\$ 15,558,126	14,935,524	\$ 32,781,051	29,746,202
Restricted	522,087	582,631	1,187,499	1,414,058	1,709,586	1,996,689
Unrestricted	(618,897)	812,465	1,180,468	1,628,303	561,571	2,440,768
Total net position	\$ 17,126,115	16,205,774	\$ 17,926,093	17,977,885	\$ 35,052,208	34,183,659

For more detailed information see page 18 of the Statement of Net Position

The largest portion of the City of Milton's net position (approximately 94 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 5%) represents resources that are subject to external restrictions on how they should be used. The remaining balance of unrestricted net position or \$561,571 may be used to meet the government's ongoing obligations to citizens or creditors.

At the end of fiscal year 2014, 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.

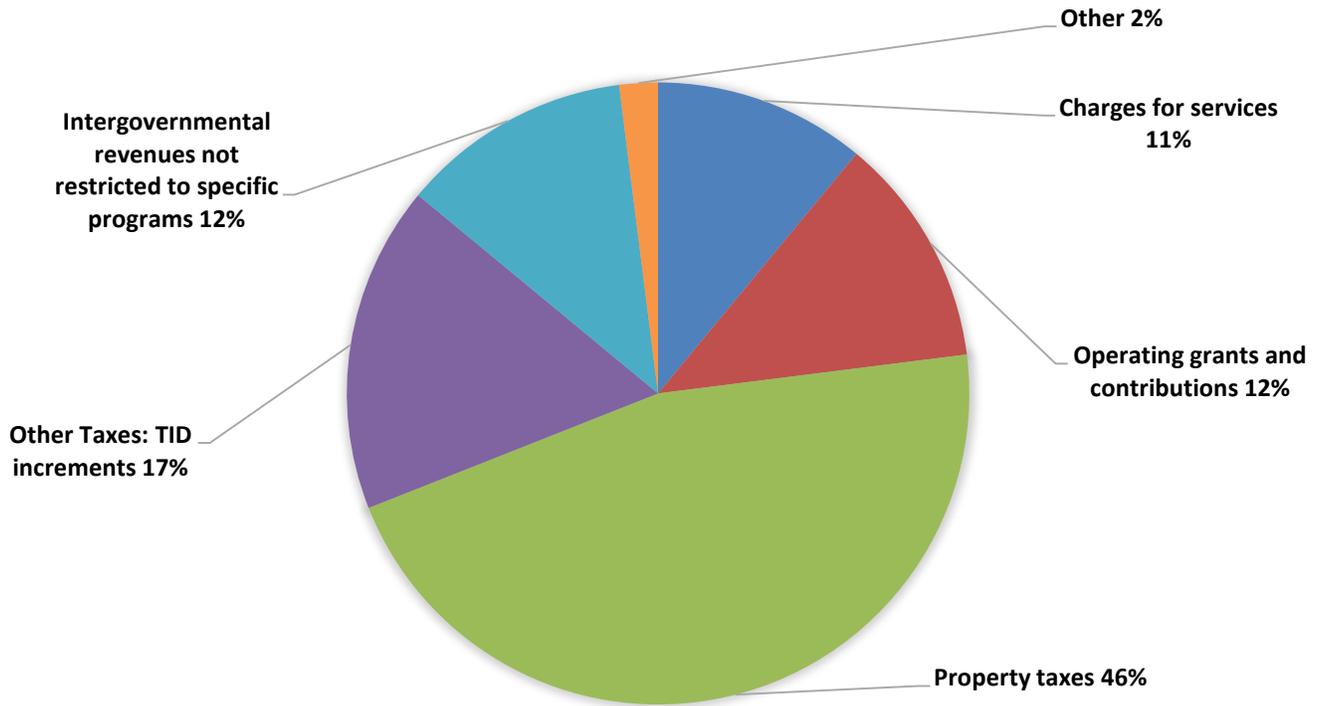
Governmental Activities

The 2014 change in net position for Governmental Activities shows an increase of \$920,343. See page 19 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	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Charges for services	\$ 579,334	615,720	\$ 2,353,727	2,407,917	\$ 2,933,061	3,023,637
Operating grants and contributions	642,885	617,972	-	-	642,885	617,972
Capital grants and contributions	-	-	-	163,078	-	163,078
General Revenues						
Property taxes	2,528,686	2,472,411	-	-	2,528,686	2,472,411
Other Taxes: TID increments	949,507	911,345	-	-	949,507	911,345
Intergovernmental revenues not restricted to specific programs	675,958	686,094	-	-	675,958	686,094
Investment income	18,458	30,522	19,913	3,922	38,371	34,444
Other	80,887	78,329	8,781	23,998	89,668	102,327
Total revenues	\$ 5,475,715	5,412,393	\$ 2,382,421	2,598,915	\$ 7,858,136	8,011,308
Expenses						
General Government	\$ 703,158	693,114	\$ -	-	\$ 703,158	693,114
Public Safety	1,411,535	1,369,600	-	-	1,411,535	1,369,600
Public Works	1,529,334	1,501,117	-	-	1,529,334	1,501,117
Health and Human Services	21,185	20,925	-	-	21,185	20,925
Culture, Recreation and Education	560,484	497,811	-	-	560,484	497,811
Conservation and Development	262,696	289,519	-	-	262,696	289,519
Interest and fiscal charges	579,936	611,966	-	-	579,936	611,966
Water	-	-	811,223	861,642	811,223	861,642
Sewer	-	-	955,320	886,042	955,320	886,042
Stormwater	-	-	154,714	138,370	154,714	138,370
Total expenses	\$ 5,068,328	4,984,052	\$ 1,921,257	1,886,054	\$ 6,989,585	6,870,106
Change in Net Position before Transfers	407,387	428,341	461,164	712,861	868,551	1,141,202
Transfers	512,956	327,252	(512,956)	(327,252)	-	-
Change in Net Position	920,343	755,593	(51,792)	385,609	868,551	1,141,202
Net position - 1/1	16,205,772	15,450,179	17,977,885	17,582,694	34,183,657	33,032,873
Prior Period Adjustment	-	-	-	9,582	-	9,582
Net position - 12/31	\$ 17,126,115	16,205,772	\$ 17,926,093	17,977,885	\$ 35,052,208	34,183,657

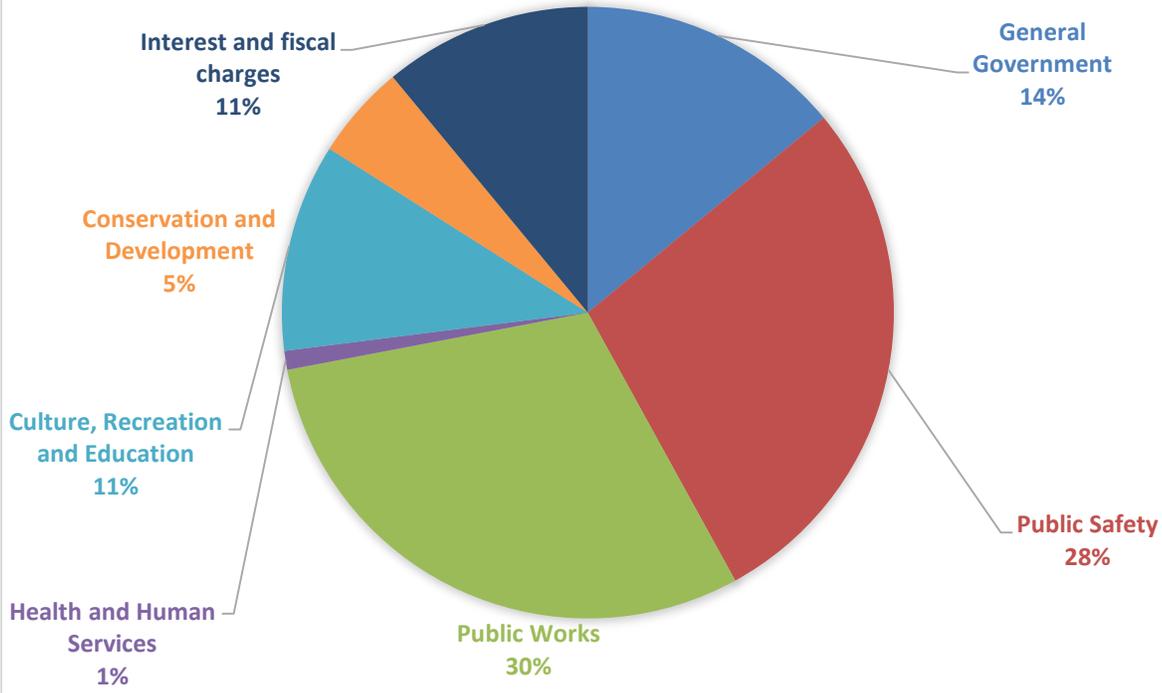
As shown by the following graphs and identified by the Statement of Activities on page 19, property taxes and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities.

REVENUE BY SOURCE - GOVERNMENTAL ACTIVITIES



As identified above and on the following page, property taxes are the largest revenue source for the governmental activities accounting for approximately 46 percent of total revenues. Charges for services and operating grants and contributions each provided approximately 11 percent of total revenues.

EXPENDITURES - GOVERNMENTAL ACTIVITIES



Public Works activities accounts for approximately 30% and Public Safety activities accounts for 28% of the total expenditures within the governmental activities of the City of Milton.

City departments across the board were within their approved budgets.

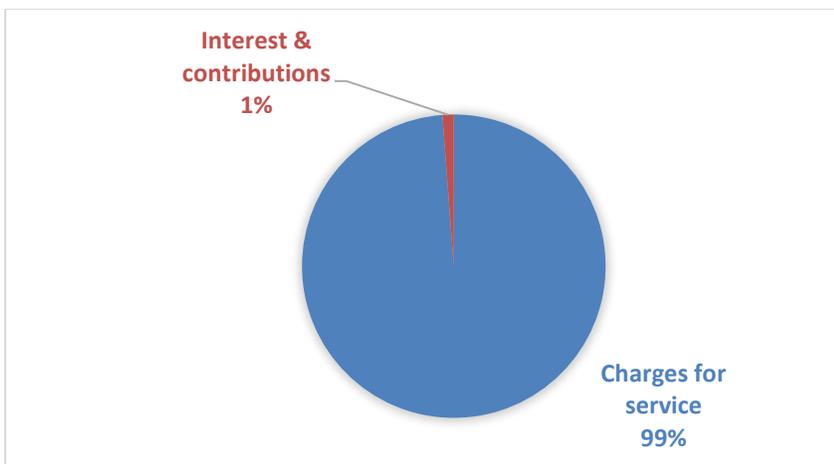
Business-type activities

Business type activities decreased the City of Milton's net position by \$51,792 during 2014. This was mainly due to the use of enterprise funds to pay for their portion of a new administrative office and the write-off of a project that will not materialize for 10+ years. The following graph compares the charges for services to the operating expenses of each utility.



As shown on the following chart, the revenues of the Milton Water, Wastewater and Stormwater Utilities included Sale of assets and contributions 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, 2014, the City of Milton's governmental funds reported combined ending balances of \$2,372,403, a decrease of \$1,512,802 in comparison with the prior year. The decrease is mainly due to the use of the capital project fund to build the new City Hall/Police facility. \$1,312,017 of the fund balance is assigned, unassigned or committed. The remainder of the fund balance (\$1,060,386) 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, 2014, the total fund balance of the general fund was \$1,472,146 of which \$961,375 is unassigned. This unassigned balance represents approximately 23 percent of total general fund revenues in 2014. The City prepaid its liability and worker's compensation insurance in 2014 which resulted in an increase in the nonspendable portion of fund balance by \$115,000. The Council assigned \$300,000 of fund balance in 2015 for the purchase of fire equipment in 2015.

The fund balance of the general fund decreased by \$468,931 in fiscal year 2014. The 2014 annual program budget for the City of Milton's general fund had expenditures exceeding revenues by \$533,049 including authorized additional expenditures of \$29,682. Actual expenditures were greater than the amended budgeted expenditures by 0.30% while revenues exceeded budget by 2.3 percent.

The Debt Service Fund has a total fund balance of \$44,208, all of which is restricted for the payment of debt service. The fund increased by \$43,121.

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.

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 decrease in Net Position for 2014 was \$51,792. Net position in the amount of \$1,187,499 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 \$1,180,468.

The financial statements and a statement of cash flows for the enterprise funds can be found on pages 24-27 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, 2014, amounts to \$48,203,120 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 \$1,209,322 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	\$ 1,463,427	\$ -	\$ -	\$ -	\$ 1,463,427
Construction in process	633,974	-	(45,961)	(588,013)	-
Total Capital Assets not being Depreciated	<u>\$ 2,097,401</u>	<u>\$ -</u>	<u>\$ (45,961)</u>	<u>\$ (588,013)</u>	<u>\$ 1,463,427</u>
Other Capital Assets:					
Buildings and improvements	6,125,167	2,000,262	-	606,915	8,732,344
Infrastructure	23,676,765	-	-	-	23,676,765
Improvements other than Bldg	951,184	178,991	-	(18,902)	1,111,273
Machinery and Equipment	6,313,354	146,683	(323,971)	-	6,136,066
Total Capital Assets being Depreciated	<u>\$ 37,066,470</u>	<u>\$ 2,325,936</u>	<u>\$ (323,971)</u>	<u>\$ 588,013</u>	<u>\$ 39,656,448</u>
Accumulated Depreciation	<u>(10,398,873)</u>	<u>(651,525)</u>	<u>301,337</u>	<u>-</u>	<u>\$ (10,749,061)</u>
Net Capital Assets- Governmental Activities	<u><u>\$ 28,764,998</u></u>	<u><u>\$ 1,674,411</u></u>	<u><u>\$ (68,595)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,370,814</u></u>

City of Milton Capital Assets					
Business Type Activities	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital Assets Not Being Depreciated:					
Land and Improvements	\$ 109,302	\$ -	\$ -	\$ -	\$ 109,302
Construction in process	<u>143,059</u>	<u>-</u>	<u>(143,059)</u>	<u>-</u>	<u>-</u>
Total Capital Assets not being Depreciated	<u>\$ 252,361</u>	<u>\$ -</u>	<u>\$ (143,059)</u>	<u>\$ -</u>	<u>\$ 109,302</u>
Other Capital Assets:					
Buildings and improvements	6,491,407	160,818	(15,700)	-	6,636,525
Improvements other than Bldg	13,706,281	117,742	(45,675)	-	13,778,348
Machinery and Equipment	<u>4,430,604</u>	<u>89,893</u>	<u>(13,200)</u>	<u>-</u>	<u>4,507,297</u>
Total Capital Assets being Depreciated	<u>\$ 24,628,292</u>	<u>\$ 368,453</u>	<u>\$ (74,575)</u>	<u>\$ -</u>	<u>\$ 24,922,170</u>
Accumulated Depreciation	<u>(6,651,853)</u>	<u>(621,888)</u>	<u>74,575</u>	<u>\$ -</u>	<u>\$ (7,199,166)</u>
Net Capital Assets- Business Type Activities	<u>\$ 18,228,800</u>	<u>\$ (253,435)</u>	<u>\$ (143,059)</u>	<u>\$ -</u>	<u>\$ 17,832,306</u>

Major additions to infrastructure included the completion of the new City Hall/Police Station. 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 37-39.

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 \$13,090,000 entirely backed by the full faith and credit of the government.

Summary of Long -Term Obligations					
	Governmental Activities				
	1/1/2014	Increases	Decreases	Adjustment	12/31/2014
Bonds Payable	\$ 12,705,000	\$ -	\$ 985,000	\$ -	\$ 11,720,000
Notes Payable	1,215,000	295,000	140,000	-	1,370,000
General Obligation Debt	<u>13,920,000</u>	<u>295,000</u>	<u>1,125,000</u>	<u>-</u>	<u>13,090,000</u>
CDA Lease Revenue					
Bonds	\$ 2,100,000	\$ -	\$ 75,000	\$ -	\$ 2,025,000
Premium	34,321	-	2,898	-	31,423
Capital leases payable	-	41,125	14,659	-	26,466
Post-retirement health benefits	323,754	69,854	32,756	-	360,852
Vested compensated absences	<u>260,539</u>	<u>13,564</u>	<u>-</u>	<u>-</u>	<u>274,103</u>
Total Governmental Activities Long-Term Liabilities					
	<u>\$ 16,638,614</u>	<u>\$ 419,543</u>	<u>\$ 1,250,313</u>	<u>\$ -</u>	<u>\$ 15,807,844</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 \$16,394,295, which exceeds the current outstanding general obligation debt by \$3,058,503. As of December 31, 2014, the City of Milton's outstanding debt equaled 82 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 39-42.

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, 710 S Janesville 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, 2014

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
Cash and investments	\$ 4,087,675	\$ 1,120,107	\$ 5,207,782
Cash and investments - restricted	-	1,220,460	1,220,460
Receivables			
Taxes	1,993,226	-	1,993,226
Accounts and other	57,952	440,296	498,248
Special assessments	296,866	97,491	394,357
Prepaid expenses	121,628	-	121,628
Internal balances	(16,591)	16,591	-
Inventories	-	23,328	23,328
Loans receivable	369,531	-	369,531
Capital assets, net of accumulated depreciation			
Land and construction in progress	1,463,427	109,302	1,572,729
Buildings, systems, and equipment	<u>28,907,387</u>	<u>17,723,004</u>	<u>46,630,391</u>
TOTAL ASSETS	<u>\$ 37,281,101</u>	<u>\$ 20,750,579</u>	<u>\$ 58,031,680</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>			
LIABILITIES			
Accounts payable	\$ 193,263	\$ 59,312	\$ 252,575
Accrued liabilities			
Payroll	132,621	-	132,621
Interest	159,239	12,961	172,200
Unearned revenue - other	265,728	209,362	475,090
Current portion of long-term obligations	985,381	246,762	1,232,143
Noncurrent portion of long-term obligations	<u>14,822,463</u>	<u>2,296,089</u>	<u>17,118,552</u>
TOTAL LIABILITIES	<u>16,558,695</u>	<u>2,824,486</u>	<u>19,383,181</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - tax roll	<u>3,596,291</u>	<u>-</u>	<u>3,596,291</u>
NET POSITION			
Net investment in capital assets	17,222,925	15,558,126	32,781,051
Restricted for:			
Debt service	203,447	1,187,499	1,390,946
Other purposes - rehab loans	318,640	-	318,640
Unrestricted	<u>(618,897)</u>	<u>1,180,468</u>	<u>561,571</u>
TOTAL NET POSITION	<u>17,126,115</u>	<u>17,926,093</u>	<u>35,052,208</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 37,281,101</u>	<u>\$ 20,750,579</u>	<u>\$ 58,031,680</u>

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

CITY OF MILTON, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
GOVERNMENTAL ACTIVITIES							
General government	\$ 703,158	\$ 116,391	\$ 20,000	\$ -	\$ (566,767)		\$ (566,767)
Public safety	1,411,535	157,959	25,132	-	(1,228,444)		(1,228,444)
Public works	1,529,334	268,863	416,670	-	(843,801)		(843,801)
Health and human services	21,185	6,225	-	-	(14,960)		(14,960)
Culture, recreation, and education	560,484	23,646	160,953	20,000	(355,885)		(355,885)
Conservation and development	262,696	6,250	130	-	(256,316)		(256,316)
Interest and fiscal charges	579,936	-	-	-	(579,936)		(579,936)
TOTAL GOVERNMENTAL ACTIVITIES	5,068,328	579,334	622,885	20,000	(3,846,109)		(3,846,109)
BUSINESS-TYPE ACTIVITIES							
Water	811,223	1,110,169	-	-		\$ 298,946	298,946
Sewer	955,320	996,726	-	-		41,406	41,406
Storm Water	154,714	255,613	-	-		100,899	100,899
TOTAL BUSINESS-TYPE ACTIVITIES	1,921,257	2,362,508	-	-		441,251	441,251
TOTAL PRIMARY GOVERNMENT	\$ 6,989,585	\$ 2,941,842	\$ 622,885	\$ 20,000	(3,846,109)	441,251	(3,404,858)
GENERAL REVENUE							
Taxes							
Property taxes, levied for general purposes					2,528,686	-	2,528,686
Tax increments					949,507	-	949,507
Intergovernmental revenue not restricted to specific programs					675,958	-	675,958
Interest and investment income					18,458	19,913	38,371
Miscellaneous					80,887	-	80,887
TRANSFERS					512,956	(512,956)	-
TOTAL GENERAL REVENUE AND TRANSFERS					4,766,452	(493,043)	4,273,409
CHANGE IN NET POSITION					920,343	(51,792)	868,551
NET POSITION - BEGINNING OF YEAR					16,205,772	17,977,885	34,183,657
NET POSITION - END OF YEAR					\$ 17,126,115	\$ 17,926,093	\$ 35,052,208

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

CITY OF MILTON, WISCONSIN
FUND FINANCIAL STATEMENTS

CITY OF MILTON, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

<u>ASSETS</u>	GENERAL FUND	DEBT SERVICE	TIF #6	CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Cash and investments	\$ 3,131,864	\$ 44,208	\$ 265,384	\$ 174,206	\$ 472,013	\$ 4,087,675
Receivables						
Taxes	1,126,154	-	788,930	-	78,142	1,993,226
Accounts and other	47,287	-	1,284	-	9,381	57,952
Special assessments	296,416	-	-	-	450	296,866
Prepaid expenses	121,628	-	-	-	-	121,628
Loans receivable	-	72,327	-	-	297,204	369,531
Due from other funds	-	-	-	-	265,267	265,267
TOTAL ASSETS	<u>\$ 4,723,349</u>	<u>\$ 116,535</u>	<u>\$ 1,055,598</u>	<u>\$ 174,206</u>	<u>\$ 1,122,457</u>	<u>\$ 7,192,145</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND</u>						
<u>FUND BALANCES</u>						
LIABILITIES						
Accounts payable	\$ 109,470	\$ -	\$ 55,669	\$ 24,206	\$ 3,918	\$ 193,263
Accrued liabilities	132,621	-	-	-	-	132,621
Due to other funds	276,858	-	-	-	5,000	281,858
Unearned revenue - other	3,035	72,327	-	-	539,897	615,259
TOTAL LIABILITIES	<u>521,984</u>	<u>72,327</u>	<u>55,669</u>	<u>24,206</u>	<u>548,815</u>	<u>1,223,001</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue						
Tax roll	2,729,219	-	788,930	-	78,142	3,596,291
Special assessments	-	-	-	-	450	450
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,729,219</u>	<u>-</u>	<u>788,930</u>	<u>-</u>	<u>78,592</u>	<u>3,596,741</u>
FUND BALANCES						
Nonspendable	121,628	-	-	-	-	121,628
Restricted	-	44,208	249,500	150,000	495,050	938,758
Committed	89,143	-	-	-	-	89,143
Assigned	300,000	-	-	-	-	300,000
Unassigned	961,375	-	(38,501)	-	-	922,874
TOTAL FUND BALANCES	<u>1,472,146</u>	<u>44,208</u>	<u>210,999</u>	<u>150,000</u>	<u>495,050</u>	<u>2,372,403</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 4,723,349</u>	<u>\$ 116,535</u>	<u>\$ 1,055,598</u>	<u>\$ 174,206</u>	<u>\$ 1,122,457</u>	<u>\$ 7,192,145</u>

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

CITY OF MILTON, WISCONSIN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

Fund balances - total governmental funds \$ 2,372,403

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

Capital assets used in government activities are not financial resources and therefore, are not reported in the funds. 30,370,814

Some revenue is unavailable in the funds because they are not available to pay current period's expenditures.

Special assessments to be collected after year end	\$ 450	
Other deferred to be collected after year end	<u>349,531</u>	
		349,981

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	\$ (159,239)	
Bonds and notes payable	(15,115,000)	
Premium on long-term obligations	(31,423)	
Capital leases	(26,466)	
Compensated absences	(274,103)	
OPEB liability	<u>(360,852)</u>	
		<u>(15,967,083)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$17,126,115**

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, 2014

	GENERAL FUND	DEBT SERVICE	TIF #6	CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUE						
Taxes	\$ 2,528,686	\$ -	\$ 836,524	\$ -	\$ 112,983	\$ 3,478,193
Special assessments	-	-	-	-	3,043	3,043
Intergovernmental	1,098,028	-	6,413	4,000	86,796	1,195,237
Licenses and permits	121,013	-	-	-	-	121,013
Fines, forfeits, and penalties	54,743	-	-	-	-	54,743
Public charges for services	28,175	-	-	-	277,618	305,793
Intergovernmental charges for services	78,552	-	-	-	-	78,552
Other	55,537	24,119	90,407	2,696	106,758	279,517
TOTAL REVENUE	<u>3,964,734</u>	<u>24,119</u>	<u>933,344</u>	<u>6,696</u>	<u>587,198</u>	<u>5,516,091</u>
EXPENDITURES						
Current						
General government	685,430	-	-	-	150	685,580
Public safety	1,252,225	-	-	-	-	1,252,225
Public works	726,078	-	-	-	284,448	1,010,526
Health and human services	26,279	-	-	-	-	26,279
Culture, recreation, and education	223,062	-	-	-	260,002	483,064
Conservation and development	55,163	-	104,607	-	34,065	193,835
Capital outlay	81,721	-	56,687	2,139,713	146,936	2,425,057
Debt service						
Principal	-	985,000	170,000	14,659	45,000	1,214,659
Interest and fiscal charges	-	444,856	118,367	-	23,526	586,749
TOTAL EXPENDITURES	<u>3,049,958</u>	<u>1,429,856</u>	<u>449,661</u>	<u>2,154,372</u>	<u>794,127</u>	<u>7,877,974</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>914,776</u>	<u>(1,405,737)</u>	<u>483,683</u>	<u>(2,147,676)</u>	<u>(206,929)</u>	<u>(2,361,883)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt	-	295,000	-	41,125	-	336,125
Transfers in	189,638	1,067,616	-	829,655	209,231	2,296,140
Transfers out	(1,566,984)	-	(199,200)	-	(17,000)	(1,783,184)
TOTAL OTHER FINANCING (USES) SOURCES	<u>(1,377,346)</u>	<u>1,362,616</u>	<u>(199,200)</u>	<u>870,780</u>	<u>192,231</u>	<u>849,081</u>
NET CHANGE IN FUND BALANCES	(462,570)	(43,121)	284,483	(1,276,896)	(14,698)	(1,512,802)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	1,941,077	87,329	(73,484)	1,426,896	503,387	3,885,205
EQUITY TRANSFERS	(6,361)	-	-	-	6,361	-
FUND BALANCES AT END OF YEAR	<u>\$ 1,472,146</u>	<u>\$ 44,208</u>	<u>\$ 210,999</u>	<u>\$ 150,000</u>	<u>\$ 495,050</u>	<u>\$ 2,372,403</u>

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

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, 2014

Net change in fund balances - total governmental funds \$ (1,512,802)

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

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	\$ 2,425,057	
Depreciation expense reported in the statement of activities	<u>(651,525)</u>	
Amount by which capital outlays are greater than depreciation in the current period:		1,773,532

The net effect of various transactions involving capital assets (i.e., noncapitalized outlay and contributions) is to decrease net position. (167,716)

Some capital assets acquired during the year were financed with long-term debt. The amount of long-term debt is reported in the governmental funds as a source of financing. In the statement of net position, however, long-term debt is not reported as a financing source, but rather constitutes a long-term liability. The amount of long-term debt issued in the governmental funds statement is: (336,125)

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 increased by: (13,564)

OPEB expense is not recorded in the statement of activities. (37,098)

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. (7,356)

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: 1,214,659

Governmental funds report the effect of bond discounts and premiums when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the current year is: 2,898

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.	\$ 586,749	
The amount of interest accrued during the current period.	<u>(582,834)</u>	
Interest paid is greater than interest accrued by:		<u>3,915</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 920,343

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

CITY OF MILTON, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

<u>ASSETS</u>	WATER	SEWER	STORM WATER	TOTAL ENTERPRISE FUNDS
CURRENT ASSETS				
Cash and investments	\$ 257,564	\$ 647,276	\$ 215,267	\$ 1,120,107
Cash and investments - restricted	185,325	1,015,135	20,000	1,220,460
Accounts and other	201,386	191,632	47,278	440,296
Special assessments	97,491	-	-	97,491
Due from other funds	8,098	6,937	1,556	16,591
Inventories	23,328	-	-	23,328
TOTAL CURRENT ASSETS	773,192	1,860,980	284,101	2,918,273
NONCURRENT ASSETS				
CAPITAL ASSETS				
Land	17,734	91,568	-	109,302
Buildings	342,090	6,294,435	-	6,636,525
Improvements other than buildings	9,491,220	4,287,128	-	13,778,348
Machinery and equipment	784,906	748,898	2,973,493	4,507,297
TOTAL CAPITAL ASSETS	10,635,950	11,422,029	2,973,493	25,031,472
Less accumulated depreciation	3,096,453	3,531,624	571,089	7,199,166
NET CAPITAL ASSETS	7,539,497	7,890,405	2,402,404	17,832,306
TOTAL ASSETS	\$8,312,689	\$ 9,751,385	\$ 2,686,505	\$ 20,750,579
 <u>LIABILITIES AND NET POSITION</u>				
CURRENT LIABILITIES				
Accounts payable	\$ 15,881	\$ 43,261	\$ 170	\$ 59,312
Current portion of compensated absences	3,386	2,376	879	6,641
Unearned revenue - other	209,362	-	-	209,362
Payable from restricted assets				
Accrued interest	3,867	9,094	-	12,961
Current portion of long-term obligations	15,000	225,121	-	240,121
TOTAL CURRENT LIABILITIES	247,496	279,852	1,049	528,397
NONCURRENT LIABILITIES				
Long-term obligations	390,030	1,822,369	23,920	2,236,319
Compensated absences	30,470	21,388	7,912	59,770
TOTAL NONCURRENT LIABILITIES	420,500	1,843,757	31,832	2,296,089
TOTAL LIABILITIES	667,996	2,123,609	32,881	2,824,486
NET POSITION				
Net investment in capital assets	7,249,497	5,906,225	2,402,404	15,558,126
Restricted	181,458	1,006,041	-	1,187,499
Unrestricted	213,738	715,510	251,220	1,180,468
TOTAL NET POSITION	7,644,693	7,627,776	2,653,624	17,926,093
TOTAL LIABILITIES AND NET POSITION	\$8,312,689	\$ 9,751,385	\$ 2,686,505	\$ 20,750,579

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, 2014

	<u>WATER</u>	<u>SEWER</u>	<u>STORM WATER</u>	<u>TOTAL ENTERPRISE FUNDS</u>
OPERATING REVENUE				
Charges for services	<u>\$1,109,824</u>	<u>\$ 988,290</u>	<u>\$ 255,613</u>	<u>\$ 2,353,727</u>
OPERATING EXPENSES				
Operations	302,081	151,033	3,603	456,717
Maintenance	85,980	153,463	34,513	273,956
General and administration	142,121	143,164	76,043	361,328
Depreciation	<u>254,066</u>	<u>327,267</u>	<u>40,555</u>	<u>621,888</u>
TOTAL OPERATING EXPENSES	<u>784,248</u>	<u>774,927</u>	<u>154,714</u>	<u>1,713,889</u>
 OPERATING INCOME	 <u>325,576</u>	 <u>213,363</u>	 <u>100,899</u>	 <u>639,838</u>
NONOPERATING REVENUE (EXPENSES)				
Interest income	4,299	15,602	12	19,913
Connection fees	345	8,436	-	8,781
Sale of capital assets	(4,835)	(122,524)	-	(127,359)
Interest expense	<u>(22,140)</u>	<u>(57,869)</u>	<u>-</u>	<u>(80,009)</u>
TOTAL NONOPERATING (EXPENSES) REVENUE	 <u>(22,331)</u>	 <u>(156,355)</u>	 <u>12</u>	 <u>(178,674)</u>
 INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	 <u>303,245</u>	 <u>57,008</u>	 <u>100,911</u>	 <u>461,164</u>
TRANSFERS (OUT)	<u>(170,976)</u>	<u>(277,862)</u>	<u>(64,118)</u>	<u>(512,956)</u>
 CHANGE IN NET POSITION	 <u>132,269</u>	 <u>(220,854)</u>	 <u>36,793</u>	 <u>(51,792)</u>
NET POSITION AT BEGINNING OF YEAR	<u>7,512,424</u>	<u>7,848,630</u>	<u>2,616,831</u>	<u>17,977,885</u>
 NET POSITION AT END OF YEAR	 <u>\$7,644,693</u>	 <u>\$7,627,776</u>	 <u>\$2,653,624</u>	 <u>\$17,926,093</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, 2014

	WATER	SEWER	STORM WATER	TOTAL ENTERPRISE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 772,888	\$ 937,066	\$ 230,565	\$ 1,940,519
Receipts from municipality	363,848	33,291	23,608	420,747
Receipts for future rents	209,277	-	-	209,277
Payments to municipality	-	(33,294)	(11,999)	(45,293)
Payments to suppliers for goods and services	(314,373)	(216,607)	(45,857)	(576,837)
Payments to employees for services	(226,553)	(185,548)	(46,976)	(459,077)
Payments for employee benefits	(57,721)	(44,203)	(9,885)	(111,809)
NET CASH PROVIDED BY OPERATING ACTIVITIES	747,366	490,705	139,456	1,377,527
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(170,976)	(277,862)	(64,118)	(512,956)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property, plant, and equipment	(124,490)	(235,963)	(8,000)	(368,453)
Connection fees and cash contributions	345	8,436	-	8,781
Loan payments received	-	60,429	-	60,429
Proceeds from sale of capital assets	15,700	-	-	15,700
Retirement of bonds and loans	(695,000)	(324,096)	-	(1,019,096)
Advance to municipality	-	320,000	-	320,000
Interest paid	(26,311)	(59,521)	-	(85,832)
Special assessments received	24,372	-	-	24,372
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(805,384)	(230,715)	(8,000)	(1,044,099)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	4,299	15,602	12	19,913
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(224,695)	(2,270)	67,350	(159,615)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	667,584	1,664,681	167,917	2,500,182
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 442,889	\$ 1,662,411	\$ 235,267	\$ 2,340,567

(Continued on page 27)

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, 2014

	WATER	SEWER	STORM WATER	TOTAL ENTERPRISE FUNDS
<u>RECONCILIATION OF OPERATING INCOME TO</u>				
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>				
Operating income	\$ 325,576	\$ 213,363	\$ 100,899	\$ 639,838
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation	254,066	327,267	40,555	621,888
Depreciation charged to sewer	12,593	(12,593)	-	-
Changes in assets and liabilities				
(Increase) decrease in assets				
Accounts receivable	(3,658)	(11,903)	(973)	(16,534)
Due from other funds	17,967	(2,430)	(467)	15,070
Increase (decrease) in liabilities				
Accounts payable	(49,181)	15,520	(891)	(34,552)
Accrued payroll and fringe benefits	(47,217)	(17,473)	(3,368)	(68,058)
Unearned revenue	209,287	(3,600)	-	205,687
Net OPEB obligation	27,933	3,255	3,701	34,889
Due to other funds	-	(20,701)	-	(20,701)
NET CASH PROVIDED BY				
OPERATING ACTIVITIES	<u>\$ 747,366</u>	<u>\$ 490,705</u>	<u>\$ 139,456</u>	<u>\$ 1,377,527</u>
 <u>RECONCILIATION OF CASH AND CASH</u>				
<u>EQUIVALENTS PER STATEMENT OF CASH FLOWS</u>				
<u>TO THE STATEMENT OF NET POSITION</u>				
 CASH AND CASH EQUIVALENTS - END OF YEAR				
Cash and investments	\$ 257,564	\$ 647,276	\$ 215,267	\$ 1,120,107
Cash and investments - restricted	185,325	1,015,135	20,000	1,220,460
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 442,889</u>	<u>\$ 1,662,411</u>	<u>\$ 235,267</u>	<u>\$ 2,340,567</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, 2014

ASSETS

Cash and investments	\$ 2,186,683
Taxes receivable	<u>2,671,355</u>
TOTAL ASSETS	<u>\$ 4,858,038</u>

LIABILITIES

Due to other governments	<u>\$ 4,858,038</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, 2014

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 include the Community Development Authority, a component unit, as defined in GASB 14 and amended by GASB 39 and GASB 61.

The criterion for including a legally separate organization as a component unit is the degree of financial accountability the City has with the organization. A financial benefit or burden relationship needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. 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.
- c. The City may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the City's financial statements from being misleading.

Blended Component Unit

The Community Development Authority of the City of Milton ("CDA") serves all citizens of the government and is governed by a board appointed by the mayor and affirmed by the Common Council. The rates of user charges and bond issuance authorizations are approved by the Common Council and the legal liability for the general obligation portion of the CDA's debt remains with the government. The CDA does not issue separate financial statements.

Because of the CDA's sole activity is to provide financing for the City's Tax Incremental District (TID) No. 6, generally accepted accounting principles specifically provide that the CDA's related outstanding debt, assets, and debt service activity be reported as part of the primary government to avoid the "double" counting of outstanding debt, assets, and debt service activity. The activity is reported as part of TID No. 6.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 1 - Summary of Significant Accounting Policies - Continued

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 an agency fund, even though the latter is 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, sewer, and storm water 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.

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 proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. 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.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 1 - Summary of Significant Accounting Policies - Continued

The City reports the following major governmental funds:

General Fund - is used for all financial activity that is not required to be accounted for in another fund. This is the City's primary operating fund.

Debt Service - is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest payments.

TIF #6 Fund - is used to account for activity related to the improvements within the Tax Incremental Financing District #6.

Capital Projects Fund - is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets.

The City reports the following major proprietary funds:

Water Utility - accounts for operations of the water system.

Sewer Utility - accounts for operations of the sewer system.

Storm Water - accounts for operations of the storm water system.

In addition, the City reports the following fund type:

Agency - is used to account for assets held by the City in a trustee capacity for individuals, private organizations, and/or other governmental units.

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.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 1 - Summary of Significant Accounting Policies - Continued

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.

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 proprietary funds are reported using the economic resources measurement focus and accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenue 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 revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 1 - Summary of Significant Accounting Policies - Continued

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.

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. 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. Eliminations have been made for amounts due to/from within the same fund type on the government-wide statements

Interfund Transactions - Non-exchange transactions, which are net borrowing/lending (will not be repaid) are recorded as operating transfers, and exchange transactions are recorded as revenue and expenses. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

Prepaid Items - Prepaid items represent payments for goods and services for which benefits extend beyond December 31. A nonspendable balance has been recognized in governmental funds for these non-liquid assets to signify a portion of fund balance is not available for other subsequent expenditures.

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

Restricted Cash and Investments - Certain resources set aside for revenue bonds repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond redemption" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond reserve" account is used to report resources set aside to meet unexpected contingencies. The "depreciation fund" account is used to set aside resources to meet deficiencies in the reserve or redemption accounts for repairs or additions to utility systems.

Other restricted cash and investments also include a "DNR Replacement Fund" which is required by the Wisconsin Department of Natural Resources for repairs and maintenance on the sewer utility plant.

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.

CITY OF MILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2014

NOTE 1 - Summary of Significant Accounting Policies - Continued

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.

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, 2014.

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.

Debt Premiums and Discounts - In the government-wide and proprietary fund financial statements, debt premiums and discounts are deferred and amortized over the life of the debt. Long-term debt is reported net of the applicable debt premium or discount

In the fund financial statements, governmental fund types recognize premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

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.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 1 - Summary of Significant Accounting Policies - Continued

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.

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, and (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 unearned revenue.

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.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Claims and Judgments - They are recorded as liabilities if all the conditions of Governmental Accounting Standards Board Pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

Subsequent Events - The City has evaluated subsequent events through June 24, 2015, the date which the financial statements were available to be issued.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

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, 2014, 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	\$ 4,310,018

Fair (Market) Value of Deposits and Investments - Deposits and investments are reported at fair value. At December 31, 2014, 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, 2014, the Pool's fair value was 100 percent of book value.

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.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 2 - Cash and Investments - Continued

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, 2014, \$2,282,472 of the City's bank balance of \$4,332,472 was exposed to custodial credit risk as follows:

Uninsured, collateral pledged by bank	\$ 938,444
Uninsured and uncollateralized	<u>1,344,028</u>
	<u>\$ 2,282,472</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 2014 tax roll (levied for 2015) 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.

NOTE 4 - Capital Assets

Capital asset balances and activity for the year ended December 31, 2014, are as follows:

	<u>BALANCES</u> <u>01/01/14</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>TRANSFERS/ ADJUSTMENTS</u>	<u>BALANCES</u> <u>12/31/14</u>
<u>GOVERNMENTAL ACTIVITIES</u>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 1,463,427	\$ -	\$ -	\$ -	\$ 1,463,427
Construction in progress	<u>633,974</u>	<u>-</u>	<u>(45,961)</u>	<u>(588,013)</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,097,401</u>	<u>-</u>	<u>(45,961)</u>	<u>(588,013)</u>	<u>1,463,427</u>
<i>Capital assets being depreciated</i>					
Buildings	6,125,167	2,000,262	-	606,915	8,732,344
Infrastructure	23,676,765	-	-	-	23,676,765
Improvements other than buildings	951,184	178,991	-	(18,902)	1,111,273
Machinery and equipment	<u>6,313,354</u>	<u>146,683</u>	<u>(323,971)</u>	<u>-</u>	<u>6,136,066</u>
Total capital assets being depreciated	<u>37,066,470</u>	<u>2,325,936</u>	<u>(323,971)</u>	<u>588,013</u>	<u>39,656,448</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 4 - Capital Assets - Continued

	<u>BALANCES</u> 01/01/14	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>TRANSFERS/ ADJUSTMENTS</u>	<u>BALANCES</u> 12/31/14
<u>GOVERNMENTAL ACTIVITIES - Continued</u>					
Less accumulated depreciation for:					
Buildings	\$ 1,681,999	\$ 146,089	\$ -	\$ -	\$ 1,828,088
Infrastructure	3,544,705	284,951	-	-	3,829,656
Improvements other than buildings	323,339	38,931	-	-	362,270
Machinery and equipment	4,848,830	181,554	(301,337)	-	4,729,047
Total accumulated depreciation	<u>10,398,873</u>	<u>651,525</u>	<u>(301,337)</u>	<u>-</u>	<u>10,749,061</u>
Total capital assets being depreciated, net	<u>26,667,597</u>	<u>1,674,411</u>	<u>(22,634)</u>	<u>588,013</u>	<u>28,907,387</u>
GOVERNMENT ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 28,764,998</u>	<u>\$ 1,674,411</u>	<u>\$ (68,595)</u>	<u>\$ -</u>	<u>\$ 30,370,814</u>

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

General Government	\$ 34,267
Public Safety	118,542
Public Works	425,412
Culture, Recreation, and Education	73,304
TOTAL	<u>\$ 651,525</u>

	<u>BALANCES</u> 01/01/14	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCES</u> 12/31/14
<u>BUSINESS-TYPE ACTIVITIES</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 109,302	\$ -	\$ -	\$ 109,302
Construction in progress	143,059	-	(143,059)	-
Total capital assets not being depreciated	<u>252,361</u>	<u>-</u>	<u>(143,059)</u>	<u>109,302</u>
<i>Capital assets being depreciated</i>				
Buildings	6,491,407	160,818	(15,700)	6,636,525
Improvements other than buildings	13,706,281	117,742	(45,675)	13,778,348
Machinery and equipment	4,430,604	89,893	(13,200)	4,507,297
Total capital assets being depreciated	<u>24,628,292</u>	<u>368,453</u>	<u>(74,575)</u>	<u>24,922,170</u>
Less accumulated depreciation for:				
Buildings	1,976,652	216,262	(15,700)	2,177,214
Improvements other than buildings	3,305,530	245,341	(45,675)	3,505,196
Machinery and equipment	1,369,671	160,285	(13,200)	1,561,756
Total accumulated depreciation	<u>6,651,853</u>	<u>621,888</u>	<u>(74,575)</u>	<u>7,199,166</u>
Total capital assets being depreciated, net	<u>17,976,439</u>	<u>(253,435)</u>	<u>-</u>	<u>17,723,004</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 18,228,800</u>	<u>\$ (253,435)</u>	<u>\$ (143,059)</u>	<u>\$ 17,832,306</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 4 - Capital Assets - Continued

Depreciation expense was charged to functions as follows:

Business-type activities	
Water	\$ 254,066
Sewer	327,267
Storm Water	40,555
TOTAL	<u>\$ 621,888</u>

NOTE 5 - Long-Term Obligations

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

Summary of Long-Term Obligations

	<u>BALANCES</u> 01/01/14	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>BALANCES</u> 12/31/14	<u>AMOUNT</u> <u>DUE WITHIN</u> <u>ONE YEAR</u>
<u>GOVERNMENTAL ACTIVITIES:</u>					
Bonds payable	\$ 12,705,000	\$ -	\$ (985,000)	\$ 11,720,000	\$ 560,000
Notes payable	1,215,000	295,000	(140,000)	1,370,000	295,000
CDA revenue bonds payable	2,100,000	-	(75,000)	2,025,000	90,000
Capital leases payable	-	41,125	(14,659)	26,466	12,971
Premium	34,321	-	(2,898)	31,423	-
Compensated absences	260,539	13,564	-	274,103	27,410
Net OPEB obligation	<u>323,754</u>	<u>69,854</u>	<u>(32,756)</u>	<u>360,852</u>	<u>-</u>
TOTAL	<u>\$ 16,638,614</u>	<u>\$ 419,543</u>	<u>\$ (1,250,313)</u>	<u>\$ 15,807,844</u>	<u>\$ 985,381</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Mortgage revenue bond					
Sewer	\$ 2,308,276	\$ -	\$ (324,096)	\$ 1,984,180	\$ 225,121
Water	680,000	-	(680,000)	-	-
General obligation bond					
Water	305,000	-	(15,000)	290,000	15,000
Compensated absences	66,709	-	(298)	66,411	6,641
Net OPEB obligation	<u>167,371</u>	<u>34,889</u>	<u>-</u>	<u>202,260</u>	<u>-</u>
TOTAL	<u>\$ 3,527,356</u>	<u>\$ 34,889</u>	<u>\$ (1,019,394)</u>	<u>\$ 2,542,851</u>	<u>\$ 246,762</u>

GOVERNMENTAL FUNDS

Interest costs incurred during the year totaled \$582,834 for governmental activities and \$80,009 for business-type activities. Total interest paid during the year aggregated \$586,749 for governmental activities and \$85,832 for business-type activities. Zero interest was capitalized in government-type and business-type capital assets.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 5 - Long-Term Obligations - Continued

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, 2014, is comprised of the following issues:

<u>ISSUE DESCRIPTION</u>	<u>RATES (%)</u>	<u>DATES OF MATURITY</u>	<u>BALANCE 12/31/14</u>
<u>GENERAL OBLIGATION BONDS</u>			
2007 Issue	4.00%	2026	\$ 3,165,000
2007 Issue	4.00%	2027	3,305,000
2010 Issue	1.00 - 2.20%	2016	200,000
2011 Issue	0.90 - 3.80%	2023	1,240,000
2011 Issue	2.40 - 4.50%	2031	1,870,000
2013 Issue	3.00 - 4.30%	2033	<u>1,940,000</u>
TOTAL GOVERNMENTAL FUNDS GENERAL OBLIGATION BONDS			<u>11,720,000</u>
<u>GENERAL OBLIGATION NOTE</u>			
2011 Issue	0.60 - 3.15%	2021	1,075,000
2014 Issue	1.85%	2016	<u>295,000</u>
TOTAL GOVERNMENTAL FUNDS GENERAL OBLIGATION NOTES			<u>1,370,000</u>
TOTAL GOVERNMENTAL FUNDS GENERAL OBLIGATION DEBT			<u>\$ 13,090,000</u>

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 12/31/14</u>
Lease Revenue Bonds TIF #6				
2006 Issue	3.5 - 4.6%	2026	\$ 1,940,000	\$ 1,630,000
Lease Revenue Bonds TIF #7				
2006 Issue	3.5 - 4.6%	2026	555,000	<u>395,000</u>
TOTAL LEASE REVENUE BONDS				<u>\$ 2,025,000</u>

CAPITAL LEASE

The City entered into a lease purchase agreement in 2014 to acquire two police vehicles. The lease agreement qualifies as a capital lease (title transfers at the end of the lease term) and has been recorded at the present value of the future minimum lease payment as of the date of the inception. The vehicles were recorded as a capital asset while the liability created is recorded as a long-term obligation in the statement of net position. Annual payments of the lease amount are made from unrestricted revenue of the General Fund. The General Fund is committed to the payment of the lease amount on an annual basis only. The items financed by a lease purchase are secured only by themselves, the City's full faith and credit authority is not pledged.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 5 - Long-Term Obligations - Continued

The lease purchase agreement at December 31, 2014, consisted of the following:

<u>LEASE PURCHASE AGREEMENT</u>	<u>DATED</u>	<u>ORIGINAL COST CAPITAL ASSETS</u>	<u>INTEREST RATE</u>	<u>AMOUNT OUTSTANDING</u>
Police vehicles	1/1/14	\$ 41,125	6.5%	<u>\$ 26,466</u>

The following is a schedule of the future minimum lease payment under the capital lease and the present value of the net minimum lease payment at December 31, 2014:

<u>YEAR</u>	<u>PAYMENT</u>
2015	\$ 14,738
2016	14,315
Less: amounts representing interest	<u>(2,587)</u>
PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS	<u>\$ 26,466</u>

Depreciation for the vehicles during the year ended December 31, 2014, was \$4,726, and is included in the amount reported as depreciation expense. Additionally, the accumulated depreciation for the vehicles for the year ended December 31, 2014, was \$4,726.

ENTERPRISE FUND DEBT

Enterprise fund debt is expected to be repaid with water and sewer revenue. Enterprise fund debt at December 31, 2014, is comprised of the following issues:

<u>ISSUE DESCRIPTION</u>	<u>RATES (%)</u>	<u>DATES OF MATURITY</u>	<u>BALANCE 12/31/14</u>
<u>General Obligation Bond</u> 2007 Water Issue	4.00%	2027	\$ 290,000
<u>Mortgage Revenue Bond</u> 2002 Sewer Issue	2.75%	2022	<u>1,984,180</u>
TOTAL ENTERPRISE FUND DEBT			<u>\$ 2,274,180</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. The sewer utility is required to set money aside in a special redemption fund the required and actual amounts for 2014 were \$159,175.

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, 2014, this fund had available resources of \$855,960.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 5 - Long-Term Obligations - Continued

General Obligation Debt Limit Calculation

The 2014 equalized valuation of the City as certified by the Wisconsin Department of Revenue is \$327,885,900. The legal debt limit and margin of indebtedness as of December 31, 2014, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (5% of \$327,885,900)	\$ 16,394,295
Applicable long-term debt	(13,380,000)
Amount available in debt service	<u>44,208</u>
MARGIN OF INDEBTEDNESS	<u>\$ 3,058,503</u>

Maturities of Long-Term Obligations

Maturities of the long-term obligations at December 31, 2014, are:

<u>YEARS</u>	<u>GENERAL OBLIGATION DEBT</u>		<u>CDA LEASE REVENUE BONDS</u>		<u>ENTERPRISE FUND DEBT</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2015	\$ 855,000	\$ 458,984	\$ 90,000	\$ 88,990	\$ 240,121	\$ 64,513
2016	855,000	435,999	105,000	84,940	251,312	57,404
2017	830,000	409,924	115,000	80,263	257,673	50,095
2018	850,000	383,137	130,000	74,963	264,209	42,580
2019	870,000	354,743	160,000	68,615	270,925	34,855
2020-2024	4,695,000	1,277,619	995,000	217,513	909,940	65,561
2025-2029	3,245,000	425,700	430,000	19,780	80,000	5,605
2030-2033	890,000	64,440	-	-	-	-
TOTAL	<u>\$13,090,000</u>	<u>\$3,810,546</u>	<u>\$ 2,025,000</u>	<u>\$ 635,064</u>	<u>\$ 2,274,180</u>	<u>\$ 320,613</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, 2014

NOTE 6 - Wisconsin Retirement System - Continued

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 employees in the General Employment 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 2014 were:

	<u>EMPLOYEE</u>	<u>EMPLOYER</u>
General	7.00%	7.00%
Protective with Social Security	7.00	12.31

The payroll for City employees covered by the WRS for the year ended December 31, 2014 was \$1,756,401; the employer's total payroll was \$2,067,357. The total required contribution for the year ended December 31, 2014 was \$264,152, which consisted of \$163,779, or 7.00 - 12.31 percent of payroll from the employer and \$100,373, or 7.00 percent of payroll from employees. Total contributions for the years ending December 31, 2013 and 2012 were \$261,716 and \$232,851, 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.

NOTE 7 - Post-Employment 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.

CITY OF MILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2014

NOTE 7 - Post-Employment Healthcare Benefits - Continued

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, 2014, the net outlay from the City, which equaled \$32,756, 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	\$ 112,623
Interest on net OPEB obligation	4,259
Adjustment to annual required contribution	<u>(12,139)</u>
Annual OPEB cost	104,743
Contributions made	<u>(32,756)</u>
Increase in net OPEB obligation	71,987
Net OPEB obligation - beginning of year	<u>491,125</u>
NET OPEB OBLIGATION - END OF YEAR	<u>\$ 563,112</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 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>
12/31/12	\$ 105,256	39.44%	\$ 425,802
12/31/13	104,743	37.63	491,125
12/31/14	104,743	31.27	563,112

Funding Status and Funding Progress - As of December 31, 2012, the most recent actuarial valuation date, the Plan was funded in the amount of \$24,530 or 1.62 percent of the actuarial accrued liability (AAL). The AAL for benefits equaled \$1,488,904, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,513,434. The covered payroll (annual payroll of active employees covered the Plan) equaled \$517,586, and the ratio of the UAAL to the covered payroll equaled 287.7 percent.

Actuarial Methods and Assumptions - Actuarial valuations of the 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.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 7 - Post-Employment Healthcare Benefits - Continued

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.

The actuarial valuation dated December 31, 2012, used the entry age actuarial cost method. The assumptions and methods used in the valuation were 1.0 percent discount rate, which approximates the expected rate of return on investments held by the City, 2.0 percent payroll growth rate, and a level percentage amortization method over 30 years with open period.

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

Individual interfund receivable and payable balances at December 31, 2014, are as follows:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
Due from/to Other Funds:		
Refuse and Recycling	General Fund	\$ 260,267
Sewer	General Fund	6,937
Water	General Fund	8,098
Dog Park	Crossridge Park	5,000
Storm Water	General Fund	1,556
TOTAL		<u>\$ 281,858</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. For the Statement of Net Position, interfund balances which are owed within the governmental and business activities are netted and eliminated.

Individual fund transfers during 2014 are as follows:

<u>RECEIVING FUND</u>	<u>PAYING FUND</u>	<u>AMOUNT</u>
Transfers:		
Debt Service	General Fund	\$ 737,598
Debt Service	TIF #6	191,700
Debt Service	Sewer	74,200
Debt Service	Storm Water	64,118
General Fund	Water	170,976
General Fund	Sewer	3,662
General Fund	TIF #6	7,500
General Fund	TIF #8	7,500
Library Fund	General Fund	199,731
Capital Projects	Sewer	200,000
Capital Projects	General Fund	629,655
Crossridge Park	TIF #8	9,500
TOTAL		<u>\$ 2,296,140</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.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 9 - Fund Balances and Net Position

Portions of fund balances and net position are not available for current appropriation or expenditure as follows:

<u>FUND</u>	<u>PURPOSE/REASON</u>	<u>AMOUNT</u>
<u>Nonspendable</u>		
General Fund	Prepaid Items	<u>\$ 121,628</u>
<u>Restricted</u>		
Debt Service	Debt Service	\$ 44,208
TIF #6	Capital Projects	249,500
TIF #7	Capital Projects	13,696
TIF #8	Capital Projects	137,110
Grant Fund	Rehab Loans	41,436
Sidewalk Fund	Sidewalks	155,242
Refuse and Recycling	Refuse and Recycling	29,089
Dog Park	Dog Park	11,163
Capital Projects	Capital Projects	150,000
Library Fund	Library	48,018
Small Business Development	Small Business	25,000
Crossridge Park	Crossridge Park	34,296
	Total Restricted Fund Balances	<u>\$ 938,758</u>
Enterprise Fund	Water Bond Requirements	\$ 181,458
Enterprise Fund	Sewer Bond Requirements	1,006,041
	Total Restricted Fund Balances	<u>\$ 1,187,499</u>
<u>Committed</u>		
General Fund	Ambulance Contribution Fund	\$ 7,996
General Fund	PEG Fund Reserve	9,966
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	29,269
	Total Committed Fund Balances	<u>\$ 89,143</u>
<u>Assigned</u>		
General Fund	Fire and EMS Equipment	<u>\$ 300,000</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

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, 2014:

	TIF DISTRICT		
	<u>#6</u>	<u>#7</u>	<u>#8</u>
SOURCES OF FUNDS			
Tax increments	\$ 5,374,641	\$ 540,119	\$ 844,771
Grants	265,009	-	15,000
Interest income	119,951	-	5,846
Sales of property	91,098	-	-
Proceeds from long-term debt	7,815,000	555,000	220,000
Rent	81,712	-	12,039
Contributions	1,250	-	44,293
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	41,730	1,083	44,359
TOTAL SOURCES	<u>14,079,136</u>	<u>1,096,202</u>	<u>1,330,008</u>
USES OF FUNDS			
Administrative expenditures	322,200	159,797	65,458
Project cost	3,253,222	516,302	159,915
Principal and interest on long-term debt	4,712,953	312,221	75,020
Debt issuance costs	38,450	-	4,691
Transfer to capital projects	4,289,485	45,428	544,885
Transfer to debt service	1,221,827	48,758	-
Transfer to general fund	30,000	-	333,429
Transfer to park fund	-	-	9,500
TOTAL USES	<u>13,868,137</u>	<u>1,082,506</u>	<u>1,192,898</u>
FUND BALANCES AS OF DECEMBER 31, 2014	<u>\$ 210,999</u>	<u>\$ 13,696</u>	<u>\$ 137,110</u>
FUTURE REQUIREMENTS			
Debt service	\$ 7,641,010	\$ 513,800	\$ 176,226
Accounts payable	55,669	-	-
TOTAL FUTURE REQUIREMENTS	<u>7,696,679</u>	<u>513,800</u>	<u>176,226</u>
Less accounts receivable	(1,284)	-	-
Less cash on hand	(265,384)	(13,696)	(137,110)
BALANCE TO BE COLLECTED ON TIF DISTRICT	<u>\$ 7,430,011</u>	<u>\$ 500,104</u>	<u>\$ 39,116</u>
2014 Tax Increment	<u>\$ 788,930</u>	<u>\$ 78,142</u>	<u>\$ -</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 11 - Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. For all risks of loss, the City's policy is to purchase commercial insurance. Settled claims have not exceeded commercial insurance coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior year.

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 \$217,895 of operating expenses during 2014. Financial information is available from the Fire Commission upon request.

NOTE 13 - Subsequent Event

In April 2015, the City issued \$1,350,000 in general obligation notes. The notes are payable in annual installments on April 1 of each year with the first payment of \$75,000 due on April 1, 2016, and the final payment of \$180,000 due on April 1, 2025. Interest is payable semi-annually starting April 1, 2016 at an interest rate of 2.65 percent.

In January 2015, the City entered into two lease agreements for various pieces of equipment. The total future lease payments will be \$143,765.

CITY OF MILTON, WISCONSIN

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILTON, WISCONSIN
POST-EMPLOYMENT HEALTHCARE BENEFITS SCHEDULES
YEAR ENDED DECEMBER 31, 2014

SCHEDULE OF FUNDING PROGRESS

Year Ended December 31	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)
2012	12/31/12	\$ 24,530	\$ 1,513,434	\$ 1,488,904	1.6%	\$ 609,418	244.3%
2013	12/31/12	\$ 24,530	\$ 1,513,434	\$ 1,488,904	1.6%	\$ 563,038	264.4%
2014	12/31/12	\$ 24,530	\$ 1,513,434	\$ 1,488,904	1.6%	\$ 517,586	287.7%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Annual Required Contribution	Actual Contribution	Percentage Contributed
2012	\$ 110,414	\$ 41,511	37.6%
2013	\$ 112,623	\$ 39,420	35.0%
2014	\$ 112,623	\$ 32,756	29.1%

The accompanying notes an integral part of these financial statements.

CITY OF MILTON, WISCONSIN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUE				
Taxes	\$ 2,528,682	\$ 2,528,682	\$ 2,528,686	\$ 4
Intergovernmental	1,048,403	1,048,403	1,098,028	49,625
Licenses and permits	107,655	107,655	121,013	13,358
Fines, forfeits, and penalties	58,500	58,500	54,743	(3,757)
Public charges for services	27,650	27,650	28,175	525
Intergovernmental charges for services	74,000	59,000	78,552	19,552
Other	40,348	40,348	55,537	15,189
TOTAL REVENUE	<u>3,885,238</u>	<u>3,870,238</u>	<u>3,964,734</u>	<u>94,496</u>
EXPENDITURES				
Current				
General government	763,670	735,663	685,430	50,233
Public safety	1,283,839	1,313,839	1,252,225	61,614
Public works	768,819	768,819	726,078	42,741
Health and human services	17,455	17,455	26,279	(8,824)
Culture, recreation, and education	171,748	171,748	223,062	(51,314)
Conservation and development	28,695	33,078	55,163	(22,085)
Capital outlay	-	-	81,721	(81,721)
TOTAL EXPENDITURES	<u>3,034,226</u>	<u>3,040,602</u>	<u>3,049,958</u>	<u>(9,356)</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>851,012</u>	<u>829,636</u>	<u>914,776</u>	<u>85,140</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	165,000	180,000	189,638	9,638
Transfers out	(1,519,379)	(1,542,685)	(1,566,984)	(24,299)
TOTAL OTHER FINANCING (USES)	<u>(1,354,379)</u>	<u>(1,362,685)</u>	<u>(1,377,346)</u>	<u>(14,661)</u>
NET CHANGE IN FUND BALANCE	(503,367)	(533,049)	(462,570)	70,479
FUND BALANCE AT BEGINNING OF YEAR	1,941,077	1,941,077	1,941,077	-
EQUITY TRANSFER	-	-	(6,361)	(6,361)
FUND BALANCE AT END OF YEAR	<u>\$ 1,437,710</u>	<u>\$ 1,408,028</u>	<u>\$ 1,472,146</u>	<u>\$ 64,118</u>

CITY OF MILTON, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
YEAR ENDED DECEMBER 31, 2014

NOTE 1 - Budgetary Information - Budgets are adopted each fiscal year for the general fund in accordance with Section 65.90 of the Wisconsin Statutes. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In August of each year, all department heads of the City submit appropriations so that a budget may be prepared. 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 for taxpayers to approve the budget. This includes all required public notifications and publications prior to the public hearing.
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 the general fund.
6. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles in the United States of America.
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 \$6,376.
10. Appropriations lapse at year end, except those specifically carried forward by Common Council action.
11. Encumbrance accounting is not used.

NOTE 2 - Excess of Actual Expenditures Over Budget - The following expenditure classifications had an excess of actual expenditure over budget.

General Fund	
Health & Human Services	\$ 8,824
Culture, Recreation & Education	51,314
Conservation & Development	22,085
Capital Outlay	81,721
Transfer to Other Funds	24,299

CITY OF MILTON, WISCONSIN
OTHER SUPPLEMENTARY INFORMATION

CITY OF MILTON, WISCONSIN
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

ASSETS	SPECIAL REVENUE							CAPITAL PROJECTS		NONMAJOR GOVERNMENTAL FUNDS
	GRANT FUND	SIDEWALK FUND	SMALL BUSINESS DEVELOPMENT	LIBRARY FUND	REFUSE AND RECYCLING FUND	DOG PARK	CROSSRIDGE PARK	TIF #7	TIF #8	
Cash and investments	\$ 41,436	\$ 155,242	\$ 5,000	\$ 53,563	\$ 19,707	\$ 6,163	\$ 40,096	\$ 13,696	\$ 137,110	\$ 472,013
Receivables										
Taxes	-	-	-	-	-	-	-	78,142	-	78,142
Accounts and other	-	-	-	-	9,381	-	-	-	-	9,381
Special assessments	-	450	-	-	-	-	-	-	-	450
Loans receivable	277,204	-	20,000	-	-	-	-	-	-	297,204
Due from other funds	-	-	-	-	260,267	5,000	-	-	-	265,267
TOTAL ASSETS	\$ 318,640	\$ 155,692	\$ 25,000	\$ 53,563	\$ 289,355	\$ 11,163	\$ 40,096	\$ 91,838	\$ 137,110	\$ 1,122,457
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ -	\$ 3,918	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,918
Due to other funds	-	-	-	-	-	-	5,000	-	-	5,000
Unearned revenue - other	277,204	-	-	1,627	260,266	-	800	-	-	539,897
TOTAL LIABILITIES	277,204	-	-	5,545	260,266	-	5,800	-	-	548,815
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue										
Tax roll	-	-	-	-	-	-	-	78,142	-	78,142
Special assessments	-	450	-	-	-	-	-	-	-	450
TOTAL DEFERRED INFLOWS OF RESOURCES	-	450	-	-	-	-	-	78,142	-	78,592
FUND BALANCES										
Restricted	41,436	155,242	25,000	48,018	29,089	11,163	34,296	13,696	137,110	495,050
TOTAL LIABILITIES, DEFERRED INFLOWS RESOURCES, AND FUND BALANCES	\$ 318,640	\$ 155,692	\$ 25,000	\$ 53,563	\$ 289,355	\$ 11,163	\$ 40,096	\$ 91,838	\$ 137,110	\$ 1,122,457

CITY OF MILTON, WISCONSIN
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	SPECIAL REVENUE							CAPITAL PROJECTS		NONMAJOR GOVERNMENTAL FUNDS
	GRANT FUND	SIDEWALK FUND	SMALL BUSINESS DEVELOPMENT	LIBRARY FUND	REFUSE AND RECYCLING FUND	DOG PARK	CROSSRIDGE PARK	TIF #7	TIF #8	
REVENUE										
Taxes	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$82,288	\$ 30,695	\$ 112,983
Special assessments	-	3,043	-	-	-	-	-	-	-	3,043
Intergovernmental	-	-	-	57,477	20,877	-	-	136	8,306	86,796
Public charges for services	-	-	-	10,947	260,539	-	6,132	-	-	277,618
Other	95	71	-	3,850	-	841	101,346	-	555	106,758
TOTAL REVENUE	<u>95</u>	<u>3,114</u>	<u>-</u>	<u>72,274</u>	<u>281,416</u>	<u>841</u>	<u>107,478</u>	<u>82,424</u>	<u>39,556</u>	<u>587,198</u>
EXPENDITURES										
Current										
General government	-	-	-	-	-	-	-	150	-	150
Public works	-	-	-	-	284,448	-	-	-	-	284,448
Culture, recreation, and education	-	-	-	255,869	-	320	3,813	-	-	260,002
Conservation and development	33,639	-	-	-	-	-	-	-	426	34,065
Capital outlay	-	-	-	3,291	-	-	129,424	-	14,221	146,936
Debt service										
Principal	-	-	-	-	-	-	-	25,000	20,000	45,000
Interest and fiscal charges	-	-	-	-	-	-	-	19,389	4,137	23,526
TOTAL EXPENDITURES	<u>33,639</u>	<u>-</u>	<u>-</u>	<u>259,160</u>	<u>284,448</u>	<u>320</u>	<u>133,237</u>	<u>44,539</u>	<u>38,784</u>	<u>794,127</u>
EXCESS OF REVENUE (UNDER) OVER EXPENDITURES	<u>(33,544)</u>	<u>3,114</u>	<u>-</u>	<u>(186,886)</u>	<u>(3,032)</u>	<u>521</u>	<u>(25,759)</u>	<u>37,885</u>	<u>772</u>	<u>(206,929)</u>
OTHER FINANCING (USES) SOURCES										
Transfers in	-	-	-	199,731	-	-	9,500	-	-	209,231
Transfers out	-	-	-	-	-	-	-	-	(17,000)	(17,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>199,731</u>	<u>-</u>	<u>-</u>	<u>9,500</u>	<u>-</u>	<u>(17,000)</u>	<u>192,231</u>
NET CHANGE IN FUND BALANCES	<u>(33,544)</u>	<u>3,114</u>	<u>-</u>	<u>12,845</u>	<u>(3,032)</u>	<u>521</u>	<u>(16,259)</u>	<u>37,885</u>	<u>(16,228)</u>	<u>(14,698)</u>
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	74,980	152,128	25,000	28,812	32,121	10,642	50,555	(24,189)	153,338	503,387
EQUITY TRANSFER	-	-	-	6,361	-	-	-	-	-	6,361
FUND BALANCES AT END OF YEAR	<u>\$41,436</u>	<u>\$ 155,242</u>	<u>\$ 25,000</u>	<u>\$ 48,018</u>	<u>\$ 29,089</u>	<u>\$ 11,163</u>	<u>\$ 34,296</u>	<u>\$13,696</u>	<u>\$137,110</u>	<u>\$ 495,050</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 ("City") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 24, 2015.

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described below.

2014-001 Excess of Actual Expenditures Over Budget

Program: General Fund

Criteria: Wisconsin Statute 65.06 prohibits spending more than budgeted expenditures.

Condition: The City over spent their adopted budget by \$9,356 for year ended December 31, 2014.

Questioned Costs: Not applicable.

Context: The City did not monitor actual spending in comparison with budgeted amounts.

Effect: The City is not in compliance with Wisconsin Statutes.

Recommendation: The City should monitor actual expenditures compared to the adopted budget and formally amend the budget before December 31 to ensure total actual expenditures do not exceed total budgeted expenditures.

Management's Response: In the future, we will review our budget calculations throughout the year and amend the budget as necessary.

Management's Response to Findings

The City's responses to the findings identified in our audit are described above. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 CPAs, LLP

La Crosse, Wisconsin
June 24, 2015