

CITY OF MILTON, WISCONSIN

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT**

DECEMBER 31, 2016

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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 17, Wisconsin Retirement System Schedules on page 51, and budgetary comparison information on pages 52 and 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 19, 2017, 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
May 19, 2017

CITY OF MILTON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2016

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 30-31.

Financial Highlights

- As shown on the Statement of Net Position, fiscal year December 31, 2016 ended with an Unrestricted Net Position Balance of \$771,513 in Governmental Activities. This is an increase of \$338,537 from the prior year primarily due to increases in receivables. 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 \$1,699,863 in the Business Activities category. This is a decrease of \$270,901 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:
 - \$1,248,417 for General Government purposed - administration, finance, facilities and City Council
 - \$1,180,320 for Public Safety - Police, Fire, Building Inspection.
 - \$911,852 for public works
 - \$128,672 for Conservation and development
 - \$594,991 for Interest and Fiscal charges.

- As of December 31, 2016, the committed, assigned, or unassigned, all of which is available for spending at the City's discretion, general fund was \$971,466 or approximately 21.50% of total general fund revenues. In 2016, there was a transfer out for \$300,000 which will be reimbursed over time from donations and pledges for the renovation of the public library.

- As of December 31, 2016, total long-term obligations decreased by \$280,762 due to current year debt payments.

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 2016 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 29-50 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 54-55 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 \$38,368,456 at the close of 2016. The following table reflects the condensed Statement of Assets.

| 2015 City of Milton's Net Position | | | | | | |
|------------------------------------|-------------------------|------------|--------------------------|------------|--------------------------|------------|
| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Current and other assets | \$ 7,939,448 | 8,353,960 | \$ 4,015,649 | 6,135,091 | \$ 11,955,097 | 14,489,051 |
| Capital assets | 32,178,474 | 30,490,669 | 19,347,460 | 17,774,424 | 51,525,934 | 48,265,093 |
| Total assets | \$ 40,117,922 | 38,844,629 | \$ 23,363,109 | 23,909,515 | \$ 63,481,031 | 62,754,144 |
| Long-term debt | \$ 14,641,778 | 15,167,519 | \$ 3,872,172 | 4,568,383 | \$ 18,513,950 | 19,735,902 |
| Other Liabilities | 6,907,982 | 5,804,146 | 1,099,699 | 720,156 | 8,007,681 | 6,524,302 |
| Total liabilities | \$ 21,549,760 | 20,971,665 | \$ 4,971,871 | 5,288,539 | \$ 26,521,631 | 26,260,204 |
| Net position: | | | | | | |
| Invested in capital, net of debt | \$ 16,903,479 | 15,771,672 | \$ 15,760,786 | 15,436,357 | \$ 32,664,265 | 31,208,029 |
| Restricted | 2,151,661 | 1,668,316 | 1,081,154 | 1,213,807 | 3,232,815 | 2,882,123 |
| Unrestricted | 771,513 | 432,976 | 1,699,863 | 1,970,764 | 2,471,376 | 2,403,740 |
| Total net position | \$ 19,826,653 | 17,872,964 | \$ 18,541,803 | 18,620,928 | \$ 38,368,456 | 36,493,892 |

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 85 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 8 percent) represents resources that are subject to external restrictions on how they should be used. The remaining balance of unrestricted net position or \$2,471,376 may be used to meet the government's ongoing obligations to citizens or creditors.

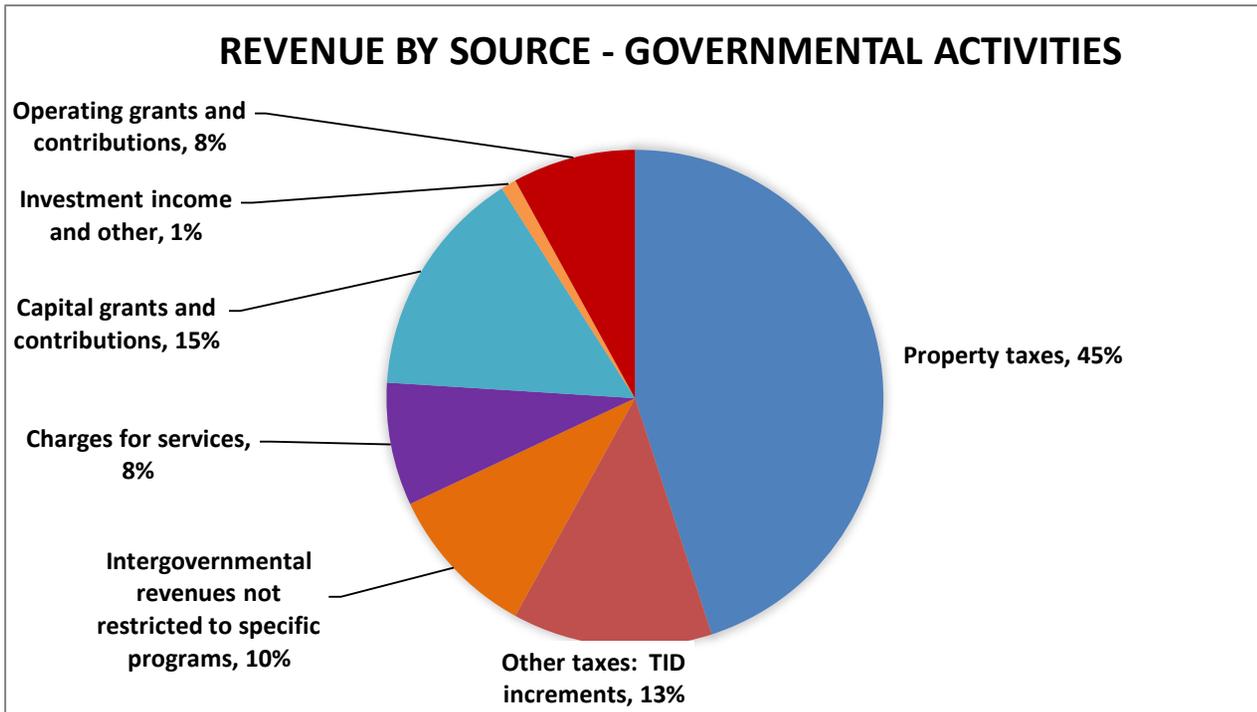
At the end of fiscal year 2016, the City of Milton is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

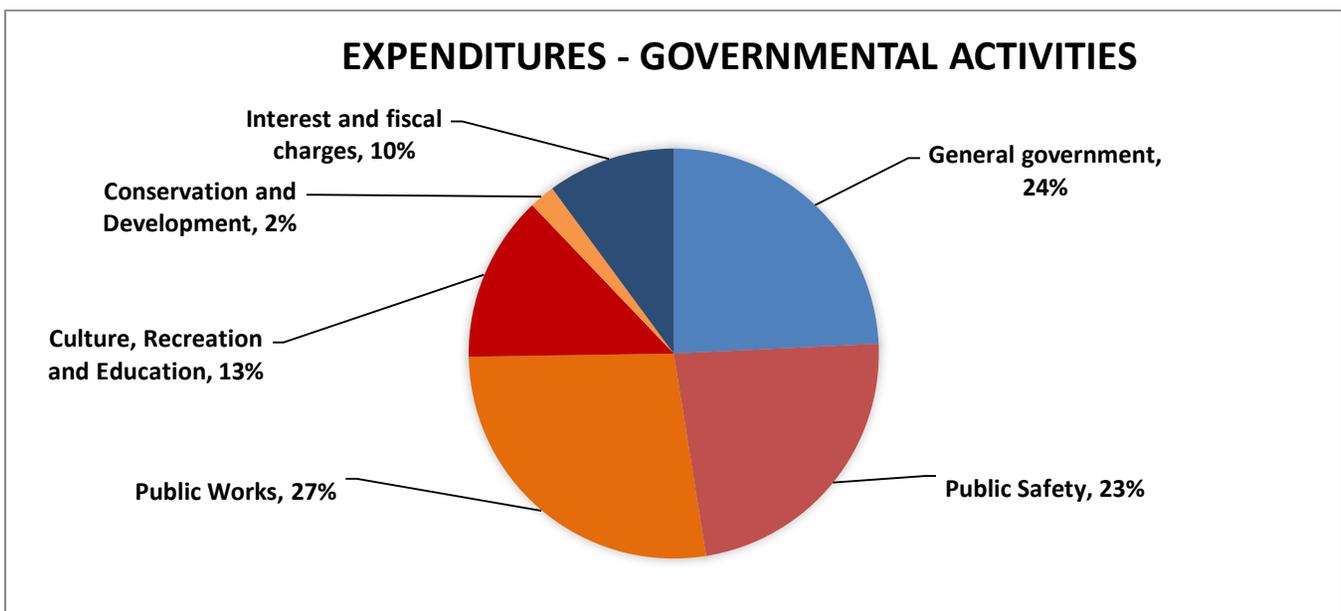
The 2016 change in net position for Governmental Activities shows an increase of \$1,953,689. See page 19 for the reconciliation of change in fund balances to the Statement of Activities.

| City of Milton's Changes in Net Position | | | | | | |
|---|----------------------------|-------------------|-----------------------------|-------------------|----------------------|-------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 584,586 | 604,803 | \$ 2,486,505 | 2,404,457 | \$ 3,071,091 | 3,009,260 |
| Operating grants and contributions | 523,126 | 598,604 | - | - | 523,126 | 598,604 |
| Capital grants and contributions | 1,022,551 | - | 22,019 | 11,295 | 1,044,570 | 11,295 |
| General Revenues | | | | | | |
| Property taxes | 3,142,180 | 2,729,471 | - | - | 3,142,180 | 2,729,471 |
| Other Taxes: TID increments | 870,569 | 867,072 | - | - | 870,569 | 867,072 |
| Intergovernmental revenues not restricted to specific programs | 706,944 | 676,366 | - | - | 706,944 | 676,366 |
| Investment income | 31,273 | 14,284 | 25,562 | 8,541 | 56,835 | 22,825 |
| Other | 34,798 | 20,618 | - | - | 34,798 | 20,618 |
| Total revenues | <u>\$ 6,916,027</u> | <u>5,511,218</u> | <u>\$ 2,534,086</u> | <u>2,424,293</u> | <u>\$ 9,450,113</u> | <u>7,935,511</u> |
| Expenses | | | | | | |
| General Government | \$ 1,363,975 | 783,784 | \$ - | - | \$ 1,363,975 | 783,784 |
| Public Safety | 1,333,890 | 1,573,868 | - | - | 1,333,890 | 1,573,868 |
| Public Works | 1,572,293 | 1,823,989 | - | - | 1,572,293 | 1,823,989 |
| Health and Human Services | 2,478 | 3,575 | - | - | 2,478 | 3,575 |
| Culture, Recreation and Education | 741,071 | 652,073 | - | - | 741,071 | 652,073 |
| Conservation and Development | 129,722 | 183,703 | - | - | 129,722 | 183,703 |
| Interest and fiscal charges | 594,991 | 569,767 | - | - | 594,991 | 569,767 |
| Water | - | - | 799,697 | 735,084 | 799,697 | 735,084 |
| Sewer | - | - | 856,796 | 775,844 | 856,796 | 775,844 |
| Stormwater | - | - | 180,636 | 132,403 | 180,636 | 132,403 |
| Total expenses | <u>\$ 5,738,420</u> | <u>5,590,759</u> | <u>\$ 1,837,129</u> | <u>1,643,331</u> | <u>\$ 7,575,549</u> | <u>7,234,090</u> |
| Change in Net Position before Transfers | 1,177,607 | (79,541) | 696,957 | 780,962 | 1,874,564 | 701,421 |
| Transfers | 776,082 | 215,480 | (776,082) | (215,480) | - | - |
| Change in Net Position | <u>1,953,689</u> | <u>135,939</u> | <u>(79,125)</u> | <u>565,482</u> | <u>1,874,564</u> | <u>701,421</u> |
| Net position - 1/1 | 17,872,964 | 17,126,115 | 18,620,928 | 17,926,093 | 36,493,892 | 35,052,208 |
| Change in Accounting Principle | - | 610,910 | - | 129,353 | - | 740,263 |
| Net position - 12/31 | <u>\$ 19,826,653</u> | <u>17,872,964</u> | <u>\$ 18,541,803</u> | <u>18,620,928</u> | <u>\$ 38,368,456</u> | <u>36,493,892</u> |

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.



As identified above and on the following page, property taxes are the largest revenue source for the governmental activities accounting for approximately 45 percent of total revenues. Charges for services and operating grants and contributions each provided approximately 16 percent of total revenues. Capital grants and contributions provided approximately 15% of revenues as result of a capital campaign to upgrade the library.

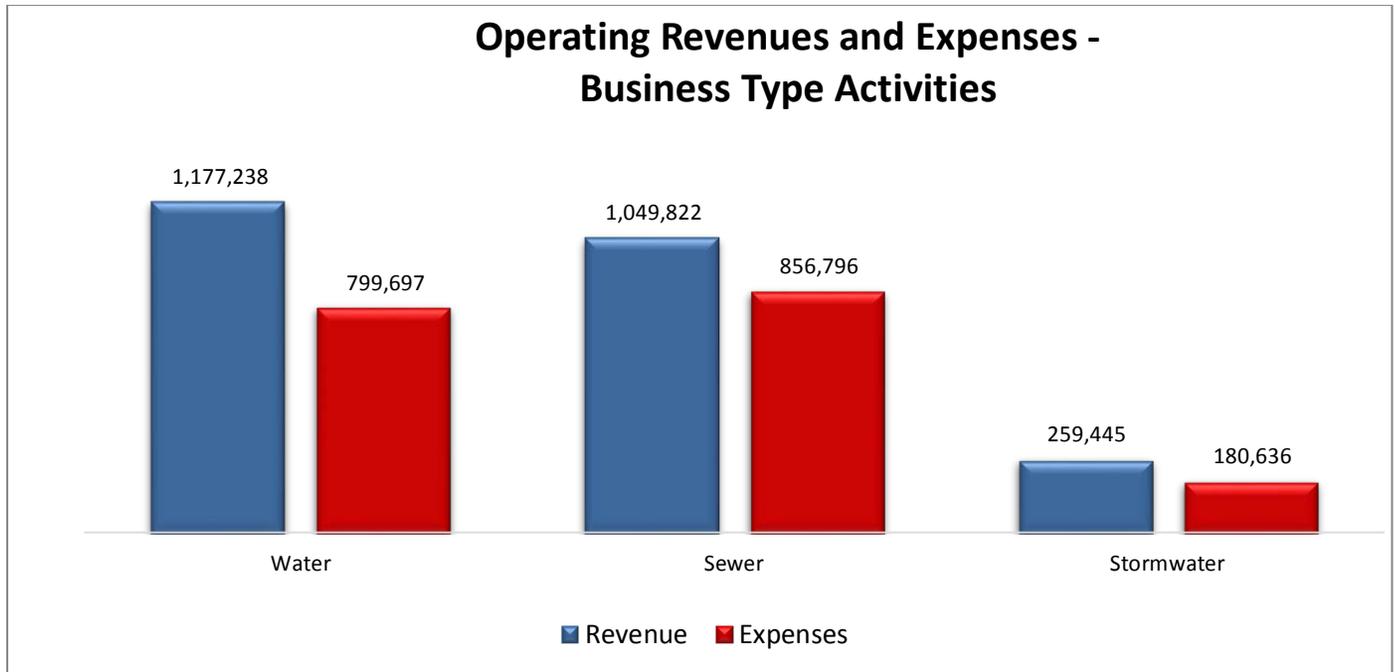


Public Works activities accounts for approximately 27% and Public Safety activities accounts for 23% of the total expenditures within the governmental activities of the City of Milton.

City departments across the board were within their approved budgets.

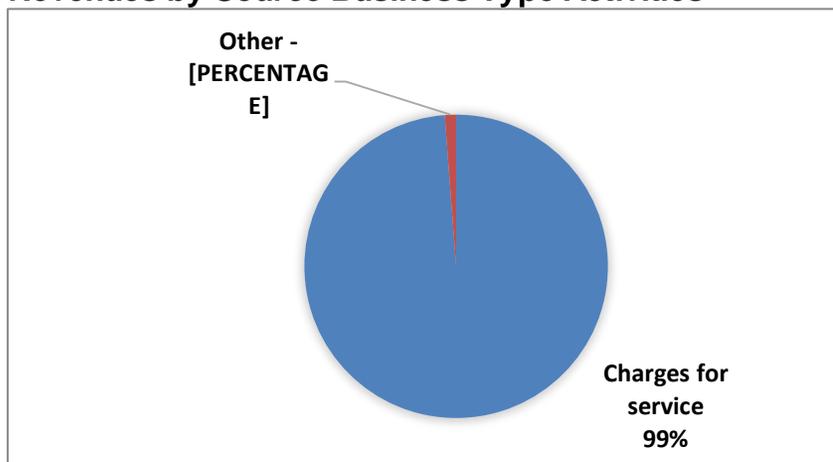
Business-type activities

Business type activities increased the City of Milton’s net position by \$565,482 during 2015. 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, 2016, the City of Milton's governmental funds reported combined ending balances of \$2,613,403, a decrease of \$258,706 in comparison with the prior year. The decrease is mainly due to the spending of debt proceeds for the library expansion that was completed in 2016. \$931,530 of the fund balance is assigned, unassigned or committed. The remainder of the fund balance (\$1,681,873) 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, 2016, the total fund balance of the general fund was \$971,466 of which \$945,665 is unassigned. This unassigned balance represents approximately 21 percent of total general fund revenues in 2016. The Council approved \$187,000 in 2016 to eliminate previously unfunded post-employment benefits as shown in Note 5 of these financial statements.

The fund balance of the general fund decreased by \$164,833 in fiscal year 2016. The 2016 annual program budget for the City of Milton's general fund had expenditures exceeding revenues by \$164,833 including authorized additional expenditures of \$487,000. During 2016, the City used the \$164,800 that was designated as "Assigned" fund balance in 2016 to eliminate previously unfunded post-employment benefits. This accounted for a majority of the increased expenses over revenues. Actual expenditures were less than the amended budgeted expenditures by 5 percent while revenues were less than the budget by 6 percent.

The Debt Service Fund has a total fund balance of \$41,576, all of which is restricted for the payment of debt service.

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. The balance is mainly due to unspent donations for the library expansion which will be spent in 2017.

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 2016 was \$776,082. Net position in the amount of \$1,081,154 is restricted for debt coverage and those funds' portion of the state pension liability. Unrestricted net position in the Water, Wastewater and Stormwater Utilities at the end of the year amounted to \$1,699,863.

The financial statements and a statement of cash flows for the enterprise funds can be found on pages 26-27 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, 2016, amounts to \$51,525,934 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 \$3,260,841 net of depreciation. This was a result of the library construction getting completed.

| 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 | \$ - | \$ (3,673) | \$ - | \$ 1,459,754 |
| Construction in process | <u>95,345</u> | <u>-</u> | <u>-</u> | <u>(95,345)</u> | <u>-</u> |
| Total Capital Assets not being Depreciated | <u>\$ 1,558,772</u> | <u>\$ -</u> | <u>\$ (3,673)</u> | <u>\$ (95,345)</u> | <u>\$ 1,459,754</u> |
| Other Capital Assets: | | | | | |
| Buildings and improvements | 8,732,344 | 2,372,691 | (1,162,194) | 95,345 | 10,038,186 |
| Infrastructure | 24,222,958 | 317,859 | (10,169) | - | 24,530,648 |
| Improvements other than Bldg | 1,149,102 | 58,520 | - | - | 1,207,622 |
| Machinery and Equipment | <u>6,279,829</u> | <u>51,536</u> | <u>(402,799)</u> | <u>-</u> | <u>5,928,566</u> |
| Total Capital Assets being Depreciated | <u>\$ 40,384,233</u> | <u>\$ 2,800,606</u> | <u>\$ (1,575,162)</u> | <u>\$ 95,345</u> | <u>\$ 41,705,022</u> |
| Accumulated Depreciation | <u>(11,452,336)</u> | <u>(731,267)</u> | <u>1,197,301</u> | <u>-</u> | <u>\$ (10,986,302)</u> |
| Net Capital Assets- Governmental Activities | <u>\$ 30,490,669</u> | <u>\$ 2,069,339</u> | <u>\$ (381,534)</u> | <u>-</u> | <u>\$ 32,178,474</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 | 130,404 | 1,017,267 | - | (55,132) | 1,092,539 |
| Total Capital Assets not being Depreciated | <u>\$ 239,706</u> | <u>\$ 1,017,267</u> | <u>\$ -</u> | <u>\$ (55,132)</u> | <u>\$ 1,201,841</u> |
| Other Capital Assets: | | | | | |
| Buildings and improvements | 6,680,413 | 40,554 | (12,500) | - | 6,708,467 |
| Improvements other than Bldg | 13,859,940 | 1,119,486 | (38,000) | 55,132 | 14,996,558 |
| Machinery and Equipment | 4,733,290 | 48,984 | (1,000) | - | 4,781,274 |
| Total Capital Assets being Depreciated | <u>\$ 25,273,643</u> | <u>\$ 1,209,024</u> | <u>\$ (51,500)</u> | <u>\$ 55,132</u> | <u>\$ 26,486,299</u> |
| Accumulated Depreciation | <u>(7,738,925)</u> | <u>(653,255)</u> | <u>51,500</u> | <u>\$ -</u> | <u>\$ (8,340,680)</u> |
| Net Capital Assets- Business Type Activities | <u>\$ 17,774,424</u> | <u>\$ 1,573,036</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 19,347,460</u> |

The increase in building and improvements was due to the completion of the library renovation. Major additions to infrastructure included newly resurfaced roads in the City. 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 \$13,450,000 entirely backed by the full faith and credit of the government.

| Summary of Long -Term Obligations | | | | | |
|---|-------------------------|---------------------|---------------------|-------------|----------------------|
| | Governmental Activities | | | | |
| | 1/1/2016 | Increases | Decreases | Adjustment | 12/31/2016 |
| Bonds Payable | \$ 11,160,000 | \$ 7,475,000 | \$ 5,990,000 | \$ - | \$ 12,645,000 |
| Notes Payable | 2,425,000 | - | 1,640,000 | - | 785,000 |
| General Obligation Debt | <u>13,585,000</u> | <u>7,475,000</u> | <u>7,630,000</u> | <u>-</u> | <u>13,430,000</u> |
| CDA Lease Revenue | | | | | |
| Bonds | \$ 1,935,000 | \$ 1,845,000 | \$ 1,935,000 | \$ - | \$ 1,845,000 |
| Premium | 28,526 | 116,166 | 2,897 | - | 141,795 |
| Debt discount | - | 23,985 | - | - | 23,985 |
| Compensated absences | 274,737 | 87,521 | - | - | 362,258 |
| Net OPEB obligation | <u>409,627</u> | <u>-</u> | <u>409,627</u> | <u>-</u> | <u>-</u> |
| Total Governmental Activities Long-Term Liabilities | <u>\$ 16,232,890</u> | <u>\$ 9,547,672</u> | <u>\$ 9,977,524</u> | <u>\$ -</u> | <u>\$ 15,803,038</u> |

| Summary of Long -Term Obligations | | | | | |
|---|--------------------------|------------------|-------------------|-------------|---------------------|
| | Business Type Activities | | | | |
| | 1/1/2016 | Increases | Decreases | Adjustment | 12/31/2016 |
| Sewer Utility Revenue Bonds | \$ 1,759,059 | \$ - | \$ 231,312 | \$ - | \$ 1,527,747 |
| Water Utility Revenue Bonds | 2,820,000 | - | 145,000 | - | 2,675,000 |
| Total Revenue Bonds | <u>\$ 4,579,059</u> | <u>\$ -</u> | <u>\$ 376,312</u> | <u>\$ -</u> | <u>\$ 4,202,747</u> |
| Water General Obligation Bond | <u>\$ 275,000</u> | <u>\$ -</u> | <u>\$ 255,000</u> | <u>\$ -</u> | <u>\$ 20,000</u> |
| Debt Discount | <u>\$ (25,380)</u> | <u>\$ -</u> | <u>\$ 1,692</u> | <u>\$ -</u> | <u>\$ (27,072)</u> |
| Compensated absences | \$ 61,461 | \$ 13,117 | \$ - | \$ - | \$ 74,578 |
| WRS pension liability | - | 42,836 | - | - | 42,836 |
| Net OPEB obligation | <u>79,009</u> | <u>-</u> | <u>79,009</u> | <u>-</u> | <u>-</u> |
| Total Business Type Activities Long-Term Liabilities | <u>\$ 140,470</u> | <u>\$ 55,953</u> | <u>\$ 79,009</u> | <u>\$ -</u> | <u>\$ 117,414</u> |
| | <u>\$ 4,969,149</u> | <u>\$ 55,953</u> | <u>\$ 712,013</u> | <u>\$ -</u> | <u>\$ 4,313,089</u> |

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the City of Milton is \$17,661,685, which exceeds the current outstanding general obligation debt by \$4,253,261. As of December 31, 2016, the City of Milton's outstanding debt equaled 76 percent of the state authorized debt limit.

Additional information of the City of Milton's outstanding debt can be found in note 5 on pages 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. Questions 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.milton-wi.gov>.

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, 2016

| <u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u> | <u>GOVERNMENTAL ACTIVITIES</u> | <u>BUSINESS-TYPE ACTIVITIES</u> | <u>TOTAL</u> |
|---|------------------------------------|-------------------------------------|-----------------------------|
| ASSETS | | | |
| Cash and investments | \$ 4,157,317 | \$ 1,171,963 | \$ 5,329,280 |
| Cash and investments - restricted | 5 | 2,030,575 | 2,030,580 |
| Receivables | | | |
| Taxes | 2,948,144 | - | 2,948,144 |
| Accounts and other | 280,148 | 487,709 | 767,857 |
| Special assessments | 348,827 | 43,603 | 392,430 |
| Prepaid expenses | 25,801 | - | 25,801 |
| Internal balances | (97,534) | 97,534 | - |
| Inventories | - | 23,328 | 23,328 |
| Special assessments - noncurrent | - | 160,937 | 160,937 |
| Loans receivable | 276,740 | - | 276,740 |
| Capital assets, net of accumulated depreciation | | | |
| Land and construction in progress | 1,459,754 | 1,201,841 | 2,661,595 |
| Buildings, systems, and equipment | <u>30,718,720</u> | <u>18,145,619</u> | <u>48,864,339</u> |
| TOTAL ASSETS | <u>40,117,922</u> | <u>23,363,109</u> | <u>63,481,031</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Charge on refunding | 150,784 | - | 150,784 |
| Wisconsin Retirement System pension | <u>1,107,707</u> | <u>240,790</u> | <u>1,348,497</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>1,258,491</u> | <u>240,790</u> | <u>1,499,281</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 41,376,413</u> | <u>\$23,603,899</u> | <u>\$ 64,980,312</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u> | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 343,701 | \$ 285,921 | \$ 629,622 |
| Accrued liabilities | | | |
| Payroll | 64,598 | - | 64,598 |
| Interest | 113,269 | - | 113,269 |
| Due to other governments | 622 | - | 622 |
| Unearned revenue - other | 280,301 | 351,073 | 631,374 |
| Current portion of long-term obligations | 1,310,350 | 41,628 | 1,351,978 |
| Payable from restricted assets | | | |
| Accrued interest | - | 18,404 | 18,404 |
| Current portion of long-term obligations | - | 402,673 | 402,673 |
| Noncurrent portion of long-term obligations | <u>14,641,778</u> | <u>3,872,172</u> | <u>18,513,950</u> |
| TOTAL LIABILITIES | <u>16,754,619</u> | <u>4,971,871</u> | <u>21,726,490</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - tax roll | 4,380,083 | - | 4,380,083 |
| Wisconsin Retirement System pension | <u>415,058</u> | <u>90,225</u> | <u>505,283</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>4,795,141</u> | <u>90,225</u> | <u>4,885,366</u> |
| NET POSITION | | | |
| Net investment in capital assets | 16,903,479 | 15,760,786 | 32,664,265 |
| Restricted for: | | | |
| Special revenue | 371,838 | - | 371,838 |
| Debt service | 41,576 | 953,425 | 995,001 |
| Capital projects | 1,242,658 | - | 1,242,658 |
| Other activities | 495,589 | 127,729 | 623,318 |
| Unrestricted | <u>771,513</u> | <u>1,699,863</u> | <u>2,471,376</u> |
| TOTAL NET POSITION | <u>19,826,653</u> | <u>18,541,803</u> | <u>38,368,456</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | <u>\$ 41,376,413</u> | <u>\$23,603,899</u> | <u>\$ 64,980,312</u> |

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

CITY OF MILTON, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

| 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 | \$ 1,363,975 | \$ 115,558 | \$ - | \$ - | \$ (1,248,417) | | \$ (1,248,417) |
| Public safety | 1,333,890 | 133,177 | 20,393 | - | (1,180,320) | | (1,180,320) |
| Public works | 1,572,293 | 286,767 | 373,674 | - | (911,852) | | (911,852) |
| Health and human services | 2,478 | 7,450 | - | - | 4,972 | | 4,972 |
| Culture, recreation, and education | 741,071 | 40,584 | 129,059 | 1,022,551 | 451,123 | | 451,123 |
| Conservation and development | 129,722 | 1,050 | - | - | (128,672) | | (128,672) |
| Interest and fiscal charges | 594,991 | - | - | - | (594,991) | | (594,991) |
| TOTAL GOVERNMENTAL ACTIVITIES | 5,738,420 | 584,586 | 523,126 | 1,022,551 | (3,608,157) | | (3,608,157) |
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Water | 799,697 | 1,177,238 | - | 11,300 | | \$ 388,841 | 388,841 |
| Sewer | 856,796 | 1,049,822 | - | 10,719 | | 203,745 | 203,745 |
| Storm Water | 180,636 | 259,445 | - | - | | 78,809 | 78,809 |
| TOTAL BUSINESS-TYPE ACTIVITIES | 1,837,129 | 2,486,505 | - | 22,019 | | 671,395 | 671,395 |
| TOTAL PRIMARY GOVERNMENT | \$ 7,575,549 | \$ 3,071,091 | \$ 523,126 | \$ 1,044,570 | (3,608,157) | 671,395 | (2,936,762) |
| GENERAL REVENUE | | | | | | | |
| Taxes | | | | | | | |
| Property taxes, levied for general purposes | | | | | 3,142,180 | - | 3,142,180 |
| Tax increments | | | | | 870,569 | - | 870,569 |
| Intergovernmental revenue not restricted to specific programs | | | | | 706,944 | - | 706,944 |
| Interest and investment income | | | | | 31,273 | 25,562 | 56,835 |
| Miscellaneous | | | | | 34,798 | - | 34,798 |
| TRANSFERS | | | | | 776,082 | (776,082) | - |
| TOTAL GENERAL REVENUE AND TRANSFERS | | | | | 5,561,846 | (750,520) | 4,811,326 |
| CHANGE IN NET POSITION | | | | | 1,953,689 | (79,125) | 1,874,564 |
| NET POSITION - BEGINNING OF YEAR | | | | | 17,872,964 | 18,620,928 | 36,493,892 |
| NET POSITION - END OF YEAR | | | | | \$ 19,826,653 | \$ 18,541,803 | \$ 38,368,456 |

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, 2016

| <u>ASSETS</u> | GENERAL FUND | DEBT SERVICE | TIF #6 | CAPITAL PROJECTS | NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|----------------------------|-------------------------|----------------------------|--------------------------|-----------------------------------|--------------------------------|
| Cash and investments | \$ 2,822,861 | \$ 41,576 | \$ 330,611 | \$ 188,178 | \$ 774,091 | \$ 4,157,317 |
| Cash and investments - restricted | - | - | - | 5 | - | 5 |
| Receivables | | | | | | |
| Taxes | 1,705,687 | - | 1,152,001 | - | 90,456 | 2,948,144 |
| Accounts and other | 57,848 | - | 1,284 | 222,385 | 140 | 281,657 |
| Special assessments | 347,318 | - | - | - | - | 347,318 |
| Prepaid expenses | 25,801 | - | - | - | - | 25,801 |
| Loans receivable | - | 24,109 | - | - | 252,631 | 276,740 |
| Due from other funds | 14,135 | - | 300,000 | - | 276,871 | 591,006 |
| TOTAL ASSETS | <u>\$ 4,973,650</u> | <u>\$ 65,685</u> | <u>\$ 1,783,896</u> | <u>\$ 410,568</u> | <u>\$ 1,394,189</u> | <u>\$ 8,627,988</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u> | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 121,503 | \$ - | \$ 11,730 | \$ 174,600 | \$ 35,868 | \$ 343,701 |
| Accrued liabilities | 64,598 | - | - | - | - | 64,598 |
| Due to other governments | 622 | - | - | - | - | 622 |
| Due to other funds | 674,405 | - | - | - | 14,135 | 688,540 |
| Unearned revenue - other | 3,430 | 24,109 | - | - | 509,502 | 537,041 |
| TOTAL LIABILITIES | <u>864,558</u> | <u>24,109</u> | <u>11,730</u> | <u>174,600</u> | <u>559,505</u> | <u>1,634,502</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue | | | | | | |
| Tax roll | 3,137,626 | - | 1,152,001 | - | 90,456 | 4,380,083 |
| FUND BALANCES | | | | | | |
| Nonspendable | 25,801 | - | - | - | - | 25,801 |
| Restricted | - | 41,576 | 620,165 | 235,968 | 758,363 | 1,656,072 |
| Unassigned | 945,665 | - | - | - | (14,135) | 931,530 |
| TOTAL FUND BALANCES | <u>971,466</u> | <u>41,576</u> | <u>620,165</u> | <u>235,968</u> | <u>744,228</u> | <u>2,613,403</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 4,973,650</u> | <u>\$ 65,685</u> | <u>\$ 1,783,896</u> | <u>\$ 410,568</u> | <u>\$ 1,394,189</u> | <u>\$ 8,627,988</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, 2016

Fund balances - total governmental funds \$ 2,613,403

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. 32,178,474

Charges for loss on refunding are recognized as an expenditure in the funds when incurred, but amortized on the statement of net position. 150,784

Some revenue is unavailable in the funds because they are not available to pay current period's expenditures.
 Other deferred to be collected after year end 256,740

Wisconsin Retirement System net pension asset, deferred outflows of resources and deferred inflows of resources, are not current financial resources and are not reported in the fund statements. 692,649

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 expenditures when due. All liabilities - both current and long-term - are reported in the statement of net position.

| | | |
|---|------------------|---------------------|
| Accrued interest payable | \$ (113,269) | |
| Bonds and notes payable | (15,275,000) | |
| Premium and discount on long-term obligations | (117,810) | |
| Compensated absences | (362,258) | |
| Wisconsin Retirement System pension liability | <u>(197,060)</u> | |
| | | <u>(16,065,397)</u> |

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$19,826,653

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, 2016

| | GENERAL FUND | DEBT SERVICE | TIF #6 | CAPITAL PROJECTS | NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|--------------------|--------------------|-------------------|---------------------|-----------------------------------|--------------------------------|
| REVENUE | | | | | | |
| Taxes | \$ 3,142,180 | \$ - | \$ 784,626 | \$ - | \$ 85,943 | \$ 4,012,749 |
| Special assessments | - | - | - | - | 28 | 28 |
| Intergovernmental | 1,059,290 | - | 8,787 | - | 107,733 | 1,175,810 |
| Licenses and permits | 116,206 | - | - | - | - | 116,206 |
| Fines, forfeits, and penalties | 48,726 | - | - | - | - | 48,726 |
| Public charges for services | 35,922 | - | - | - | 282,080 | 318,002 |
| Intergovernmental charges for services | 65,187 | - | - | - | - | 65,187 |
| Other | 55,902 | 24,109 | 4,879 | 1,037,201 | 109,953 | 1,232,044 |
| TOTAL REVENUE | <u>4,523,413</u> | <u>24,109</u> | <u>798,292</u> | <u>1,037,201</u> | <u>585,737</u> | <u>6,968,752</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| General government | 1,000,749 | - | - | - | 1,856 | 1,002,605 |
| Public safety | 1,361,069 | - | - | - | - | 1,361,069 |
| Public works | 632,501 | - | - | - | 295,906 | 928,407 |
| Health and human services | 2,385 | - | - | - | - | 2,385 |
| Culture, recreation, and education | 269,692 | - | - | - | 330,380 | 600,072 |
| Conservation and development | 16,857 | - | 54,673 | - | 35,507 | 107,037 |
| Capital outlay | 73,005 | - | 250,423 | 2,507,239 | 208,555 | 3,039,222 |
| Debt service | | | | | | |
| Principal | - | 785,000 | 125,000 | - | 20,000 | 930,000 |
| Interest and fiscal charges | - | 484,081 | 147,419 | - | 27,640 | 659,140 |
| TOTAL EXPENDITURES | <u>3,356,258</u> | <u>1,269,081</u> | <u>577,515</u> | <u>2,507,239</u> | <u>919,844</u> | <u>8,629,937</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | <u>1,167,155</u> | <u>(1,244,972)</u> | <u>220,777</u> | <u>(1,470,038)</u> | <u>(334,107)</u> | <u>(1,661,185)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from long-term debt | - | - | 350,000 | 400,000 | 350,000 | 1,100,000 |
| Proceeds from refunding debt | - | 6,375,000 | 1,506,824 | - | 338,176 | 8,220,000 |
| Premium on long-term debt | - | 116,166 | - | - | - | 116,166 |
| Discount on long-term debt | - | - | (19,630) | - | (4,355) | (23,985) |
| Payment of refunding debt service principal | - | (1,275,000) | (1,565,000) | - | (370,000) | (3,210,000) |
| Payment to refunding bond escrow agent | - | (5,575,784) | - | - | - | (5,575,784) |
| Transfers in | 212,716 | 1,646,166 | - | 405,500 | 246,204 | 2,510,586 |
| Transfers out | (1,544,704) | - | (189,800) | - | - | (1,734,504) |
| TOTAL OTHER FINANCING (USES) SOURCES | <u>(1,331,988)</u> | <u>1,286,548</u> | <u>82,394</u> | <u>805,500</u> | <u>560,025</u> | <u>1,402,479</u> |
| NET CHANGE IN FUND BALANCES | <u>(164,833)</u> | <u>41,576</u> | <u>303,171</u> | <u>(664,538)</u> | <u>225,918</u> | <u>(258,706)</u> |
| FUND BALANCES AT BEGINNING OF YEAR | <u>1,136,299</u> | <u>-</u> | <u>316,994</u> | <u>900,506</u> | <u>518,310</u> | <u>2,872,109</u> |
| FUND BALANCES AT END OF YEAR | <u>\$ 971,466</u> | <u>\$ 41,576</u> | <u>\$ 620,165</u> | <u>\$ 235,968</u> | <u>\$ 744,228</u> | <u>\$ 2,613,403</u> |

CITY OF MILTON, WISCONSIN
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

| | | |
|---|------------------|----------------------------|
| Net change in fund balances - total governmental funds | | \$ (258,706) |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. | | |
| Capital outlay reported in governmental fund statements | \$ 3,039,222 | |
| Depreciation expense reported in the statement of activities | <u>(731,267)</u> | |
| Amount by which capital outlays are greater than depreciation in the current period: | | 2,307,955 |
| The net effect of various transactions involving capital assets (i.e., noncapitalized outlay and contributions) is to decrease net position. | | (641,800) |
| Wisconsin Retirement System net pension asset, deferred outflows of resources, and deferred inflows of resources change: | | (112,543) |
| 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: | | (9,320,000) |
| 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: | | (87,521) |
| OPEB expense is not recorded in the statement of activities. | | 409,627 |
| 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. | | (52,725) |
| 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: | | 9,565,000 |
| Governmental funds report the effect of bond discounts and premiums and charges on refunding 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: | | 61,500 |
| 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 and other charges paid during the current period. | \$ 659,140 | |
| The amount of interest and other charges accrued during the current period. | <u>(597,888)</u> | |
| Interest and other charges paid is greater than interest and other charges accrued by: | | <u>61,252</u> |
| CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES | | <u>\$ 1,932,039</u> |

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

CITY OF MILTON, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

| <u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u> | WATER | SEWER | STORM WATER | TOTAL ENTERPRISE FUNDS |
|--|-----------------------------|----------------------------|----------------------------|------------------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and investments | \$ 371,302 | \$ 506,323 | \$ 294,338 | \$ 1,171,963 |
| Cash and investments - restricted | 1,182,999 | 827,576 | 20,000 | 2,030,575 |
| Accounts and other | 218,504 | 219,769 | 49,436 | 487,709 |
| Special assessments | 43,603 | - | - | 43,603 |
| Due from other funds | 26,221 | 67,280 | 4,033 | 97,534 |
| Inventories | 23,328 | - | - | 23,328 |
| TOTAL CURRENT ASSETS | <u>1,865,957</u> | <u>1,620,948</u> | <u>367,807</u> | <u>3,854,712</u> |
| NONCURRENT ASSETS | | | | |
| CAPITAL ASSETS | | | | |
| Land | 17,734 | 91,568 | - | 109,302 |
| Buildings | 353,100 | 6,355,367 | - | 6,708,467 |
| Improvements other than buildings | 10,680,819 | 4,315,739 | - | 14,996,558 |
| Machinery and equipment | 820,645 | 830,958 | 3,129,671 | 4,781,274 |
| Construction work in progress | 1,085,658 | 6,881 | - | 1,092,539 |
| TOTAL CAPITAL ASSETS | <u>12,957,956</u> | <u>11,600,513</u> | <u>3,129,671</u> | <u>27,688,140</u> |
| Less accumulated depreciation | 3,569,915 | 4,117,483 | 653,282 | 8,340,680 |
| NET CAPITAL ASSETS | <u>9,388,041</u> | <u>7,483,030</u> | <u>2,476,389</u> | <u>19,347,460</u> |
| OTHER NON-CURRENT ASSETS | | | | |
| Special Assessments | 160,937 | - | - | 160,937 |
| TOTAL ASSETS | 11,414,935 | 9,103,978 | 2,844,196 | 23,363,109 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Wisconsin Retirement System pension | 108,774 | 96,140 | 35,876 | 240,790 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 11,523,709</u> | <u>\$ 9,200,118</u> | <u>\$ 2,880,072</u> | <u>\$ 23,603,899</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u> | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$ 266,592 | \$ 18,770 | \$ 559 | \$ 285,921 |
| Current portion of long-term obligations | 18,308 | - | - | 18,308 |
| Current portion of compensated absences | 12,523 | 10,797 | - | 23,320 |
| Unearned revenue - other | 190,136 | - | - | 190,136 |
| Payable from restricted assets | | | | |
| Accrued interest | 11,402 | 7,002 | - | 18,404 |
| Current portion of long-term obligations | 165,000 | 237,673 | - | 402,673 |
| TOTAL CURRENT LIABILITIES | <u>663,961</u> | <u>274,242</u> | <u>559</u> | <u>938,762</u> |
| NONCURRENT LIABILITIES | | | | |
| Long-term obligations | 2,507,355 | 1,307,177 | 6,382 | 3,820,914 |
| Compensated absences | 23,484 | 27,774 | - | 51,258 |
| Unearned revenue - special assessments | 160,937 | - | - | 160,937 |
| TOTAL NONCURRENT LIABILITIES | <u>2,691,776</u> | <u>1,334,951</u> | <u>6,382</u> | <u>4,033,109</u> |
| TOTAL LIABILITIES | <u>3,355,737</u> | <u>1,609,193</u> | <u>6,941</u> | <u>4,971,871</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Wisconsin Retirement System pension | 40,758 | 36,024 | 13,443 | 90,225 |
| NET POSITION | | | | |
| Net investment in capital assets | 7,329,114 | 5,955,283 | 2,476,389 | 15,760,786 |
| Restricted for debt service | 370,524 | 582,901 | - | 953,425 |
| Restricted for other | 48,665 | 43,013 | 36,051 | 127,729 |
| Unrestricted | 378,911 | 973,704 | 347,248 | 1,699,863 |
| TOTAL NET POSITION | <u>8,127,214</u> | <u>7,554,901</u> | <u>2,859,688</u> | <u>18,541,803</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | <u>\$ 11,523,709</u> | <u>\$ 9,200,118</u> | <u>\$ 2,880,072</u> | <u>\$ 23,603,899</u> |

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

CITY OF MILTON, WISCONSIN
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

| | WATER | SEWER | STORM WATER | TOTAL ENTERPRISE FUNDS |
|--|---------------------------|---------------------------|---------------------------|------------------------------|
| OPERATING REVENUE | | | | |
| Charges for services | <u>\$1,177,238</u> | <u>\$1,049,822</u> | <u>\$ 259,445</u> | <u>\$ 2,486,505</u> |
| OPERATING EXPENSES | | | | |
| Operations | 311,421 | 132,033 | 4,130 | 447,584 |
| Maintenance | 46,026 | 162,691 | 37,202 | 245,919 |
| General and administration | 89,959 | 177,698 | 97,719 | 365,376 |
| Depreciation | <u>271,430</u> | <u>340,240</u> | <u>41,585</u> | <u>653,255</u> |
| TOTAL OPERATING EXPENSES | <u>718,836</u> | <u>812,662</u> | <u>180,636</u> | <u>1,712,134</u> |
| OPERATING INCOME | <u>458,402</u> | <u>237,160</u> | <u>78,809</u> | <u>774,371</u> |
| NONOPERATING REVENUE (EXPENSES) | | | | |
| Interest income | 16,812 | 8,750 | - | 25,562 |
| Interest expense | (79,169) | (44,134) | - | (123,303) |
| Debt issue costs | <u>(1,692)</u> | <u>-</u> | <u>-</u> | <u>(1,692)</u> |
| TOTAL NONOPERATING (EXPENSES) | <u>(64,049)</u> | <u>(35,384)</u> | <u>-</u> | <u>(99,433)</u> |
| INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS | 394,353 | 201,776 | 78,809 | 674,938 |
| TRANSFERS (OUT) | (207,763) | (502,811) | (65,508) | (776,082) |
| CAPITAL CONTRIBUTIONS | <u>11,300</u> | <u>10,719</u> | <u>-</u> | <u>22,019</u> |
| CHANGE IN NET POSITION | 197,890 | (290,316) | 13,301 | (79,125) |
| NET POSITION AT BEGINNING OF YEAR | <u>7,929,324</u> | <u>7,845,217</u> | <u>2,846,387</u> | <u>18,620,928</u> |
| NET POSITION AT END OF YEAR | <u>\$8,127,214</u> | <u>\$7,554,901</u> | <u>\$2,859,688</u> | <u>\$18,541,803</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, 2016

| | WATER | SEWER | STORM WATER | TOTAL ENTERPRISE FUNDS |
|--|---------------------|---------------------|-------------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 815,589 | \$ 996,869 | \$ 224,889 | \$ 2,037,347 |
| Receipts from municipality | 349,585 | 86,947 | 31,508 | 468,040 |
| Payments to municipality | - | (16,538) | - | (16,538) |
| Payments to suppliers for goods and services | 9,943 | (271,026) | (64,290) | (325,373) |
| Payments to employees for services | (194,516) | (170,083) | (66,135) | (430,734) |
| Payments for employee benefits | (97,770) | (30,554) | (15,902) | (144,226) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 882,831 | 595,615 | 110,070 | 1,588,516 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers to other funds | (207,763) | (502,811) | (65,508) | (776,082) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition of property, plant, and equipment | (2,142,971) | (42,734) | (40,586) | (2,226,291) |
| Retirement of bonds and loans | (400,000) | (231,312) | - | (631,312) |
| Interest paid | (94,563) | (45,194) | - | (139,757) |
| Special assessments received | 40,815 | 10,719 | - | 51,534 |
| NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | (2,596,719) | (308,521) | (40,586) | (2,945,826) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received | 16,812 | 8,750 | - | 25,562 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (1,904,839) | (206,967) | 3,976 | (2,107,830) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 3,459,140 | 1,540,866 | 310,362 | 5,310,368 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 1,554,301 | \$ 1,333,899 | \$ 314,338 | \$ 3,202,538 |

(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, 2016

| | <u>WATER</u> | <u>SEWER</u> | <u>STORM WATER</u> | <u>TOTAL ENTERPRISE FUNDS</u> |
|--|----------------------------|----------------------------|--------------------------|---------------------------------------|
| <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u> | | | | |
| Operating income | \$ 458,402 | \$ 237,160 | \$ 78,809 | \$ 774,371 |
| Adjustments to reconcile operating income to net cash flows from operating activities | | | | |
| Depreciation | 271,430 | 340,240 | 41,585 | 653,255 |
| Depreciation charged to sewer | 16,538 | (16,538) | - | - |
| Changes in assets and liabilities | | | | |
| (Increase) decrease in assets | | | | |
| Accounts receivable | (5,828) | (15,458) | (1,203) | (22,489) |
| Due from other funds | (14,021) | 49,452 | (1,845) | 33,586 |
| Net pension asset and deferred outflow/inflow (WRS) | 6,952 | 15,246 | 1,962 | 24,160 |
| Increase (decrease) in liabilities | | | | |
| Accounts payable | 232,316 | (30,689) | (1,349) | 200,278 |
| Accrued payroll and fringe benefits | 4,804 | 16,202 | (7,889) | 13,117 |
| Unearned revenue | (8,753) | - | - | (8,753) |
| Net OPEB obligation | (79,009) | - | - | (79,009) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 882,831</u> | <u>\$ 595,615</u> | <u>\$ 110,070</u> | <u>\$ 1,588,516</u> |
| <u>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</u> | | | | |
| CASH AND CASH EQUIVALENTS - END OF YEAR | | | | |
| Cash and investments | \$ 371,302 | \$ 506,323 | \$ 294,338 | \$ 1,171,963 |
| Cash and investments - restricted | 1,182,999 | 827,576 | 20,000 | 2,030,575 |
| TOTAL CASH AND CASH EQUIVALENTS | <u>\$ 1,554,301</u> | <u>\$ 1,333,899</u> | <u>\$ 314,338</u> | <u>\$ 3,202,538</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, 2016

ASSETS

| | |
|----------------------|----------------------------|
| Cash and investments | \$ 2,175,685 |
| Taxes receivable | <u>3,106,772</u> |
| TOTAL ASSETS | <u>\$ 5,282,457</u> |

LIABILITIES

| | |
|--------------------------|----------------------------|
| Due to other governments | <u>\$ 5,282,457</u> |
|--------------------------|----------------------------|

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, 2016

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, 2016

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 revenue 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, 2016

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, 2016

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. Revenue is 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 revenue 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. Revenue is recognized as soon as they are both measurable and available. Revenue is 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 revenue 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 revenue of the current fiscal period. Grants are recorded as revenue 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* revenue 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 revenue of the water, sewer, and storm water utilities is a charge 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 revenue and expenses.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

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, 2016

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 |

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.

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

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 has two items that qualify for reporting in this category. They are the deferred charge on refunding and Wisconsin Retirement System pension. A deferred charge on refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Wisconsin Retirement System pension results from changes in the pension plan.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 1 - Summary of Significant Accounting Policies - Continued

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 two items that qualify for reporting in this category: unavailable revenue and Wisconsin Retirement System pension. 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. The Wisconsin Retirement System pension results from changes in the pension plan.

Post-Employment Benefits - As of 2016, the City contributes certain amounts into Retiree Health Reimbursement Arrangement accounts on a quarterly basis for eligible employees. The payments are made on a pay-as-you-go basis. Prior to 2016, the City offered other post-employment benefits that were accounted for in accordance with GASB 45. Those benefits are no longer available as of the start of 2016 and the corresponding liabilities have been removed from the balance sheet.

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.

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.

CITY OF MILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 1 - Summary of Significant Accounting Policies - Continued

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.

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, 2016, the City had the following investments:

| <u>INVESTMENT</u> | <u>WEIGHTED AVERAGE MATURITIES</u> | <u>FAIR VALUE</u> |
|---|--|----------------------------|
| Fixed Income Securities | Less than one year | \$ 546,682 |
| Wisconsin Investment Series Cooperative | Less than one year | 636,073 |
| Certificates of Deposits | Less than one year | <u>1,365,535</u> |
| | | <u>\$ 2,548,290</u> |

Determining Fair Value - The City categorizes its fair value measurements with in the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurement:

- 1) Fixed income securities values are determined based on published market quotations (level 1 inputs).
- 2) Wisconsin Investment Series Cooperative fair value is determined by the investment board based on published market quotations (level 2 inputs).

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.

CITY OF MILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 2 - Cash and Investments - Continued

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.

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, 2016, \$4,551,670 of the City's bank balance of \$6,420,368 was exposed to custodial credit risk as follows:

| | |
|--------------------------------|----------------------------|
| Uninsured and collateralized | \$ 1,188,542 |
| Uninsured and uncollateralized | <u>3,363,428</u> |
| | <u>\$ 4,551,670</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 2016 tax roll (levied for 2017) 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, 2016, are as follows:

| | BALANCES 01/01/16 | ADDITIONS | RETIREMENTS | TRANSFERS | BALANCES 12/31/16 |
|--|----------------------|------------------|--------------------|-----------------|----------------------|
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | | |
| <i>Capital assets not being depreciated:</i> | | | | | |
| Land | \$ 1,463,427 | \$ - | \$ (3,673) | \$ - | \$ 1,459,754 |
| Construction in progress | <u>95,345</u> | <u>-</u> | <u>-</u> | <u>(95,345)</u> | <u>-</u> |
| Total capital assets not being depreciated | <u>1,558,772</u> | <u>-</u> | <u>(3,673)</u> | <u>(95,345)</u> | <u>1,459,754</u> |
| <i>Capital assets being depreciated</i> | | | | | |
| Buildings | 8,732,344 | 2,372,691 | (1,162,194) | 95,345 | 10,038,186 |
| Infrastructure | 24,222,958 | 317,859 | (10,169) | - | 24,530,648 |
| Improvements other than buildings | 1,149,102 | 58,520 | - | - | 1,207,622 |
| Machinery and equipment | <u>6,279,829</u> | <u>51,536</u> | <u>(402,799)</u> | <u>-</u> | <u>5,928,566</u> |
| Total capital assets being depreciated | <u>40,384,233</u> | <u>2,800,606</u> | <u>(1,575,162)</u> | <u>95,345</u> | <u>41,705,022</u> |

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 4 - Capital Assets - Continued

| | <u>BALANCES</u> <u>01/01/16</u> | <u>ADDITIONS</u> | <u>RETIREMENTS</u> | <u>TRANSFERS</u> | <u>BALANCES</u> <u>12/31/16</u> |
|---|------------------------------------|----------------------------|----------------------------|--------------------|------------------------------------|
| Less accumulated depreciation for: | | | | | |
| Buildings | \$ 2,000,061 | \$ 196,653 | \$ (840,999) | \$ - | \$ 1,355,715 |
| Infrastructure | 4,121,088 | 295,751 | (7,753) | - | 4,409,086 |
| Improvements other than buildings | 406,621 | 46,759 | - | - | 453,380 |
| Machinery and equipment | 4,924,566 | 192,104 | (348,549) | - | 4,768,121 |
| Total accumulated depreciation | <u>11,452,336</u> | <u>731,267</u> | <u>(1,197,301)</u> | <u>-</u> | <u>10,986,302</u> |
| Total capital assets being depreciated, net | <u>28,931,897</u> | <u>2,069,339</u> | <u>(377,869)</u> | <u>95,345</u> | <u>30,718,720</u> |
| GOVERNMENT ACTIVITIES | | | | | |
| CAPITAL ASSETS, NET | <u>\$ 30,490,669</u> | <u>\$ 2,069,339</u> | <u>\$ (381,534)</u> | <u>\$ -</u> | <u>\$ 32,178,474</u> |

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

| | |
|------------------------------------|--------------------------|
| General Government | \$ 71,447 |
| Public Safety | 126,691 |
| Public Works | 451,695 |
| Culture, Recreation, and Education | 44 |
| Health and Human Service | 81,390 |
| TOTAL | <u>\$ 731,267</u> |

| | <u>BALANCES</u> <u>01/01/16</u> | <u>ADDITIONS</u> | <u>RETIREMENTS</u> | <u>TRANSFERS</u> | <u>BALANCES</u> <u>12/31/16</u> |
|--|------------------------------------|----------------------------|--------------------|--------------------|------------------------------------|
| <u>BUSINESS-TYPE ACTIVITIES</u> | | | | | |
| <i>Capital assets not being depreciated:</i> | | | | | |
| Land | \$ 109,302 | \$ - | \$ - | \$ - | \$ 109,302 |
| Construction in progress | 130,404 | 1,017,267 | - | (55,132) | 1,092,539 |
| Total capital assets not being depreciated | <u>239,706</u> | <u>1,017,267</u> | <u>-</u> | <u>(55,132)</u> | <u>1,201,841</u> |
| <i>Capital assets being depreciated</i> | | | | | |
| Buildings | 6,680,413 | 40,554 | (12,500) | - | 6,708,467 |
| Improvements other than buildings | 13,859,940 | 1,119,486 | (38,000) | 55,132 | 14,996,558 |
| Machinery and equipment | 4,733,290 | 48,984 | (1,000) | - | 4,781,274 |
| Total capital assets being depreciated | <u>25,273,643</u> | <u>1,209,024</u> | <u>(51,500)</u> | <u>55,132</u> | <u>26,486,299</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | 2,395,653 | 220,702 | (12,500) | - | 2,603,855 |
| Improvements other than buildings | 3,704,263 | 261,606 | (38,000) | - | 3,927,869 |
| Machinery and equipment | 1,639,009 | 170,947 | (1,000) | - | 1,808,956 |
| Total accumulated depreciation | <u>7,738,925</u> | <u>653,255</u> | <u>(51,500)</u> | <u>-</u> | <u>8,340,680</u> |
| Total capital assets being depreciated, net | <u>17,534,718</u> | <u>555,769</u> | <u>-</u> | <u>55,132</u> | <u>18,145,619</u> |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| CAPITAL ASSETS, NET | <u>\$ 17,774,424</u> | <u>\$ 1,573,036</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 19,347,460</u> |

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 4 - Capital Assets - Continued

Depreciation expense was charged to functions as follows:

| | |
|--------------------------|--------------------------|
| Business-type activities | |
| Water | \$ 271,430 |
| Sewer | 340,240 |
| Storm Water | 41,585 |
| TOTAL | <u>\$ 653,255</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> 01/01/16 | <u>ADDITIONS</u> | <u>PAYMENTS</u> | <u>BALANCES</u> 12/31/16 | <u>AMOUNT</u> <u>DUE WITHIN</u> <u>ONE YEAR</u> |
|---|-----------------------------|----------------------------|------------------------------|-----------------------------|---|
| <u>GOVERNMENTAL ACTIVITIES:</u> | | | | | |
| Bonds payable | \$ 11,160,000 | \$ 7,475,000 | \$ (5,990,000) | \$ 12,645,000 | \$ 915,000 |
| Notes payable | 2,425,000 | - | (1,640,000) | 785,000 | 145,000 |
| CDA revenue bonds payable | 1,935,000 | 1,845,000 | (1,935,000) | 1,845,000 | 140,000 |
| Premium | 28,526 | 116,166 | (2,897) | 141,795 | 13,458 |
| Debt discount | - | (23,985) | - | (23,985) | (2,399) |
| WRS pension liability | - | 197,060 | - | 197,060 | - |
| Compensated absences | 274,737 | 87,521 | - | 362,258 | 99,291 |
| Net OPEB obligation | 409,627 | - | (409,627) | - | - |
| TOTAL | <u>\$ 16,232,890</u> | <u>\$ 9,696,762</u> | <u>\$ (9,977,524)</u> | <u>\$ 15,952,128</u> | <u>\$ 1,310,350</u> |
| <u>BUSINESS-TYPE ACTIVITIES:</u> | | | | | |
| Mortgage revenue bond | | | | | |
| Sewer | \$ 1,759,059 | \$ - | \$ (231,312) | \$ 1,527,747 | \$ 237,673 |
| Water | 2,820,000 | - | (145,000) | 2,675,000 | 165,000 |
| General obligation bond | | | | | |
| Water | 275,000 | - | (255,000) | 20,000 | 20,000 |
| Debt discount | (25,380) | - | 1,692 | (23,688) | (1,692) |
| WRS pension liability | - | 42,836 | - | 42,836 | - |
| Compensated absences | 61,461 | 13,117 | - | 74,578 | 23,320 |
| Net OPEB obligation | 79,009 | - | (79,009) | - | - |
| TOTAL | <u>\$ 4,969,149</u> | <u>\$ 55,953</u> | <u>\$ (708,629)</u> | <u>\$ 4,316,473</u> | <u>\$ 444,301</u> |

Interest costs incurred during the year totaled \$439,238 for governmental activities and \$123,303 for business-type activities. Total interest paid during the year aggregated \$500,490 for governmental activities and \$139,757 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, 2016

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, 2016, is comprised of the following issues:

GOVERNMENTAL FUNDS

| <u>ISSUE DESCRIPTION</u> | <u>RATES (%)</u> | <u>DATES OF MATURITY</u> | <u>BALANCE 12/31/16</u> |
|--|------------------|--------------------------|-----------------------------|
| <u>GENERAL OBLIGATION BONDS</u> | | | |
| 2007 Issue | 4.00% | 2026 | \$ 155,000 |
| 2007 Issue | 4.00% | 2027 | 215,000 |
| 2011 Issue | 0.90 - 3.80% | 2023 | 990,000 |
| 2011 Issue | 2.40 - 4.50% | 2031 | 1,870,000 |
| 2013 Issue | 3.00 - 4.30% | 2033 | 1,940,000 |
| 2016 Issue | 2.00 - 1.80% | 2027 | <u>7,475,000</u> |
| TOTAL GOVERNMENTAL FUNDS GENERAL OBLIGATION BONDS | | | 12,645,000 |
| <u>GENERAL OBLIGATION NOTE</u> | | | |
| 2011 Issue | 0.60 - 3.15% | 2021 | <u>785,000</u> |
| TOTAL GOVERNMENTAL FUNDS GENERAL OBLIGATION DEBT | | | <u>\$ 13,430,000</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 12/31/16</u> |
|--|-----------------|--------------------------|------------------------------|-----------------------------|
| Lease Revenue Bonds TIF #6 2016 Issue | 1.0 - 2.7% | 2026 | \$ 1,845,000 | <u>\$ 1,845,000</u> |

ENTERPRISE FUND DEBT

Enterprise fund revenue bonds are expected to be repaid with water and sewer revenue. Enterprise fund debt at December 31, 2016, is comprised of the following issues:

| <u>ISSUE DESCRIPTION</u> | <u>RATES (%)</u> | <u>DATES OF MATURITY</u> | <u>BALANCE 12/31/16</u> |
|---------------------------------------|------------------|--------------------------|-----------------------------|
| <u>General Obligation Bond</u> | | | |
| 2007 Water Issue | 4.00% | 2017 | \$ 20,000 |
| <u>Mortgage Revenue Bond</u> | | | |
| 2002 Sewer Issue | 2.75% | 2022 | 1,527,747 |
| 2015 Water Issue | 4.00% | 2030 | <u>2,675,000</u> |
| TOTAL ENTERPRISE FUND DEBT | | | <u>\$ 4,222,747</u> |

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 5 - Long-Term Obligations - Continued

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 2016 were \$165,451.

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, 2016, this fund had available resources of \$662,125.

General Obligation Debt Limit Calculation

The 2016 equalized valuation of the City as certified by the Wisconsin Department of Revenue is \$353,233,700. The legal debt limit and margin of indebtedness as of December 31, 2016, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

| | |
|--|----------------------------|
| Debt limit (5% of \$353,233,700) | \$ 17,661,685 |
| Applicable long-term debt | (13,450,000) |
| Amount available in debt services fund | <u>41,576</u> |
| MARGIN OF INDEBTEDNESS | <u>\$ 4,253,261</u> |

Maturities of Long-Term Obligations

Maturities of the long-term obligations at December 31, 2016, are:

| <u>YEARS</u> | GOVERNMENTAL FUNDS DEBT | | CDA LEASE REVENUE BONDS | | ENTERPRISE FUND DEBT | |
|--------------|----------------------------|---------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| | PRINCIPAL | INTEREST | PRINCIPAL | INTEREST | PRINCIPAL | INTEREST |
| 2017 | \$ 1,060,000 | \$ 314,584 | \$ 140,000 | \$ 35,662 | \$ 422,673 | \$ 104,730 |
| 2018 | 960,000 | 301,634 | 145,000 | 34,056 | 409,209 | 96,248 |
| 2019 | 1,255,000 | 275,823 | 175,000 | 31,837 | 420,925 | 87,134 |
| 2020 | 1,315,000 | 245,403 | 190,000 | 28,910 | 427,825 | 77,419 |
| 2021 | 1,350,000 | 208,773 | 190,000 | 25,490 | 439,915 | 67,123 |
| 2022-2026 | 5,570,000 | 654,233 | 1,005,000 | 61,922 | 1,222,200 | 220,584 |
| 2027-2031 | 1,625,000 | 220,130 | - | - | 880,000 | 62,993 |
| 2032-2033 | 295,000 | 12,792 | - | - | - | - |
| TOTAL | <u>\$13,430,000</u> | <u>\$2,233,372</u> | <u>\$ 1,845,000</u> | <u>\$ 217,877</u> | <u>\$ 4,222,747</u> | <u>\$ 716,231</u> |

Other long-term obligations (compensated absences and WRS net pension 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.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 5 - Long-Term Obligations - Continued

Advance and Current Refunding - The City issued \$7,475,000 of general obligation bonds with interest rates ranging from 1.25 to 2.00 percent. A portion of the proceeds were used to advance refund \$5,085,000 of outstanding 2007 general obligation bonds which had interest rate of 4.00 percent. The net proceeds of \$3,815,085 (including a \$116,166 premium and after payment of \$81,330 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2007 general obligation bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. Another portion of bond proceeds were used for a current refunding of \$1,275,000 of outstanding 2015 general obligation promissory notes. The remaining bond proceeds represent new borrowing and were not used to refund previously issued debt.

The reacquisition price exceeded the net carrying amount of the old debt by \$150,784. This amount will be amortized over the shorter life of the old debt or new refunding debt. The government advance refunded the 2007 general obligation bonds to reduce its total debt service payments by \$908,210 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$773,304.

Current Refunding - The City issued \$1,845,000 of community development lease revenue refunding bonds for a current refunding of \$1,935,000 of outstanding 2006 community development lease revenue bonds. The transaction resulted in an economic gain of \$132,319 and a reduction of \$288,253 in future debt service payments.

Defeased Debt - In the current year the City defeased general obligation debt by placing the proceeds of new debt in an irrevocable trust account for all future debt service payments of the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At December 31, 2016, \$5,660,000 of defeased debt remains outstanding.

NOTE 6 - Wisconsin Retirement System

Plan Description - The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Vesting - For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits Provided - Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

CITY OF MILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 6 - Wisconsin Retirement System - Continued

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments - The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

| Year | Core Fund Adjustment | Variable Fund Adjustment |
|------|----------------------|--------------------------|
| 2006 | 0.8 | 3 |
| 2007 | 3.0 | 10 |
| 2008 | 6.6 | 0 |
| 2009 | (2.1) | (42) |
| 2010 | (1.3) | 22 |
| 2011 | (1.2) | 11 |
| 2012 | (7.0) | (7) |
| 2013 | (9.6) | 9 |
| 2014 | 4.7 | 25 |
| 2015 | 2.9 | 2 |

Contributions - Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$148,012 in contributions from the employer.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 6 - Wisconsin Retirement System - Continued

Contribution rates as of December 31, 2016 are:

| Employee Category | Employee | Employer |
|------------------------------------|----------|----------|
| General | 6.6% | 6.6% |
| Executives & Elected Officials | 6.6% | 6.6% |
| Protective with Social Security | 6.6% | 9.4% |
| Protective without Social Security | 6.6% | 13.2% |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the City reported a liability (asset) of \$239,896 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City's proportion was 0.01476303%, which was an increase of 0.00013534% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$289,116.

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Differences between expected and actual experience | \$ 40,584 | \$ 504,858 |
| Changes in assumptions | 167,842 | - |
| Net differences between projected and actual earnings on pension plan investments | 982,204 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 425 |
| Employer contributions subsequent to the measurement date | 157,867 | - |
| Total | \$ 1,348,497 | \$ 505,283 |

\$157,867 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 6 - Wisconsin Retirement System - Continued

| Year ended June 30: | Deferred Outflow of Resources | Deferred Inflows of Resources |
|---------------------|----------------------------------|----------------------------------|
| 2017 | \$ 309,134 | \$ (122,291) |
| 2018 | 309,134 | (122,291) |
| 2019 | 309,134 | (122,291) |
| 2020 | 257,858 | (122,253) |
| 2021 | 5,370 | (16,157) |

Actuarial Assumptions - The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|--------------------------------|
| Actuarial Valuation Date: | December 31, 2014 |
| Measurement Date of Net Pension Liability (Asset) | December 31, 2015 |
| Actuarial Cost Method: | Entry Age |
| Asset Valuation Method: | Fair Market Value |
| Long-Term Expected Rate of Return: | 7.2% |
| Discount Rate: | 7.2% |
| Salary Increases: | |
| Inflation | 3.2% |
| Seniority/Merit | 0.2% - 5.8% |
| Mortality: | Wisconsin 2012 Mortality Table |
| Post-retirement Adjustments* | 2.1% |

* No Post-Retirement Adjustment is Guaranteed - Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 - 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

Long-Term Expected Return on Plan Assets - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 6 - Wisconsin Retirement System - Continued

| | Current Asset Allocation % | Destination Target Asset Allocation % | Long-Term Expected Nominal Rate of Return % | Long-Term Expected Real Rate of Return % |
|--|----------------------------------|--|--|--|
| <u>Core Fund Asset Class</u> | | | | |
| U.S. Equities | 27 | 23 | 7.6 | 4.7 |
| International Equities | 24.5 | 22 | 8.5 | 5.6 |
| Fixed Income | 27.5 | 37 | 4.4 | 1.6 |
| Inflation Sensitive Assets | 10 | 20 | 4.2 | 1.4 |
| Real Estate | 7 | 7 | 6.5 | 3.6 |
| Private Equity/Debt | 7 | 7 | 9.4 | 6.5 |
| Multi-Asset | 4 | 4 | 6.7 | 3.8 |
| Total Core Fund | 107 | 120 | 7.4 | 4.5 |
| <u>Variable Fund Asset Class</u> | | | | |
| U.S. Equities | 70 | 70 | 7.6 | 4.7 |
| International Equities | 30 | 30 | 8.5 | 5.6 |
| Total Variable Fund | 100 | 100 | 7.9 | 5.0 |
| New England Pension Consultants Long-Term US CPI (Inflation) Forecast : 2.75% | | | | |
| Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations | | | | |

Single Discount Rate - A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

| | 1% Decrease to Discount Rate (6.20%) | Current Discount Rate (7.20%) | 1% Increase To Discount Rate (8.20%) |
|---|--|----------------------------------|--|
| City of Milton's proportionate share of the net pension liability (asset) | \$ 1,682,638 | \$ 239,896 | \$ (886,910) |

CITY OF MILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 6 - Wisconsin Retirement System - Continued

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

Payables to the Pension Plan

At December 31, 2016, the City reported a payable of \$35,155 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2016.

NOTE 7 - Interfund Receivables, Payables, Advances, and Transfers

Individual interfund receivable and payable balances at December 31, 2016, are as follows:

| <u>RECEIVABLE FUND</u> | <u>PAYABLE FUND</u> | <u>AMOUNT</u> |
|--------------------------|---------------------|--------------------------|
| Due from/to Other Funds: | | |
| Refuse and Recycling | General Fund | \$ 276,871 |
| Sewer | General Fund | 67,280 |
| Water | General Fund | 26,221 |
| Storm Water | General Fund | 4,033 |
| TID #6 | General Fund | 300,000 |
| General Fund | TID #9 | 14,135 |
| TOTAL | | <u>\$ 688,540</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 2016 are as follows:

| <u>RECEIVING FUND</u> | <u>PAYING FUND</u> | <u>AMOUNT</u> |
|-----------------------|--------------------|----------------------------|
| Transfers: | | |
| Debt Service | General Fund | \$ 893,000 |
| Debt Service | TIF #6 | 189,800 |
| Debt Service | Sewer | 497,858 |
| Debt Service | Storm Water | 65,508 |
| General Fund | Water | 207,763 |
| General Fund | Sewer | 4,953 |
| Library Fund | General Fund | 246,204 |
| Capital Projects | General Fund | 405,500 |
| TOTAL | | <u>\$ 2,510,586</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, 2016

NOTE 8 - Fund Balances and Net Position

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

Governmental Funds

| <u>FUND</u> | <u>PURPOSE/REASON</u> | <u>AMOUNT</u> |
|---------------------------------------|------------------------|----------------------------|
| <u>Nonspendable</u> | | |
| General | Prepaid Items | <u>\$ 25,801</u> |
| <u>Restricted</u> | | |
| Debt Service | Principal and interest | \$ 41,576 |
| TIF #6 | Capital Projects | 620,165 |
| TIF #7 | Capital Projects | 285,084 |
| TIF #8 | Capital Projects | 101,441 |
| Grant Fund | Rehab Loans | 76,826 |
| Sidewalk Fund | Sidewalks | 121,317 |
| Refuse and Recycling | Refuse and Recycling | 6,466 |
| Dog Park | Dog Park | 10,731 |
| Capital Projects | Capital Projects | 235,968 |
| Library Fund | Library | 75,660 |
| Small Business Development | Small Business | 25,000 |
| Crossridge Park | Crossridge Park | 55,838 |
| Total Restricted Fund Balances | | <u>\$ 1,656,072</u> |

Net Position

Governmental Activities - Restricted

| | | |
|---|-------------------------------------|----------------------------|
| Special Revenue | Specific expenses | \$ 371,838 |
| Debt Service | Principal and interest | 41,576 |
| Capital Projects | Future projects | 1,242,658 |
| Other Activities | Wisconsin Retirement System pension | 495,589 |
| Total Governmental Activities Restricted | | <u>\$ 2,151,661</u> |

Business-Type Activities - Restricted

| | | |
|---|-------------------------------------|----------------------------|
| Water | Debt service | \$ 370,524 |
| Water | Wisconsin Retirement System pension | 48,665 |
| Sewer | Debt service | 582,901 |
| Sewer | Wisconsin Retirement System pension | 43,013 |
| Storm | Wisconsin Retirement System pension | 36,051 |
| Total Governmental Activities Restricted | | <u>\$ 1,081,154</u> |

The following fund has a deficit at December 31, 2016:

Business-Type Activities - Restricted

| | | |
|--------|----------------------|-------------------------|
| TIF #9 | Awaiting TIF Revenue | <u>\$ 14,135</u> |
|--------|----------------------|-------------------------|

NOTE 9 - 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.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 9 - Tax Incremental Finance Districts – Continued

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 four Tax Incremental Financing Districts. The following are project summaries of the activity and status of the TIF Districts through December 31, 2016:

| | TIF DISTRICT | | | |
|--|----------------------------|--------------------------|--------------------------|---------------------------|
| | #6 | #7 | #8 | #9 |
| SOURCES OF FUNDS | | | | |
| Tax increments | \$ 6,948,197 | \$ 704,204 | \$ 844,771 | \$ - |
| Grants | 265,009 | - | 15,000 | - |
| Interest income | 119,963 | - | 5,846 | - |
| Sales of property | 91,098 | - | - | 1,500 |
| Proceeds from long-term debt | 9,671,824 | 1,243,176 | 220,000 | - |
| Rent | 91,469 | - | 12,041 | - |
| Contributions | 1,250 | - | 45,293 | - |
| 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 | 54,499 | 2,723 | 64,126 | - |
| TOTAL SOURCES | <u>17,532,054</u> | <u>1,950,103</u> | <u>1,350,777</u> | <u>1,500</u> |
| USES OF FUNDS | | | | |
| Administrative expenditures | 339,703 | 160,153 | 67,258 | 15,500 |
| Project cost | 3,374,006 | 516,302 | 159,915 | 135 |
| Principal and interest on long-term debt | 6,788,527 | 737,096 | 120,683 | - |
| Debt issuance costs | 98,220 | - | 4,691 | - |
| Transfer to capital projects | 4,654,376 | 177,700 | 553,860 | - |
| Transfer to debt service | 1,599,927 | 13,155 | - | - |
| Transfer to general fund | 37,500 | 7,500 | 333,429 | - |
| Transfer to park fund | - | - | 9,500 | - |
| Bond discount | 19,630 | 4,355 | - | - |
| TOTAL USES | <u>16,911,889</u> | <u>1,616,261</u> | <u>1,249,336</u> | <u>15,635</u> |
| FUND BALANCES AS OF | | | | |
| DECEMBER 31, 2016 | <u>\$ 620,165</u> | <u>\$ 285,084</u> | <u>\$ 101,441</u> | <u>\$ (14,135)</u> |
| FUTURE REQUIREMENTS | | | | |
| Debt service | \$ 6,342,159 | \$ 757,887 | \$ 128,931 | \$ - |
| Net accounts (receivable) payable | <u>(289,554)</u> | <u>4,844</u> | <u>-</u> | <u>14,135</u> |
| TOTAL FUTURE REQUIREMENTS | 6,052,605 | 762,731 | 128,931 | 14,135 |
| Less cash on hand | <u>(330,611)</u> | <u>(289,928)</u> | <u>(101,441)</u> | <u>-</u> |
| BALANCE TO BE COLLECTED ON TIF DISTRICT | <u>\$ 5,721,994</u> | <u>\$ 472,803</u> | <u>\$ 27,490</u> | <u>\$ 14,135</u> |
| 2016 Tax Increment | \$ 1,152,001 | \$ 90,456 | \$ - | \$ - |

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

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 \$231,218 of operating expenses during 2016. Financial information is available from the Fire Commission upon request.

NOTE 13 - Subsequent Event

In April 2017, the City authorized the issuance of \$1,000,000 taxable general obligation promissory notes. The notes bear interest of 3 percent and are payable on March 1 of each year starting March 1, 2018 and continuing through March 1, 2022.

CITY OF MILTON, WISCONSIN

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILTON, WISCONSIN
WISCONSIN RETIREMENT SYSTEM SCHEDULES
YEAR ENDED DECEMBER 31, 2016

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years

| | 2015 | 2016 |
|--|--------------|--------------|
| City's proportion of the net pension liability (asset) | 0.01462769% | 0.01476303% |
| City's proportionate share of the net pension liability (asset) | \$ (359,296) | \$ 239,896 |
| City's covered employee payroll | \$ 1,754,899 | \$ 1,928,805 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll | -20.47% | 12.44% |
| Plan fiduciary net position as a percentage of the total pension liability | 102.74% | 98.20% |

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

| | 2015 | 2016 |
|--|---------------------|---------------------|
| Contractually required contribution | \$ 139,961 | \$ 148,012 |
| Contributions in relation to the contractually required contribution | <u>(139,961)</u> | <u>(148,012)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| City's covered employee payroll | <u>\$ 1,754,899</u> | <u>\$ 1,928,805</u> |
| Contributions as a percentage of covered employee payroll | 7.98% | 7.67% |

The City implemented the Government Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 8 preceding years.

Notes to Required Supplementary Information for the Year Ended December 31, 2016

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. There were no changes in the assumptions.

CITY OF MILTON, WISCONSIN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE WITH FINAL BUDGET |
|--|----------------------------|--------------------------|--------------------------|----------------------------------|
| | ORIGINAL | FINAL | | |
| REVENUE | | | | |
| Taxes | \$ 3,140,725 | \$ 3,140,725 | \$ 3,142,180 | \$ 1,455 |
| Intergovernmental | 1,043,700 | 1,043,700 | 1,059,290 | 15,590 |
| Licenses and permits | 112,300 | 112,300 | 116,206 | 3,906 |
| Fines, forfeits, and penalties | 56,000 | 56,000 | 48,726 | (7,274) |
| Public charges for services | 19,800 | 19,800 | 35,922 | 16,122 |
| Intergovernmental charges for services | 80,084 | 80,084 | 65,187 | (14,897) |
| Other | 34,424 | 34,424 | 55,902 | 21,478 |
| TOTAL REVENUE | <u>4,487,033</u> | <u>4,487,033</u> | <u>4,523,413</u> | <u>36,380</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 865,509 | 1,052,509 | 1,000,749 | 51,760 |
| Public safety | 1,400,805 | 1,400,805 | 1,361,069 | 39,736 |
| Public works | 743,092 | 743,092 | 632,501 | 110,591 |
| Health and human services | 6,025 | 6,025 | 2,385 | 3,640 |
| Culture, recreation, and education | 270,474 | 270,474 | 269,692 | 782 |
| Conservation and development | 14,540 | 14,540 | 16,857 | (2,317) |
| Capital outlay | 129,384 | 129,384 | 73,005 | 56,379 |
| TOTAL EXPENDITURES | <u>3,429,829</u> | <u>3,616,829</u> | <u>3,356,258</u> | <u>260,571</u> |
| EXCESS OF REVENUE OVER EXPENDITURES | <u>1,057,204</u> | <u>870,204</u> | <u>1,167,155</u> | <u>296,951</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 187,500 | 187,500 | 212,716 | 25,216 |
| Transfers out | (1,244,704) | (1,544,704) | (1,544,704) | - |
| TOTAL OTHER FINANCING (USES) | <u>(1,057,204)</u> | <u>(1,357,204)</u> | <u>(1,331,988)</u> | <u>25,216</u> |
| NET CHANGE IN FUND BALANCE | - | (487,000) | (164,833) | 322,167 |
| FUND BALANCE AT BEGINNING OF YEAR | <u>1,136,299</u> | <u>1,136,299</u> | <u>1,136,299</u> | <u>-</u> |
| FUND BALANCE AT END OF YEAR | <u>\$ 1,136,299</u> | <u>\$ 649,299</u> | <u>\$ 971,466</u> | <u>\$ 322,167</u> |

CITY OF MILTON, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
YEAR ENDED DECEMBER 31, 2016

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. Appropriations lapse at year end, except those specifically carried forward by Common Council action.
10. Encumbrance accounting is not used.

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

| | |
|----------------------------|----------|
| General Fund | |
| Conservation & Development | \$ 2,317 |

CITY OF MILTON, WISCONSIN
OTHER SUPPLEMENTARY INFORMATION

CITY OF MILTON, WISCONSIN
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016

| | 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 | TIF #9 | |
| ASSETS | | | | | | | | | | | |
| Cash and investments | \$ 76,826 | \$ 121,317 | \$ 5,000 | \$ 82,852 | \$ 30,158 | \$ 10,731 | \$ 55,838 | \$ 289,928 | \$ 101,441 | \$ - | \$ 774,091 |
| Receivables | | | | | | | | | | | |
| Taxes | - | - | - | - | - | - | - | 90,456 | - | - | 90,456 |
| Accounts and other | - | - | - | - | 140 | - | - | - | - | - | 140 |
| Loans receivable | 232,631 | - | 20,000 | - | - | - | - | - | - | - | 252,631 |
| Due from other funds | - | - | - | - | 276,871 | - | - | - | - | - | 276,871 |
| TOTAL ASSETS | \$ 309,457 | \$ 121,317 | \$ 25,000 | \$ 82,852 | \$ 307,169 | \$ 10,731 | \$ 55,838 | \$ 380,384 | \$ 101,441 | \$ - | \$ 1,394,189 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | | | | | | | |
| LIABILITIES | | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 7,192 | \$ 23,832 | \$ - | \$ - | \$ 4,844 | \$ - | \$ - | \$ 35,868 |
| Due to other funds | - | - | - | - | - | - | - | - | - | 14,135 | 14,135 |
| Unearned revenue - other | 232,631 | - | - | - | 276,871 | - | - | - | - | - | 509,502 |
| TOTAL LIABILITIES | 232,631 | - | - | 7,192 | 300,703 | - | - | 4,844 | - | 14,135 | 559,505 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | | | | |
| Unavailable revenue - tax roll | - | - | - | - | - | - | - | 90,456 | - | - | 90,456 |
| FUND BALANCES | | | | | | | | | | | |
| Restricted | 76,826 | 121,317 | 25,000 | 75,660 | 6,466 | 10,731 | 55,838 | 285,084 | 101,441 | - | 758,363 |
| Unassigned | - | - | - | - | - | - | - | - | - | (14,135) | (14,135) |
| TOTAL FUND BALANCES | 76,826 | 121,317 | 25,000 | 75,660 | 6,466 | 10,731 | 55,838 | 285,084 | 101,441 | (14,135) | 744,228 |
| TOTAL LIABILITIES, DEFERRED INFLOWS RESOURCES, AND FUND BALANCES | \$ 309,457 | \$ 121,317 | \$ 25,000 | \$ 82,852 | \$ 307,169 | \$ 10,731 | \$ 55,838 | \$ 380,384 | \$ 101,441 | \$ - | \$ 1,394,189 |

CITY OF MILTON, WISCONSIN
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

| | SPECIAL REVENUE | | | | | | | | | | |
|---|-----------------|-------------------|----------------------------|------------------|---------------------------|------------------|------------------|------------------|------------------|--------------------|-----------------------------|
| | GRANT FUND | SIDEWALK FUND | SMALL BUSINESS DEVELOPMENT | LIBRARY FUND | REFUSE AND RECYCLING FUND | DOG PARK | CROSSRIDGE PARK | CAPITAL PROJECTS | | | NONMAJOR GOVERNMENTAL FUNDS |
| | | | | | | | | TIF #7 | TIF #8 | TIF #9 | |
| REVENUE | | | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 85,943 | \$ - | \$ - | \$ 85,943 |
| Special assessments | - | 28 | - | - | - | - | - | - | - | - | 28 |
| Intergovernmental | - | - | - | 74,799 | 19,752 | - | - | 1,553 | 11,629 | - | 107,733 |
| Public charges for services | - | - | - | 5,860 | 272,919 | - | 3,301 | - | - | - | 282,080 |
| Other | 28,676 | 90 | - | 24,209 | - | 279 | 54,698 | - | 501 | 1,500 | 109,953 |
| TOTAL REVENUE | 28,676 | 118 | - | 104,868 | 292,671 | 279 | 57,999 | 87,496 | 12,130 | 1,500 | 585,737 |
| EXPENDITURES | | | | | | | | | | | |
| Current | | | | | | | | | | | |
| General government | - | - | - | - | - | - | - | 206 | 1,650 | - | 1,856 |
| Public works | - | - | - | - | 295,906 | - | - | - | - | - | 295,906 |
| Culture, recreation, and education | - | - | - | 324,211 | - | 553 | 5,616 | - | - | - | 330,380 |
| Conservation and development | 7 | - | - | - | - | - | - | 20,000 | - | 15,500 | 35,507 |
| Capital outlay | - | 14,798 | - | 47,111 | - | - | 59,482 | 78,350 | 8,679 | 135 | 208,555 |
| Debt service | | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | 20,000 | - | 20,000 |
| Interest and fiscal charges | - | - | - | - | - | - | - | 25,809 | 1,831 | - | 27,640 |
| TOTAL EXPENDITURES | 7 | 14,798 | - | 371,322 | 295,906 | 553 | 65,098 | 124,365 | 32,160 | 15,635 | 919,844 |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | 28,669 | (14,680) | - | (266,454) | (3,235) | (274) | (7,099) | (36,869) | (20,030) | (14,135) | (334,107) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | |
| Proceeds from long-term debt | - | - | - | - | - | - | - | 350,000 | - | - | 350,000 |
| Proceeds from refunding debt | - | - | - | - | - | - | - | 338,176 | - | - | 338,176 |
| Discount on long-term debt | - | - | - | - | - | - | - | (4,355) | - | - | (4,355) |
| Payment of refunding debt service principal | - | - | - | - | - | - | - | (370,000) | - | - | (370,000) |
| Transfers in | - | - | - | 246,204 | - | - | - | - | - | - | 246,204 |
| TOTAL OTHER FINANCING SOURCES | - | - | - | 246,204 | - | - | - | 313,821 | - | - | 560,025 |
| NET CHANGE IN FUND BALANCES | 28,669 | (14,680) | - | (20,250) | (3,235) | (274) | (7,099) | 276,952 | (20,030) | (14,135) | 225,918 |
| FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR | 48,157 | 135,997 | 25,000 | 95,910 | 9,701 | 11,005 | 62,937 | 8,132 | 121,471 | - | 518,310 |
| FUND BALANCES AT END OF YEAR | \$76,826 | \$ 121,317 | \$ 25,000 | \$ 75,660 | \$ 6,466 | \$ 10,731 | \$ 55,838 | \$285,084 | \$101,441 | \$ (14,135) | \$ 744,228 |

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
May 19, 2017