

CITY OF CHILTON, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2012

CITY OF CHILTON, WISCONSIN

December 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
Chilton, 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 Chilton, Wisconsin ("the City") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the City's 2011 financial statements and, in our report dated February 20, 2012, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A, the City has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012.

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 3 through 8 be presented to supplement the basic financial statements. Such information, although not 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 response 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's basic financial statements. The financial information listed in the table of contents as supplementary information, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013, on our consideration of the City'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* considering the City's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
February 8, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS



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MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012

As management of the City of Chilton, we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012.

Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2012 by \$30.7 million (*net position*). Of this amount, \$7.1 million (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
 - The City's total net position increased by \$224,021. The primary factor was positive operating income of the water utility.
 - As of December 31, 2012, the City's governmental activities reported ending net position of \$18,601,395, an increase of \$168,330 in comparison with the prior year. Approximately 9% of this total amount, \$1,688,984 is *available for spending* at the City's discretion (*unrestricted net position*).
 - As of December 31, 2012, unassigned fund balance for the general fund was a deficit of \$72,394. However, committed fund balance of \$1,875,602 was available.
 - The City's total general-obligation debt decreased by \$585,000 during 2012, due to the scheduled debt reduction payments.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City'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 is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent 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.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, sanitation, health and human services, culture and recreation, and development. The business-type activities of the City include the water and sewer activities.

The government-wide financial statements can be found on pages 9 - 11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used 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 the City's near-term financing requirements.

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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains ten 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, tax incremental district #2 and community rehabilitation, each of which are considered to be major funds. Data from the other seven 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 elsewhere in this report.

The City adopts an annual appropriated budget for its governmental funds. As part of the basic governmental fund financial statements, budgetary comparison statements have been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12 - 18 of this report.

Proprietary funds. The City maintains a single type proprietary fund type. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer 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 water and sewer utility funds, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 19 - 21 of this report.

Notes to the basic 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 basic financial statements can be found on pages 22 - 39 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the basic financial statements. Combining statements can be found on pages 40 - 43.

Government-wide Financial Analysis

Net position. 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, assets exceeded liabilities by \$30.7 million at the close of 2012.

City of Chilton's Net Position (in thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 9,624	\$ 9,605	\$ 5,388	\$ 5,235	\$ 15,012	\$ 14,840
Restricted cash	-	-	720	681	720	681
Capital assets	19,219	19,555	9,746	10,209	28,965	29,764
Total Assets	28,843	29,160	15,854	16,125	44,697	45,285
Current liabilities	3,946	5,915	19	38	3,965	3,947
Long-term liabilities outstanding	4,243	4,812	3,745	4,054	7,988	8,866
Deferred inflows of resources	2,053	-	-	-	2,053	2,006
Total Liabilities	10,242	10,727	3,764	4,092	14,006	14,819
Net Position						
Net investment in capital assets	15,144	14,895	6,001	6,155	21,145	21,050
Restricted	1,769	833	720	681	2,489	2,396
Unrestricted	1,688	2,705	5,369	5,197	7,057	7,020
Total Net Position	\$ 18,601	\$ 18,433	\$ 12,090	\$ 12,033	\$ 30,691	\$ 30,466

By far the largest portion of the City's net position (69%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure, etc.), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although, the City'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's net position (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$7.1 million) may be used to meet the City's ongoing obligations to citizens and creditors.

Change in net position. Governmental-type activities increased the City's net position by \$168,000, thereby accounting for the majority of the increase in net position of the City. Key elements are as follows:

City of Chilton's Change in Net Position (In thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for services	\$ 474	\$ 503	\$ 1,758	\$ 1,655	\$ 2,232	\$ 2,158
Operating grants and contributions	383	497	-	-	383	497
General Revenues						
Property taxes	2,005	2,049	-	-	2,005	2,049
Other taxes	36	40	-	-	36	40
Grants and contributions not restricted to specific programs	504	539	-	-	504	539
Other	55	76	7	8	62	84
Total Revenues	3,457	3,704	1,765	1,663	5,222	5,367
Expenses						
General government	311	292	-	-	311	292
Public safety	1,056	1,043	-	-	1,056	1,043
Public works	865	1,005	-	-	865	1,005
Sanitation	264	258	-	-	264	258
Health and human services	19	19	-	-	19	19
Culture and recreation	418	402	-	-	418	402
Development	292	324	-	-	292	324
Interest on debt	135	152	-	-	135	152
Water utility	-	-	609	652	609	652
Sewer utility	-	-	999	1,024	999	1,024
Total Expenses	3,360	3,495	1,608	1,676	4,968	5,171
Change in Net Position	97	209	157	(13)	254	196
Transfers	101	93	(101)	(93)	-	-
Change in Accounting Principle	(30)	-	-	-	(30)	-
Net Position - January 1	18,433	18,131	12,034	12,141	30,467	30,272
Net Position - December 31	\$ 18,601	\$ 18,433	\$ 12,090	\$ 12,035	\$ 30,691	\$ 30,468

Financial Analysis of the City's Funds

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

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

As of December 31, 2012, the City's governmental funds reported combined ending fund balances of \$3,005,340, a decrease of \$37,765 in comparison with the prior year. Approximately 71% of this amount \$2,138,541 constitutes *committed and unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is *nonspendable* to indicate that it is not available for new spending because it represents loans receivable (\$866,799).

The general fund is the main operating fund of the City. At the end of the current year, fund balance of the general fund was \$1,803,208. The entire amount was considered committed.

The fund balance of the City's general fund decreased by \$85,795 during the current year. Key factors in this decrease are as follows:

- Certain continuing appropriations were spent to accomplish approved projects.

The Tax Incremental District #2 fund has a total fund balance of \$107,960. The fund balance of the Tax Incremental District #2 fund increased by \$33,442 during the current year.

The Community Rehabilitation Fund decreased by \$8,710 representing costs and new loans exceeding current year loan repayments. The total fund balance is \$131,665.

Proprietary funds. The City's proprietary funds provide the same type of information found in the City's government-wide financial statements, but in more detail.

Unrestricted net position of the water utility at the end of the year amounted to \$1,716,608. The increase in net position was \$106,240.

Unrestricted net position of the sewer utility at the end of the year amounted to \$3,652,243. The decrease in net position during the year was \$50,549.

Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amount to a \$1,839,446 increase in appropriations and can be briefly summarized as follows:

- The City annually adopts a balanced budget. Subsequently, appropriations are increased to reflect amounts not spent in prior years which are carried forward to future budgets. This occurs regularly in the area of capital outlay.

During the year, actual revenues were more than budgeted revenues by \$1,565. Actual expenditures were less than budgeted expenditures by \$1,785,543, primarily in public works.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2012 amounts to \$28.9 million (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, machinery and equipment, and public domain infrastructure (highways and bridges).

City of Chilton's Capital Assets (net of accumulated depreciation)						
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land and improvements	\$ 6,764	\$ 6,764	\$ 99	\$ 99	\$ 6,863	\$ 6,863
Buildings and improvements	4,790	4,790	13,044	12,995	17,834	17,785
Machinery and equipment	5,084	5,035	4,797	4,757	9,881	9,792
Infrastructure	15,307	15,082	-	-	15,307	15,082
Construction in progress	-	-	25	24	25	24
Accumulated depreciation	(12,727)	(12,116)	(8,219)	(7,666)	(20,946)	(19,782)
Total	\$ 19,218	\$ 19,555	\$ 9,746	\$ 10,209	\$ 28,964	\$ 29,764

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$7,819,592. Of this amount, \$4,075,000 comprises debt backed by the full faith and credit of the government, and \$3,744,592 is debt secured by the revenues of the water and sewer utilities.

City of Chilton's Outstanding Debt General Obligation Debt and Revenue Bonds						
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General Obligation Debt						
Bonds	\$ 1,955	\$ 2,275	\$ -	\$ -	\$ 1,955	\$ 2,275
Notes	2,120	2,385	-	-	2,120	2,385
Total General Obligation Debt	4,075	4,660	-	-	4,075	4,660
Revenue bonds	-	-	3,745	4,054	3,745	4,054
Total	\$ 4,075	\$ 4,660	\$ 3,745	\$ 4,054	\$ 7,820	\$ 8,714

The City's total bonded debt decreased by \$585,000 (9%) during the current fiscal year. The decrease was primarily due to scheduled debt payments.

State statutes limit the amount of general obligation debt the City may issue up to 5% of its total equalized valuation. The current debt limitation for the City is \$11,704,570, which is significantly greater than the City's \$4,075,000 in outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

- The economic condition and outlook of the City has remained fairly stable based on a relatively healthy mix of manufacturing, tourism, service industry, retail, and farming activities which support our tax base.
- Inflationary trends in our region compare favorably to national indices.

These factors were considered in preparing the City's budget for the 2013 fiscal year.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Clerk/Treasurer of the City of Chilton located at 42 School Street, Chilton, WI 53014.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF CHILTON, WISCONSIN
Statement of Net Position
December 31, 2012
(With summarized financial information as of December 31, 2011)

	Governmental Activities	Business-type Activities	Total	
			2012	2011
ASSETS				
Cash and investments	\$ 4,386,209	\$ 4,383,646	\$ 8,769,855	\$ 8,502,677
Receivables				
Taxes	3,757,476	-	3,757,476	3,744,308
Customer accounts	4,527	357,385	361,912	350,055
Special assessments	10,785	-	10,785	15,731
Notes	1,511,973	562,500	2,074,473	2,161,134
Other	-	15,391	15,391	14,233
Internal balances	(46,900)	46,900	-	-
Inventories	-	22,293	22,293	21,895
Restricted Assets				
Restricted cash and cash equivalents	-	720,462	720,462	681,299
Deferred charges - issuance costs	-	-	-	30,084
Capital Assets				
Land and improvements	6,764,186	99,012	6,863,198	6,863,198
Buildings	4,790,140	13,043,514	17,833,654	17,785,559
Machinery and equipment	5,083,859	4,796,949	9,880,808	9,792,106
Infrastructure	15,307,270	-	15,307,270	15,082,100
Construction in progress	-	25,171	25,171	23,600
Less: Accumulated depreciation	(12,726,882)	(8,219,185)	(20,946,067)	(19,782,094)
TOTAL ASSETS	28,842,643	15,854,038	44,696,681	45,285,885
LIABILITIES				
Accounts payable	90,902	18,142	109,044	141,254
Accrued interest payable	32,270	1,122	33,392	36,465
Due to other governments	3,819,549	-	3,819,549	3,766,647
Deposits held in trust	4,000	-	4,000	2,000
Long-term obligations				
Due within one year	625,000	317,209	942,209	894,050
Due in more than one year	3,617,692	3,427,383	7,045,075	7,971,923
TOTAL LIABILITIES	8,189,413	3,763,856	11,953,269	12,812,339
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	2,051,835	-	2,051,835	2,005,990
NET POSITION				
Net investment in capital assets	15,143,573	6,000,869	21,144,442	21,050,827
Restricted for				
Community rehabilitation	744,463	-	744,463	744,988
Library donations	88,245	-	88,245	88,091
Capital projects	936,160	720,462	1,656,622	1,563,445
Unrestricted	1,688,954	5,368,851	7,057,805	7,020,205
TOTAL NET POSITION	\$ 18,601,395	\$ 12,090,182	\$ 30,691,577	\$ 30,467,556

The notes to the basic financial statements are an integral part of this statement.

CITY OF CHILTON, WISCONSIN

Statement of Activities

For the Year Ended December 31, 2012

(With summarized financial information for the year ended December 31, 2011)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 310,469	\$ 17,656	\$ -	\$ -
Public safety	1,055,839	112,144	13,531	-
Public works	864,787	21,016	230,700	-
Sanitation	263,664	198,022	23,863	-
Health and human services	19,342	8,659	-	-
Culture and recreation	418,328	85,721	93,251	-
Development	292,208	30,939	21,682	-
Interest on debt	135,073	-	-	-
Total Governmental Activities	3,359,710	474,157	383,027	-
Business-type Activities				
Water utility	608,943	816,101	-	-
Sewer utility	999,015	941,606	-	-
Total Business-type Activities	1,607,958	1,757,707	-	-
Total	\$ 4,967,668	\$ 2,231,864	\$ 383,027	\$ -

General revenues

- Property taxes, levied for general purposes
- Property taxes, levied for tax incremental districts
- Property taxes, levied for debt service
- Property taxes, levied for capital projects
- Other taxes
- State and federal aids not restricted to specific functions
- Interest and investment earnings
- Gain on sale of capital assets

Transfers

- Total general revenues and transfers

Change in net position

- Cumulative effect of change in accounting principle

Net position - January 1

Net position - December 31

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total	
		2012	2011

\$ (292,813)	\$ -	\$ (292,813)	\$ (277,306)
(930,164)	-	(930,164)	(903,220)
(613,071)	-	(613,071)	(737,037)
(41,779)	-	(41,779)	(43,437)
(10,683)	-	(10,683)	(8,534)
(239,356)	-	(239,356)	(212,383)
(239,587)	-	(239,587)	(160,959)
(135,073)	-	(135,073)	(151,794)
<u>(2,502,526)</u>	<u>-</u>	<u>(2,502,526)</u>	<u>(2,494,670)</u>

-	207,158	207,158	116,455
-	(57,409)	(57,409)	(137,805)
-	149,749	149,749	(21,350)
<u>(2,502,526)</u>	<u>149,749</u>	<u>(2,352,777)</u>	<u>(2,516,020)</u>

1,030,003	-	1,030,003	904,734
839,717	-	839,717	893,507
-	-	-	117,616
135,345	-	135,345	133,407
35,897	-	35,897	39,469
504,011	-	504,011	538,560
55,049	6,860	61,909	74,359
-	-	-	10,191
100,918	(100,918)	-	-
<u>2,700,940</u>	<u>(94,058)</u>	<u>2,606,882</u>	<u>2,711,843</u>

198,414	55,691	254,105	195,823
(30,084)	-	(30,084)	-
<u>18,433,065</u>	<u>12,034,491</u>	<u>30,467,556</u>	<u>30,271,733</u>

<u>\$ 18,601,395</u>	<u>\$ 12,090,182</u>	<u>\$ 30,691,577</u>	<u>\$ 30,467,556</u>
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FUND FINANCIAL STATEMENTS

CITY OF CHILTON, WISCONSIN

Balance Sheet

Governmental Funds

December 31, 2012

(With summarized financial information as of December 31, 2011)

	General	Tax Incremental District #2	Community Rehabilitation
ASSETS			
Cash and investments	\$ 3,567,394	\$ 74,574	\$ 131,695
Receivables			
Taxes	2,878,398	826,798	-
Accounts	4,527	-	-
Special assessments	10,376	409	-
Loans	-	33,386	612,768
Due from other funds	483,154	-	-
TOTAL ASSETS	\$ 6,943,849	\$ 935,167	\$ 744,463
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 137,474	\$ -	\$ 30
Due to other governments	3,819,549	-	-
Due to other funds	-	-	-
Deposits held in trust	4,000	-	-
Total Liabilities	3,961,023	-	30
Deferred Inflows of Resources			
Property taxes	1,172,757	826,798	-
Special assessments	6,861	409	-
Loans	-	-	612,768
Total Deferred Inflows of Resources	1,179,618	827,207	612,768
Fund Balances (Deficit)			
Nonspendable:			
Loans receivable	-	33,386	-
Committed for:			
Subsequent years' expenditures	1,875,602	-	131,665
Unassigned, reported in:			
General fund	(72,394)	-	-
Capital project funds	-	74,574	-
Total Fund Balances (Deficit)	1,803,208	107,960	131,665
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,943,849	\$ 935,167	\$ 744,463

(Continued)

Other Governmental Funds	Total Governmental Funds	
	2012	2011
\$ 612,546	\$ 4,386,209	\$ 4,318,036
52,280	3,757,476	3,744,308
-	4,527	4,187
-	10,785	15,731
865,819	1,511,973	1,536,134
-	483,154	517,376
<u>\$ 1,530,645</u>	<u>\$ 10,154,124</u>	<u>\$ 10,135,772</u>

\$ 298	\$ 137,802	\$ 148,420
-	3,819,549	3,766,647
483,154	483,154	517,376
-	4,000	2,000
<u>483,452</u>	<u>4,444,505</u>	<u>4,434,443</u>

52,280	2,051,835	2,005,990
-	7,270	11,686
32,406	645,174	640,548
<u>84,686</u>	<u>2,704,279</u>	<u>2,658,224</u>

833,413	866,799	895,586
612,473	2,619,740	2,739,498
-	(72,394)	(74,533)
<u>(483,379)</u>	<u>(408,805)</u>	<u>(517,446)</u>
<u>962,507</u>	<u>3,005,340</u>	<u>3,043,105</u>

<u>\$ 1,530,645</u>	<u>\$ 10,154,124</u>	<u>\$ 10,135,772</u>
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CITY OF CHILTON, WISCONSIN

Balance Sheet (Continued)

Governmental Funds

December 31, 2012

(With summarized financial information as of December 31, 2011)

Total Governmental Funds	
2012	2011

Reconciliation to the Statement of Net Position

Total Fund Balances as shown on previous page	\$ 3,005,340	\$ 3,043,105
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,218,573	19,555,228
Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	(4,075,000)	(4,660,000)
Compensated absences	(167,692)	(152,331)
Deferred charges - bond issues	-	30,084
Accrued interest on long-term obligations	(32,270)	(35,255)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Special assessments receivables	7,270	11,686
Loan receivables	645,174	640,548
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 9)	<u>\$ 18,601,395</u>	<u>\$ 18,433,065</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF CHILTON, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012
(With summarized financial information for the year ended December 31, 2011)

	General	Tax Incremental District #2	Community Rehabilitation
Revenues			
Taxes	\$ 1,175,323	\$ 804,788	\$ -
Special assessments	4,416	-	-
Intergovernmental	881,646	21,254	-
Licenses and permits	69,668	-	-
Fines and forfeits	17,232	-	-
Public charges for services	221,748	-	-
Intergovernmental charges for services	105,488	-	-
Miscellaneous	63,605	2,353	26,403
Total Revenues	<u>2,539,126</u>	<u>828,395</u>	<u>26,403</u>
Expenditures			
Current			
General government	216,298	-	-
Public safety	967,517	-	-
Public works	745,225	-	-
Sanitation	256,286	-	-
Health and human services	18,843	-	-
Culture and recreation	371,828	-	-
Development	14,498	271	35,113
Debt service			
Principal	127,383	290,085	-
Interest and fiscal charges	7,961	85,834	-
Capital outlay	-	174,763	-
Total Expenditures	<u>2,725,839</u>	<u>550,953</u>	<u>35,113</u>
Excess of Revenues Over (Under) Expenditures	<u>(186,713)</u>	<u>277,442</u>	<u>(8,710)</u>
Other Financing Sources (Uses)			
Transfers in	100,918	-	-
Transfers out	-	(244,000)	-
Total Other Financing Sources (Uses)	<u>100,918</u>	<u>(244,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>(85,795)</u>	<u>33,442</u>	<u>(8,710)</u>
Fund Balances - January 1	<u>1,889,003</u>	<u>74,518</u>	<u>140,375</u>
Fund Balances - December 31	<u>\$ 1,803,208</u>	<u>\$ 107,960</u>	<u>\$ 131,665</u>

(Continued)

Other Governmental Funds	Total Governmental Funds	
	2012	2011
\$ 49,920	\$ 2,030,031	\$ 2,074,694
-	4,416	7,736
502	903,402	1,054,678
-	69,668	59,011
-	17,232	17,998
-	221,748	225,984
-	105,488	112,371
12,860	105,221	151,207
<u>63,282</u>	<u>3,457,206</u>	<u>3,703,679</u>

-	216,298	190,741
-	967,517	975,392
-	745,225	982,165
-	256,286	250,791
-	18,843	18,800
-	371,828	396,270
285	50,167	209,195
167,532	585,000	405,000
44,263	138,058	150,901
71,904	246,667	117,749
<u>283,984</u>	<u>3,595,889</u>	<u>3,697,004</u>
<u>(220,702)</u>	<u>(138,683)</u>	<u>6,675</u>
244,000	344,918	659,596
-	(244,000)	(566,493)
<u>244,000</u>	<u>100,918</u>	<u>93,103</u>
23,298	(37,765)	99,778
<u>939,209</u>	<u>3,043,105</u>	<u>2,943,327</u>
<u>\$ 962,507</u>	<u>\$ 3,005,340</u>	<u>\$ 3,043,105</u>

CITY OF CHILTON, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended December 31, 2012
(With summarized financial information for the year ended December 31, 2011)

Total Governmental Funds	
2012	2011

Net Change in Fund Balances as shown on previous page \$ (37,765) \$ 99,778

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets reported as expenditures in governmental fund statements	412,925	579,278
Depreciation expense reported in the statement of activities	(710,297)	(705,951)

Certain employee benefits are reported in the governmental 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:	(15,361)	(462)
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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 is:	585,000	405,000
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Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid; in the statement of activities interest is reported as it accrues.	2,985	2,868
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Bond issue costs are reported in the governmental fund as an expenditure. In the statement of activities, these costs are capitalized and amortized over the life of the bonds.	-	(3,761)
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In governmental funds, the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported.	(39,283)	(69,624)
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Because some revenues are not collected soon enough after the City's year end, they are not considered available revenues and are deferred or not recognized in the government funds. This adjustment combines the net changes of the following:		
Special assessments	(4,416)	(7,736)
Loan receivables	4,626	2,595
	4,626	2,595

Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see pages 10 and 11)	\$ 198,414	\$ 301,985
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The notes to the basic financial statements are an integral part of this statement.

CITY OF CHILTON, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,176,633	\$ 1,176,633	\$ 1,175,323	\$ (1,310)
Special assessments	4,400	4,400	4,416	16
Intergovernmental	867,166	871,591	881,646	10,055
Licenses and permits	66,310	66,310	69,668	3,358
Fines and forfeits	20,000	20,000	17,232	(2,768)
Public charges for services	219,350	226,230	221,748	(4,482)
Intergovernmental charges for services	103,000	107,428	105,488	(1,940)
Miscellaneous	48,000	64,969	63,605	(1,364)
Total Revenues	2,504,859	2,537,561	2,539,126	1,565
Expenditures				
Current				
General government	167,764	347,611	216,298	131,313
Public safety	998,927	1,129,391	967,517	161,874
Public works	693,282	1,862,395	745,225	1,117,170
Sanitation	238,110	274,578	256,286	18,292
Health and human services	22,100	60,150	18,843	41,307
Culture and recreation	365,181	666,784	371,828	294,956
Development	18,525	35,128	14,498	20,630
Debt service				
Principal	127,383	127,383	127,383	-
Interest and fiscal charges	7,962	7,962	7,961	1
Total Expenditures	2,639,234	4,511,382	2,725,839	1,785,543
Excess of Revenues Over (Under) Expenditures	(134,375)	(1,973,821)	(186,713)	1,787,108
Other Financing Sources				
Transfer in	93,000	93,000	100,918	7,918
Net Change in Fund Balance	(41,375)	(1,880,821)	(85,795)	1,795,026
Fund Balance - January 1	1,889,003	1,889,003	1,889,003	-
Fund Balance - December 31	\$ 1,847,628	\$ 8,182	\$ 1,803,208	\$ 1,795,026

The notes to the basic financial statements are an integral part of this statement.

CITY OF CHILTON, WISCONSIN

Statement of Net Position

Proprietary Funds

December 31, 2012

(With summarized financial information as of December 31, 2011)

	Water Utility	Sewer Utility	Total	
			2012	2011
ASSETS				
Cash and investments	\$ 1,514,477	\$ 2,869,169	\$ 4,383,646	\$ 4,184,641
Accounts receivable				
Customer accounts	140,138	217,247	357,385	345,868
Note	-	562,500	562,500	625,000
Other	4,061	11,330	15,391	14,233
Due from other funds	46,900	-	46,900	43,811
Inventories	22,293	-	22,293	21,895
Restricted cash and cash equivalents	-	720,462	720,462	681,299
Capital Assets				
Water utility plant	6,674,305	-	6,674,305	6,628,071
Sewer utility plant	-	11,290,341	11,290,341	11,247,482
Less accumulated depreciation	(2,467,115)	(5,752,070)	(8,219,185)	(7,666,312)
TOTAL ASSETS	5,935,059	9,918,979	15,854,038	16,125,988
LIABILITIES				
Accounts payable	10,139	8,003	18,142	36,645
Accrued interest	1,122	-	1,122	1,210
Long-term obligations				
Due within one year	22,952	294,257	317,209	309,050
Due in more than one year	261,594	3,165,789	3,427,383	3,744,592
TOTAL LIABILITIES	295,807	3,468,049	3,763,856	4,091,497
NET POSITION				
Net investment in capital assets	3,922,644	2,078,225	6,000,869	6,155,599
Restricted for capital projects	-	720,462	720,462	681,299
Unrestricted	1,716,608	3,652,243	5,368,851	5,197,593
TOTAL NET POSITION	\$ 5,639,252	\$ 6,450,930	\$ 12,090,182	\$ 12,034,491

The notes to the basic financial statements are an integral part of this statement.

CITY OF CHILTON, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2012
(With summarized financial information for the year ended December 31, 2011)

	Water Utility	Sewer Utility	Total	
			2012	2011
Operating Revenues				
Unmetered sales	\$ 609	\$ -	\$ 609	\$ 169
Metered or measured sales				
Residential	243,884	350,069	593,953	559,133
Commercial	94,821	118,654	213,475	213,413
Industrial	242,712	380,325	623,037	556,481
Public authorities	26,365	26,445	52,810	55,980
Private fire protection	21,910	-	21,910	21,910
Public fire protection	172,859	-	172,859	167,824
Other sales	11,850	47,833	59,683	58,128
Forfeited discounts	1,091	1,386	2,477	3,153
Total Operating Revenues	<u>816,101</u>	<u>924,712</u>	<u>1,740,813</u>	<u>1,636,191</u>
Operating Expenses				
Water utility	435,409	-	435,409	478,424
Sewer utility	-	474,957	474,957	494,197
Depreciation	156,148	427,639	583,787	580,754
Taxes	10,480	-	10,480	11,834
Total Operating Expenses	<u>602,037</u>	<u>902,596</u>	<u>1,504,633</u>	<u>1,565,209</u>
Operating Income	<u>214,064</u>	<u>22,116</u>	<u>236,180</u>	<u>70,982</u>
Nonoperating Revenues (Expenses)				
Interest revenue	-	6,860	6,860	8,291
Miscellaneous revenue	-	16,894	16,894	19,094
Interest expense	(6,906)	(96,419)	(103,325)	(111,426)
Total Nonoperating Revenues (Expenses)	<u>(6,906)</u>	<u>(72,665)</u>	<u>(79,571)</u>	<u>(84,041)</u>
Income (Loss) before Contributions and Transfers	<u>207,158</u>	<u>(50,549)</u>	<u>156,609</u>	<u>(13,059)</u>
Transfer out	<u>(100,918)</u>	<u>-</u>	<u>(100,918)</u>	<u>(93,103)</u>
Change in Net Position	<u>106,240</u>	<u>(50,549)</u>	<u>55,691</u>	<u>(106,162)</u>
Net Position - January 1	<u>5,533,012</u>	<u>6,501,479</u>	<u>12,034,491</u>	<u>12,140,653</u>
Net Position - December 31	<u>\$ 5,639,252</u>	<u>\$ 6,450,930</u>	<u>\$ 12,090,182</u>	<u>\$ 12,034,491</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF CHILTON, WISCONSIN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2012

(With summarized financial information for the year ended December 31, 2011)

	Water Utility	Sewer Utility	Total	
			2012	2011
Cash Flows from Operating Activities				
Cash received from customers	\$ 807,543	\$ 934,400	\$ 1,741,943	\$ 1,639,198
Cash payments to employees	(151,411)	(146,934)	(298,345)	(300,991)
Cash payments to suppliers	(298,143)	(343,259)	(641,402)	(674,466)
Net Cash Provided by Operating Activities	357,989	444,207	802,196	663,741
Cash Flows from Non-Capital Financing Activities				
Paid to municipality for tax equivalent	(100,918)	-	(100,918)	(93,103)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(59,577)	(60,430)	(120,007)	(110,677)
Special assessments	-	-	-	600
Principal payment received on note	-	62,500	62,500	62,500
Principal payments on long-term debt	(22,422)	(286,628)	(309,050)	(301,100)
Interest payments on long-term debt	(6,994)	(96,419)	(103,413)	(111,469)
Net Cash Used in Capital and Related Financing Activities	(88,993)	(380,977)	(469,970)	(460,146)
Cash Flows Provided by Investing Activities				
Interest from investments	-	6,860	6,860	8,291
Net Increase in Cash and Cash Equivalents	168,078	70,090	238,168	118,783
Cash and Cash Equivalents - January 1	1,346,399	3,519,541	4,865,940	4,747,157
Cash and Cash Equivalents - December 31	\$ 1,514,477	\$ 3,589,631	\$ 5,104,108	\$ 4,865,940
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income	\$ 214,064	\$ 22,116	\$ 236,180	\$ 70,982
Adjustments to reconcile operating income to net cash provided by operating activities:				
Miscellaneous revenue	-	16,894	16,894	19,094
Depreciation	156,148	427,639	583,787	580,754
Changes in assets and liabilities				
Accounts receivable	(5,469)	(7,206)	(12,675)	(9,466)
Due from other funds	(3,089)	-	(3,089)	(6,621)
Inventories	(398)	-	(398)	(348)
Accounts payable	(3,267)	(15,236)	(18,503)	9,346
Net Cash Provided by Operating Activities	\$ 357,989	\$ 444,207	\$ 802,196	\$ 663,741
Noncash Investing, Capital and Financing Activities				
None	\$ -	\$ -	\$ -	\$ -

The notes to the basic financial statements are an integral part of this statement.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Chilton ("the City"), Wisconsin, have been prepared in conformity with accounting principles generally accepted in the United States of America (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:

1. Reporting Entity

The City of Chilton is a municipal corporation governed by an elected eight member council. In accordance with GAAP, the basic financial statements are required to include the City (the primary government) and any separate component units that have a significant operational or financial relationship with the City. The City has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement Nos. 14 and 39.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

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

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The City has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

GENERAL FUND

This is the City's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

TAX INCREMENTAL DISTRICT #2

This fund accounts for the resources accumulated and payments made for improvements located in the industrial park.

COMMUNITY REHABILITATION

This fund accounts for the resources accumulated for loans for low income families for residential building improvements. The significant revenue of this fund are loan repayments.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major proprietary funds:

WATER UTILITY

This fund is used to account for the operations of the City's water utility.

SEWER UTILITY

This fund is used to account for the operations of the City's sewer utility.

3. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues such as licenses and permits, other fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

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 and other charges between the City's water and sewer utilities and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various activities concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

4. Assets, Liabilities, Deferred Outflows/Inflows of resources and Net Position or Fund Balance

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the financial statements.

The amount reported on the statement of net position for internal balances represents the residual balance outstanding between the governmental activities and business-type activities.

d. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental fund types in the fund financial statements are offset by nonspendable fund balance accounts to indicate that they do not represent spendable available financial resources.

e. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental fund types in the fund financial statements are offset by nonspendable fund balance accounts to indicate that they do not represent spendable available financial resources.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	Governmental Activities	Business-type Activities
	Years	
Improvements other than buildings	-	25 - 100
Buildings	20 - 50	25 - 50
Machinery and equipment	5 - 20	3 - 10
Infrastructure	25 - 100	-

g. Compensated Absences

Compensated absences (unpaid vacation and sick leave) for governmental fund employees are recorded as expenditures in the year earned. The City's policy is to pay fifty percent of accumulated sick leave to employees who retire.

h. Deferred Outflows/Inflows of Resources

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended December 31, 2012. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category, property taxes. This amount will be recognized as an inflow of resources in the subsequent year for which it was levied. The City also has an additional type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, special assessments and loans. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as interest and fiscal charges expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

j. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the City Council. These constraints can only be removed or changed by the City Council using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of City management. The City Council has not authorized an employee to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

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

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - Amount of net position that are subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - Net position that is neither classified as restricted nor as net investment in capital assets.

k. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

l. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, changes in net position, fund balance or changes in fund balance.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. During November or December, City management submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by City Council action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year other than annual continuing appropriations were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the governmental funds. Management control for the Community Rehabilitation special revenue fund, which is considered a major fund, allows all available revenues from loan repayments to be expended for qualifying new loan applications. Management control for the capital projects funds is achieved through project authorizations included in debt issue resolutions.
- d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the City. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the City Council.
- e. Encumbrance accounting is not used by the City to record commitments related to unperformed contracts for goods or services.

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2012.

2. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2012:

Fund	Deficit Fund Equity
Tax Incremental District #5	\$ 219,693
Redevelopment Authority	447

The City anticipates funding the above deficits from future revenues and tax levies of the funds.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The City maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed in the financial statements as "Cash and investments."

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the City's cash and investments totaled \$9,490,317 on December 31, 2012 as summarized below:

Petty cash funds	\$ 5,200
Deposits with financial institutions	8,391,054
Investments	1,094,063
	\$ 9,490,317

Reconciliation to the basic financial statements:

Statement of Net Position

Cash and investments	\$ 8,769,855
Restricted cash and investments	720,462
	\$ 9,490,317

Deposits and investments of the City are subject to various risks. Presented below is a discussion of the specific risks and the City's policy related to the risk.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The City does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for interest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for all time accounts, savings accounts and interest-bearing demand deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. In addition, the City's non-interest bearing transaction accounts are fully insured through December 31, 2012. As of January, 2013, the City's non-interest bearing transaction accounts are combined with its interest-bearing demand deposits to determine FDIC insurance coverage. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

As of December 31, 2012, \$1,450,581 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits. Of this amount, \$203,405 was collateralized by the pledging financial institution or its trust department or agent but not in the City's name. A majority of the uninsured deposits are due to advance tax collections that will be remitted to other local governments in January of 2013.

Investments

The City has investments in the Wisconsin local government investment pool of \$1,094,063 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2012, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investments held by the Wisconsin local government investment pool mature in 12 months or less.

2. Restricted Assets

Restricted assets on December 31, 2012 totaled \$720,462 and consisted of cash and investments held for the following purposes:

Enterprise Funds

Sewer Utility

Equipment replacement

\$ 720,462

3. Property Taxes

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are purchased by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the City.

The City bills and collects its own property taxes and also levies and collects taxes for the Chilton Lake District, Chilton School District, Calumet County, Fox Valley Technical College and the State of Wisconsin.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,707,525	\$ -	\$ -	\$ 5,707,525
Capital assets, being depreciated:				
Land improvements	1,056,661	-	-	1,056,661
Buildings	4,790,140	-	-	4,790,140
Machinery and equipment	5,034,584	55,226	(5,951)	5,083,859
Infrastructure	15,082,100	357,699	(132,529)	15,307,270
Subtotals	25,963,485	412,925	(138,480)	26,237,930
Less accumulated depreciation for:				
Land improvements	(39,914)	(11,404)	-	(51,318)
Buildings	(2,018,495)	(106,620)	-	(2,125,115)
Machinery and equipment	(3,616,704)	(150,534)	5,951	(3,761,287)
Infrastructure	(6,440,669)	(441,739)	93,246	(6,789,162)
Subtotals	(12,115,782)	(710,297)	99,197	(12,726,882)
Total capital assets, being depreciated, net	13,847,703	(297,372)	(39,283)	13,511,048
Governmental activities capital assets, net	<u>\$ 19,555,228</u>	<u>\$ (297,372)</u>	<u>\$ (39,283)</u>	19,218,573
Less related long-term debt outstanding				<u>4,075,000</u>
Net investment in capital assets				<u>\$ 15,143,573</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 99,012	\$ -	\$ -	\$ 99,012
Construction in progress	23,600	1,571	-	25,171
Total capital assets, not being depreciated	122,612	1,571	-	124,183
Capital assets, being depreciated:				
Buildings and improvements	12,995,419	73,840	(25,745)	13,043,514
Machinery and equipment	4,757,522	44,596	(5,169)	4,796,949
Subtotals	17,752,941	118,436	(30,914)	17,840,463
Less accumulated depreciation	(7,666,312)	(583,787)	30,914	(8,219,185)
Total capital assets, being depreciated, net	10,086,629	(465,351)	-	9,621,278
Business-type activities capital assets, net	<u>\$ 10,209,241</u>	<u>\$ (463,780)</u>	<u>\$ -</u>	9,745,461
Less related long-term debt outstanding				<u>3,744,592</u>
Net investment in capital assets				<u>\$ 6,000,869</u>

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation expense was charged to functions of the City as follows:

Governmental activities	
General government	\$ 54,815
Public safety	124,089
Public works	485,846
Health and human services	499
Culture and recreation	45,048
Total depreciation expense - governmental activities	\$ 710,297
Business-type activities	
Water utility	\$ 156,148
Sewer utility	427,639
Total depreciation expense - business-type activities	\$ 583,787

5. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2012 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Charges Between Funds		
General Fund	\$ 483,154	\$ -
Tax Incremental District #4	-	132,752
Tax Incremental District #5	-	349,955
Redevelopment Authority	-	447
Totals	\$ 483,154	\$ 483,154

Interfund transfers for the year ended December 31, 2012 were as follows:

	Total	Transfer to:		
		General Fund	TID #4	TID #5
Transfer from:				
Water Utility	\$ 100,918	\$ 100,918	\$ -	\$ -
TID #2	244,000	-	217,000	27,000
	\$ 344,918	\$ 100,918	\$ 217,000	\$ 27,000

The transfers represent payment of the annual property tax equivalent and sharing of tax incremental district revenues.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

6. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2012:

	Outstanding 1/1/12	Issued	Retired	Outstanding 12/31/12	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 2,275,000	\$ -	\$ 320,000	\$ 1,955,000	\$ 345,000
Notes	2,385,000	-	265,000	2,120,000	280,000
Total General Obligation Debt	4,660,000	-	585,000	4,075,000	625,000
Compensated absences	152,331	16,701	1,340	167,692	-
Governmental activities Long-term obligations	<u>\$ 4,812,331</u>	<u>\$ 16,701</u>	<u>\$ 586,340</u>	<u>\$ 4,242,692</u>	<u>\$ 625,000</u>
Business-type activities:					
Revenue bonds	<u>\$ 4,053,642</u>	<u>\$ -</u>	<u>\$ 309,050</u>	<u>\$ 3,744,592</u>	<u>\$ 317,209</u>

Total interest paid during the year on long-term debt totaled \$241,471.

General Obligation Debt

General obligation debt outstanding is detailed as follows:

Bonds

\$2,195,000 issued 3/1/05; \$50,000 to \$470,000 due annually through 2017;
interest 2.5% to 3.6% \$ 1,520,000

\$720,000 issued 3/13/10; \$140,000 to \$145,000 due annually through 2015;
interest 1.0% to 1.9% 435,000

Notes

\$2,385,000 issued 3/19/09; \$265,000 to \$370,000 due annually through
2019; interest 3.29% 2,120,000

Total Outstanding General Obligation Debt \$ 4,075,000

Annual principal and interest maturities of the outstanding general obligation debt of \$4,075,000 on December 31, 2012 are detailed below:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
2013	\$ 625,000	\$ 124,415	\$ 749,415
2014	645,000	108,375	753,375
2015	645,000	47,910	692,910
2016	710,000	72,145	782,145
2017	750,000	47,250	797,250
2018-2019	700,000	26,475	726,475
	<u>\$ 4,075,000</u>	<u>\$ 426,570</u>	<u>\$ 4,501,570</u>

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2012 was \$7,629,570 as follows:

Equalized valuation of the City	\$ 234,091,400
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	11,704,570
Less outstanding general obligation debt applicable to debt limitation	(4,075,000)
Legal Margin for New Debt	\$ 7,629,570

Revenue Bonds

Revenue bond debt service requirements are financed from operations of the enterprise funds. Revenue bonds outstanding on December 31, 2012 totaled \$3,744,592 and were comprised of the following issues:

Sewer Utility

\$3,418,071 issued 11/1/99; \$173,648 to \$225,340 due annually through 2019; interest 2.64%	\$ 1,460,744
\$2,318,000; of which \$2,202,860 has been received; \$92,232 to \$145,833 due annually through 2028; interest 2.703%	1,999,302

Water Utility

\$450,065 issued 4/14/04; \$20,903 to \$28,996 due annually through 2023; interest 2.365%	284,546
	\$ 3,744,592

Annual principal and interest maturities of the above outstanding enterprise fund revenue bonds of \$4,385,030 on December 31, 2012 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2013	\$ 317,209	\$ 95,147	\$ 412,356
2014	325,584	86,661	412,245
2015	334,181	77,951	412,132
2016	343,005	69,010	412,015
2017	352,061	59,834	411,895
2018-2022	1,192,422	180,685	1,373,107
2023-2027	728,650	69,103	797,753
2028	151,480	2,047	153,527
Total	\$ 3,744,592	\$ 640,438	\$ 4,385,030

Utility Revenues Pledged

The City has pledged future customer revenues, net of specified operating expenses, to repay the water and sewer system revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used with the utility. The bonds are payable solely from water and sewer customer net revenues and are payable through 2028. The total principal and interest remaining to be paid on the bonds is \$4,385,030. Principal and interest paid for the current year and total customer net revenues were \$412,463 and \$819,967, respectively.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

7. Minimum Fund Balance Policy

The City Council has adopted a policy that fund balance in the amount of 7% to 12% of the actual current year general fund expenditures be maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Actual 2012 General Fund Expenditures	\$2,725,839
Minimum Fund Balance %	(x) 7% - 12%
Minimum Fund Balance Amount	\$190,809 - \$327,101

Committed fund balances in the general fund currently exceeds the minimum fund balance amount.

8. Fund Equity

In the fund financial statements, portions of governmental fund balances are committed by City Council action. At December 31, 2012, fund balance was committed as follows:

Council (Reserve)	\$ 8,765
Mayor (Reserve)	2,803
Attorney (Reserve)	6,445
Clerk (Reserve)	21,190
Elections - Capital	1,214
Data Processing (Reserve)	3,071
Data Processing (Capital)	10,000
Accounting & Auditing (Reserve)	600
Assessment of Property (Reserve)	2,603
City Hall (Reserve)	24,682
City Clock (Reserve)	563
Insurance (Reserve)	49,377
Police - Capital Equipment	60,586
Police (Reserve)	70,617
School Patrol (Reserve)	1,721
Fire Department - Capital Equipment	43,160
Fire Department - Future Fire Truck	(72,332)
Fire Department (Reserve)	55,974
Building Inspector (Reserve)	498
Civil Defense - Reserve	1,654
Department of Public Works (Reserve)	42,637
Street Department Buildings (Reserve)	65,178
Street Department Buildings - Capital Improvement	1,683
Street Machinery Operations (Reserve)	33,219
Street Machinery Operations - Capital Equipment	286,705
Street Maintenance - Capital Improvement	250,371
Street Cleaning (Reserve)	11,524

(Continued)

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Snow & Ice (Reserve)	13,149
Street Signs and Markings (Reserve)	19,741
Street Signs and Markings - Capital Improvement	13,610
Street Construction - Capital Improvement	159,356
Street Lighting (Reserve)	57,654
Street Lighting - Capital Improvement	86,217
Sidewalks - Capital Improvement	13,815
Curb and Gutter - Capital Improvement	15,000
Storm Sewer - Capital	32,977
Pits & Quarries (Reserve)	1,975
Solid Waste Collection (Reserve)	2,722
Refuse Disposal (Reserve)	4,765
Refuse Disposal - Bulky Item	2,300
Recycling - Capital Improvements	8,504
Tree Board (Reserve)	2,580
Weed Control (Reserve)	9,780
Cemetery (Reserve)	14,675
Cemetery - Capital Improvements	26,631
Library - Oper. Reserve	1,696
Library - Capital Improvements	14,117
Library Revenue/Expense - Capital	53,340
Cable TV - Capital	2,000
Parks (Reserve)	66,583
Parks - Capital Equipment	85,231
Recreation Department - Capital	14,103
Hobart Field (Reserve)	3,637
Hobart Field - Capital	5,493
Celebrations & Entertainment	324
Band (Reserve)	5,316
Band - Capital Equipment	13,057
Christmas Decorations (Reserve)	14,531
Skating Rinks	15,527
Planning (Reserve)	2,520
Planning (Capital)	1,920
Redevelopment (Capital)	1,423
Industrial and Commercial Development (Reserve)	1,639
Industrial and Commercial Development (Capital)	800
Advances and Promotions (Reserve)	3,925
Maps and Plats - Capital Improvements	7,836
Maps and Plats - Operating Reserve	567
Health Insurance	90,058
	<u>\$ 1,875,602</u>

In addition, all special revenue and capital project fund balances have been committed to the activities of the respective funds.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE D - OTHER INFORMATION

1. Retirement Commitments

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

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

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

	2012	
	Employee	Employer
General (including Teachers)	5.9%	5.9%
Executives & Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.0%
Protective without Social Security	5.9%	11.3%

The payroll for City employees covered by the WRS for the year ended December 31, 2012 was \$1,098,171; the employer's total payroll was \$1,230,556. The total required contribution for the year ended December 31, 2012 was \$147,756, which consisted of \$102,052 or 9.29% of covered payroll from the employer, and \$45,704, or 4.16% of covered payroll from employees. Total contributions for the years ended December 31, 2011 and 2010 were \$149,967 and \$132,442, respectively, equal to the required contributions for each year.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE D - OTHER INFORMATION (Continued)

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

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931

2. Risk Management

The City has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenditures or expenses in various funds of the City.

3. Tax Incremental Districts

The City has established three separate capital projects funds for Tax Incremental Districts (TID) created by the City in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the Districts were created, the property tax base within each District was "frozen" and increment taxes resulting from increases to the property tax base are used to finance District improvements, including principal and interest on long-term debt issued by the City to finance such improvements. Except for certain exceptions under Section 66.1105(6)(am)(2), the Statutes allow 15 or 22 years after its creation date for a tax incremental district to incur project costs eligible for financing from tax increments. The City's three active Districts were created on January 1, 1992 and January 1, 2005, respectively, and therefore were still eligible to incur project costs for the year ended December 31, 2012.

Since creation of the above Districts, the City has provided various financing sources to each TID. These costs can be recovered from any future excess tax increment revenues. Detail of the amounts recoverable by the City as of December 31, 2012 from future excess tax increment revenues follows:

	Total	TID No. 2	TID No. 4	TID No. 5
Net Unreimbursed Project Costs	\$3,234,411	\$2,244,645	\$770,073	\$219,693

The intent of the City is to recover the above amounts from future TID surplus funds, if any, prior to termination of the respective Districts. Unless terminated by the City prior thereto, each TID has a statutory termination year as follows:

	Termination Year
TID No. 2	2018
TID No. 4	2031
TID No. 5	2031

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE D - OTHER INFORMATION (Continued)

4. Major Customer

Revenue from one industrial customer aggregated approximately 24% of total Water Utility enterprise fund operating revenue and 34% of total Sewer Utility enterprise fund operating revenue in 2012.

5. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2012 and 2013 budget years, Wisconsin statutes limit the increase in the maximum allowable tax levy to the change in the City's January 1 equalized value as a result of net new construction. The actual limit for the 2012 budget was .90%. The actual limit for the City for the 2013 budget was .56%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

6. Contingencies

From time to time, the City is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

7. Cumulative Effect of Change in Accounting Principle

The City has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires debt issuance costs to be expensed in the period incurred, rather than recorded as assets and amortized over the life of the related debt issue. Financial statements for the year ended December 31, 2011 have not been restated. The cumulative effect of this change was to decrease the December 31, 2012 net position of the governmental activities by \$30,084.

SUPPLEMENTARY INFORMATION

CITY OF CHILTON, WISCONSIN

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2012

(With summarized financial information as of December 31, 2011)

	General Capital Improvements	Tax Incremental District # 4	Tax Incremental District #5
ASSETS			
Cash and investments	\$ 477,719	\$ -	\$ -
Receivables			
Taxes	-	44,914	7,366
Loans	-	702,926	130,487
TOTAL ASSETS	\$ 477,719	\$ 747,840	\$ 137,853
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 225
Due to other funds	-	132,752	349,955
Total Liabilities	-	132,752	350,180
Deferred Inflows of Resources			
Property taxes	-	44,914	7,366
Loans	-	-	-
Total Deferred Inflows of Resources	-	44,914	7,366
Fund Balances (Deficits)			
Nonspendable loans receivable	-	702,926	130,487
Committed for subsequent years' expenditures	477,719	-	-
Unassigned	-	(132,752)	(350,180)
Total Fund Balances (Deficits)	477,719	570,174	(219,693)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 477,719	\$ 747,840	\$ 137,853

Chilton Lake District	Library Donations	Economic Development	Redevelopment Authority	Total Nonmajor Governmental Funds	
				2012	2011
\$ 37,882	\$ 88,245	\$ 8,700	\$ -	\$ 612,546	\$ 747,131
-	-	-	-	52,280	-
-	-	32,406	-	865,819	640,548
<u>\$ 37,882</u>	<u>\$ 88,245</u>	<u>\$ 41,106</u>	<u>\$ -</u>	<u>\$ 1,530,645</u>	<u>\$ 1,387,679</u>

\$ 73	\$ -	\$ -	\$ -	\$ 298	\$ 70
-	-	-	447	483,154	162
<u>73</u>	<u>-</u>	<u>-</u>	<u>447</u>	<u>483,452</u>	<u>232</u>

-	-	-	-	52,280	-
-	-	32,406	-	32,406	640,548
<u>-</u>	<u>-</u>	<u>32,406</u>	<u>-</u>	<u>84,686</u>	<u>640,548</u>

-	-	-	-	833,413	747,061
37,809	88,245	8,700	-	612,473	-
-	-	-	(447)	(483,379)	(162)
<u>37,809</u>	<u>88,245</u>	<u>8,700</u>	<u>(447)</u>	<u>962,507</u>	<u>746,899</u>
<u>\$ 37,882</u>	<u>\$ 88,245</u>	<u>\$ 41,106</u>	<u>\$ -</u>	<u>\$ 1,530,645</u>	<u>\$ 747,131</u>

CITY OF CHILTON, WISCONSIN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

Nonmajor Governmental Funds

For the Year Ended December 31, 2012

(With summarized financial information for the year ended December 31, 2011)

	General Capital Improvements	Tax Incremental District #4	Tax Incremental District #5
Revenues			
Taxes	\$ -	\$ 16,074	\$ 18,855
Intergovernmental	-	304	124
Miscellaneous	2,776	3,134	2,098
Total Revenues	<u>2,776</u>	<u>19,512</u>	<u>21,077</u>
Expenditures			
Current			
Development	-	-	-
Debt service			
Principal	-	167,532	-
Interest and fiscal charges	-	44,263	-
Capital outlay	-	43,212	11,786
Total Expenditures	<u>-</u>	<u>255,007</u>	<u>11,786</u>
Excess of Revenues Over (Under) Expenditures	2,776	(235,495)	9,291
Other Financing Sources			
Transfers in	-	217,000	27,000
Net Change in Fund Balances	2,776	(18,495)	36,291
Fund Balances (Deficit) - January 1	<u>474,943</u>	<u>588,669</u>	<u>(255,984)</u>
Fund Balances (Deficit) - December 31	<u>\$ 477,719</u>	<u>\$ 570,174</u>	<u>\$ (219,693)</u>

Chilton Lake District	Library Donations	Economic Development	Redevelopment Authority	Total Nonmajor Governmental Funds	
				2012	2011
\$ 14,991	\$ -	\$ -	\$ -	\$ 49,920	\$ 14,998
74	-	-	-	502	89
132	154	4,566	-	12,860	56,329
<u>15,197</u>	<u>154</u>	<u>4,566</u>	<u>-</u>	<u>63,282</u>	<u>71,416</u>
-	-	-	285	285	53,877
-	-	-	-	167,532	-
-	-	-	-	44,263	-
16,906	-	-	-	71,904	19,358
<u>16,906</u>	<u>-</u>	<u>-</u>	<u>285</u>	<u>283,984</u>	<u>73,235</u>
(1,709)	154	4,566	(285)	(220,702)	(1,819)
-	-	-	-	244,000	14,060
(1,709)	154	4,566	(285)	23,298	12,241
39,518	88,091	4,134	(162)	939,209	734,658
<u>\$ 37,809</u>	<u>\$ 88,245</u>	<u>\$ 8,700</u>	<u>\$ (447)</u>	<u>\$ 962,507</u>	<u>\$ 746,899</u>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

To the Mayor and City Council
Chilton, 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 and the related notes to the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chilton, Wisconsin, as of and for the year ended December 31, 2012, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated February 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Chilton, Wisconsin's internal control over financial reporting 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 of Chilton, Wisconsin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Chilton, Wisconsin's internal control over financial reporting.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2012-01 that we consider to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Chilton, Wisconsin'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*.

City of Chilton, Wisconsin's Response to Finding

The City of Chilton, Wisconsin's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Chilton, Wisconsin's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Certified Public Accountants
Green Bay, Wisconsin
February 8, 2013

CITY OF CHILTON, WISCONSIN
Schedule of Findings and Responses
For the Year Ended December 31, 2012

Section I - Internal Control Over Financial Reporting

Finding No.	Internal Control Deficiency
2012-01	Preparation of Annual Financial Report
Condition:	Current City staff maintains accounting records which reflect the City's financial transactions; however, preparing the City's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The City contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to prepare the annual financial report in an efficient manner.
Criteria:	The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential misstatement in the financial statements or notes.
Cause:	City management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Effect:	Without our involvement, the City may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Recommendation:	We recommend the City continue reviewing the annual financial report prepared by Schenck. While it may not be cost beneficial to train additional staff to completely prepare a report, a thorough review of this information by appropriate staff of the City is necessary to obtain a complete and adequate understanding of the City's annual financial report.
Management Response:	We will continue to review the annual financial reports prior to issuance.

Section II - Compliance and Other Matters

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2012.