

CITY OF CHILTON, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2013

CITY OF CHILTON, WISCONSIN

December 31, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2013, 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.

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.

Report on Summarized Financial Information

We have previously audited the City of Chilton's 2012 financial statements, and our report dated February 8, 2013, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2014, 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* in considering the City's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
March 24, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS



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MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013

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, 2013.

Financial Highlights

- The assets of the City exceeded its liabilities and deferred inflows of resources as of December 31, 2013 by \$31.0 million (*net position*). Of this amount, \$6.9 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 \$345,200. The primary factor was positive results in the governmental activities.
 - As of December 31, 2013, the City's governmental activities reported ending net position of \$18,958,879, an increase of \$357,484 in comparison with the prior year. Approximately 8% of this total amount, \$1,513,128 is *available for spending* at the City's discretion (*unrestricted net position*).
 - As of December 31, 2013, unassigned fund balance for the general fund was a deficit of \$41,897. However, committed fund balance of \$1,658,133 was available.
 - The City's total general-obligation debt decreased by \$585,000 during 2013, 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, liabilities and deferred outflows/inflows of resources with the difference 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 - 38 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 39 - 42.

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 and deferred inflows of resources by \$31.0 million at the close of 2013.

| City of Chilton's Net Position | | | | | | |
|--|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
| (in thousands of dollars) | | | | | | |
| | Governmental Activities | | Business-type Activities | | Totals | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current and other assets | \$ 9,932 | \$ 9,624 | \$ 5,414 | \$ 5,388 | \$ 15,346 | \$ 15,012 |
| Restricted cash | - | - | 797 | 720 | 797 | 720 |
| Capital assets | 18,981 | 19,219 | 9,312 | 9,746 | 28,293 | 28,965 |
| Total Assets | 28,913 | 28,843 | 15,523 | 15,854 | 44,436 | 44,697 |
| Current liabilities | 3,896 | 3,946 | 18 | 19 | 3,914 | 3,965 |
| Long-term liabilities outstanding | 3,661 | 4,243 | 3,427 | 3,745 | 7,088 | 7,988 |
| Deferred inflows of resources | 2,397 | 2,053 | - | - | 2,397 | 2,053 |
| Total Liabilities and Deferred Inflows of Resources | 9,954 | 10,242 | 3,445 | 3,764 | 13,399 | 14,006 |
| Net Position | | | | | | |
| Net investment in capital assets | 15,490 | 15,144 | 5,885 | 6,001 | 21,375 | 21,145 |
| Restricted | 1,955 | 1,769 | 797 | 720 | 2,752 | 2,489 |
| Unrestricted | 1,514 | 1,688 | 5,396 | 5,369 | 6,910 | 7,057 |
| Total Net Position | \$ 18,959 | \$ 18,601 | \$ 12,078 | \$ 12,090 | \$ 31,037 | \$ 30,691 |

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 (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$6.9 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 \$358,000, 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 | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 493 | \$ 474 | \$ 1,772 | \$ 1,758 | \$ 2,265 | \$ 2,232 |
| Operating grants and contributions | 455 | 383 | - | - | 455 | 383 |
| General Revenues | | | | | | |
| Property taxes | 2,052 | 2,005 | - | - | 2,052 | 2,005 |
| Other taxes | 40 | 36 | - | - | 40 | 36 |
| Grants and contributions not restricted to specific programs | 504 | 504 | - | - | 504 | 504 |
| Other | 53 | 55 | 5 | 7 | 58 | 62 |
| Total Revenues | 3,597 | 3,457 | 1,777 | 1,765 | 5,374 | 5,222 |
| Expenses | | | | | | |
| General government | 288 | 311 | - | - | 288 | 311 |
| Public safety | 1,026 | 1,056 | - | - | 1,026 | 1,056 |
| Public works | 956 | 865 | - | - | 956 | 865 |
| Sanitation | 274 | 264 | - | - | 274 | 264 |
| Health and human services | 24 | 19 | - | - | 24 | 19 |
| Culture and recreation | 389 | 418 | - | - | 389 | 418 |
| Development | 240 | 292 | - | - | 240 | 292 |
| Interest on debt | 150 | 135 | - | - | 150 | 135 |
| Water utility | - | - | 644 | 609 | 644 | 609 |
| Sewer utility | - | - | 1,037 | 999 | 1,037 | 999 |
| Total Expenses | 3,347 | 3,360 | 1,681 | 1,608 | 5,028 | 4,968 |
| Transfers | 108 | 101 | (108) | (101) | - | - |
| Change in Net Position | 358 | 198 | (12) | 56 | 346 | 254 |
| Change in Accounting Principle | - | (30) | - | - | - | (30) |
| Net Position - January 1 | 18,601 | 18,433 | 12,090 | 12,034 | 30,691 | 30,467 |
| Net Position - December 31 | \$ 18,959 | \$ 18,601 | \$ 12,078 | \$ 12,090 | \$ 31,037 | \$ 30,691 |

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, 2013, the City's governmental funds reported combined ending fund balances of \$3,023,302, an increase of \$17,962 in comparison with the prior year. Approximately 55% of this amount \$1,667,342 constitutes *committed and unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending.

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 \$1,616,236. The entire amount was considered committed.

The fund balance of the City's general fund decreased by \$186,972 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 \$736. The fund balance of the Tax Incremental District #2 fund decreased by \$107,224 during the current year.

The Community Rehabilitation Fund increased by \$12,710 representing activity of the City's rehabilitation loan program. The total fund balance is \$144,375.

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 \$1,744,043. The increase in net position was \$40,730.

Unrestricted net position of the sewer utility at the end of the year amounted to \$3,651,937. The decrease in net position during the year was \$53,014.

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 \$1,780,246 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 \$18,141. Actual expenditures were less than budgeted expenditures by \$1,507,316, 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, 2013 amounts to \$28.3 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 | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Land and improvements | \$ 6,745 | \$ 6,764 | \$ 99 | \$ 99 | \$ 6,844 | \$ 6,863 |
| Buildings and improvements | 4,813 | 4,790 | 13,043 | 13,044 | 17,856 | 17,834 |
| Machinery and equipment | 5,224 | 5,084 | 4,791 | 4,797 | 10,015 | 9,881 |
| Infrastructure | 15,486 | 15,307 | - | - | 15,486 | 15,307 |
| Construction in progress | - | - | 152 | 25 | 152 | 25 |
| Accumulated depreciation | (13,288) | (12,727) | (8,773) | (8,219) | (22,061) | (20,946) |
| Total | \$ 18,980 | \$ 19,218 | \$ 9,312 | \$ 9,746 | \$ 28,292 | \$ 28,964 |

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$6,917,383. Of this amount, \$3,490,000 comprises debt backed by the full faith and credit of the government, and \$3,427,383 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 | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| General Obligation Debt | | | | | | |
| Bonds | \$ 1,650 | \$ 1,955 | \$ - | \$ - | \$ 1,650 | \$ 1,955 |
| Notes | 1,840 | 2,120 | - | - | 1,840 | 2,120 |
| Total General Obligation Debt | 3,490 | 4,075 | - | - | 3,490 | 4,075 |
| Revenue bonds | - | - | 3,427 | 3,745 | 3,427 | 3,745 |
| Total | \$ 3,490 | \$ 4,075 | \$ 3,427 | \$ 3,745 | \$ 6,917 | \$ 7,820 |

The City's total bonded debt decreased by \$903,000 (11%) 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 \$11,826,015, which is significantly greater than the City's \$3,490,000 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 2014 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, 2013

(With summarized financial information as of December 31, 2012)

| | Governmental Activities | Business-type Activities | Total | |
|--------------------------------------|----------------------------|-----------------------------|----------------------|----------------------|
| | | | 2013 | 2012 |
| ASSETS | | | | |
| Cash and investments | \$ 4,639,323 | \$ 4,473,517 | \$ 9,112,840 | \$ 8,769,855 |
| Receivables | | | | |
| Taxes | 3,687,191 | - | 3,687,191 | 3,757,476 |
| Customer accounts | 3,205 | 367,936 | 371,141 | 361,912 |
| Special assessments | 12,892 | - | 12,892 | 10,785 |
| Notes | 1,638,162 | 500,000 | 2,138,162 | 2,074,473 |
| Other | - | 4,460 | 4,460 | 15,391 |
| Internal balances | (48,439) | 48,439 | - | - |
| Inventories | - | 20,029 | 20,029 | 22,293 |
| Restricted Assets | | | | |
| Restricted cash and cash equivalents | - | 796,857 | 796,857 | 720,462 |
| Capital Assets | | | | |
| Land and improvements | 6,745,464 | 99,012 | 6,844,476 | 6,863,198 |
| Buildings | 4,812,875 | 13,043,051 | 17,855,926 | 17,833,654 |
| Machinery and equipment | 5,224,424 | 4,791,390 | 10,015,814 | 9,880,808 |
| Infrastructure | 15,485,494 | - | 15,485,494 | 15,307,270 |
| Construction in progress | - | 151,832 | 151,832 | 25,171 |
| Less: Accumulated depreciation | (13,287,735) | (8,772,841) | (22,060,576) | (20,946,067) |
| TOTAL ASSETS | 28,912,856 | 15,523,682 | 44,436,538 | 44,696,681 |
| LIABILITIES | | | | |
| Accounts payable | 82,078 | 17,416 | 99,494 | 109,044 |
| Accrued interest payable | 21,317 | 985 | 22,302 | 33,392 |
| Due to other governments | 3,788,094 | - | 3,788,094 | 3,819,549 |
| Deposits held in trust | 4,000 | - | 4,000 | 4,000 |
| Long-term obligations | | | | |
| Due within one year | 665,000 | 325,585 | 990,585 | 942,209 |
| Due in more than one year | 2,996,079 | 3,101,798 | 6,097,877 | 7,045,075 |
| TOTAL LIABILITIES | 7,556,568 | 3,445,784 | 11,002,352 | 11,953,269 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Property taxes | 2,077,409 | - | 2,077,409 | 2,051,835 |
| Loans receivable | 320,000 | - | 320,000 | - |
| | 2,397,409 | - | 2,397,409 | 2,051,835 |
| NET POSITION | | | | |
| Net investment in capital assets | 15,490,522 | 5,885,061 | 21,375,583 | 21,144,442 |
| Restricted for | | | | |
| Community rehabilitation | 743,644 | - | 743,644 | 744,463 |
| Library donations | 179,163 | - | 179,163 | 88,245 |
| Capital projects | 1,032,422 | 796,857 | 1,829,279 | 1,656,622 |
| Unrestricted | 1,513,128 | 5,395,980 | 6,909,108 | 7,057,805 |
| TOTAL NET POSITION | \$ 18,958,879 | \$ 12,077,898 | \$ 31,036,777 | \$ 30,691,577 |

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, 2013
(With summarized financial information for the year ended December 31, 2012)

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities | | | | |
| General government | \$ 288,086 | \$ 14,329 | \$ - | \$ - |
| Public safety | 1,025,716 | 107,233 | 11,199 | - |
| Public works | 956,414 | 29,970 | 224,819 | - |
| Sanitation | 273,514 | 205,403 | 23,871 | - |
| Health and human services | 23,843 | 18,780 | - | - |
| Culture and recreation | 388,943 | 89,639 | 193,556 | - |
| Development | 240,429 | 27,359 | 2,032 | - |
| Interest on debt | 150,469 | - | - | - |
| Total Governmental Activities | 3,347,414 | 492,713 | 455,477 | - |
| Business-type Activities | | | | |
| Water utility | 644,717 | 792,806 | - | - |
| Sewer utility | 1,037,379 | 979,580 | - | - |
| Total Business-type Activities | 1,682,096 | 1,772,386 | - | - |
| Total | \$ 5,029,510 | \$ 2,265,099 | \$ 455,477 | \$ - |

General revenues

- Property taxes, levied for general purposes
- Property taxes, levied for tax incremental districts
- 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 Position | | | |
|--|-----------------------------|-------|------|
| Governmental Activities | Business-type Activities | Total | |
| | | 2013 | 2012 |

| | | | |
|--------------------|----------|--------------------|--------------------|
| \$ (273,757) | \$ - | \$ (273,757) | \$ (292,813) |
| (907,284) | - | (907,284) | (930,164) |
| (701,625) | - | (701,625) | (613,071) |
| (44,240) | - | (44,240) | (41,779) |
| (5,063) | - | (5,063) | (10,683) |
| (105,748) | - | (105,748) | (239,356) |
| (211,038) | - | (211,038) | (239,587) |
| (150,469) | - | (150,469) | (135,073) |
| <u>(2,399,224)</u> | <u>-</u> | <u>(2,399,224)</u> | <u>(2,502,526)</u> |

| | | | |
|----------|---------------|---------------|----------------|
| - | 148,089 | 148,089 | 207,158 |
| - | (57,799) | (57,799) | (57,409) |
| <u>-</u> | <u>90,290</u> | <u>90,290</u> | <u>149,749</u> |

| | | | |
|--------------------|---------------|--------------------|--------------------|
| <u>(2,399,224)</u> | <u>90,290</u> | <u>(2,308,934)</u> | <u>(2,352,777)</u> |
|--------------------|---------------|--------------------|--------------------|

| | | | |
|------------------|------------------|------------------|------------------|
| 1,039,062 | - | 1,039,062 | 1,030,003 |
| 879,078 | - | 879,078 | 839,717 |
| 133,752 | - | 133,752 | 135,345 |
| 39,781 | - | 39,781 | 35,897 |
| 504,356 | - | 504,356 | 504,011 |
| 36,420 | 4,785 | 41,205 | 61,909 |
| 16,900 | - | 16,900 | - |
| 107,359 | (107,359) | - | - |
| <u>2,756,708</u> | <u>(102,574)</u> | <u>2,654,134</u> | <u>2,606,882</u> |

| | | | |
|---------|----------|---------|----------|
| 357,484 | (12,284) | 345,200 | 254,105 |
| - | - | - | (30,084) |

| | | | |
|-------------------|-------------------|-------------------|-------------------|
| <u>18,601,395</u> | <u>12,090,182</u> | <u>30,691,577</u> | <u>30,467,556</u> |
|-------------------|-------------------|-------------------|-------------------|

| | | | |
|----------------------|----------------------|----------------------|----------------------|
| <u>\$ 18,958,879</u> | <u>\$ 12,077,898</u> | <u>\$ 31,036,777</u> | <u>\$ 30,691,577</u> |
|----------------------|----------------------|----------------------|----------------------|

FUND FINANCIAL STATEMENTS

CITY OF CHILTON, WISCONSIN

Balance Sheet
Governmental Funds
December 31, 2013

(With summarized financial information as of December 31, 2012)

| | General | Tax Incremental District #2 | Community Rehabilitation |
|---|---------------------|-----------------------------------|-----------------------------|
| ASSETS | | | |
| Cash and investments | \$ 3,782,657 | \$ 1,837 | \$ 144,375 |
| Receivables | | | |
| Taxes | 2,788,731 | 837,020 | - |
| Accounts | 3,205 | - | - |
| Special assessments | 12,687 | 205 | - |
| Loans | - | - | 599,269 |
| Due from other funds | 138,537 | - | - |
| | <hr/> | <hr/> | <hr/> |
| TOTAL ASSETS | \$ 6,725,817 | \$ 839,062 | \$ 743,644 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 80,927 | \$ 1,101 | \$ - |
| Due to other governments | 3,788,094 | - | - |
| Due to other funds | 48,439 | - | - |
| Deposits held in trust | 4,000 | - | - |
| Total Liabilities | <hr/> | <hr/> | <hr/> |
| | 3,921,460 | 1,101 | - |
| Deferred Inflows of Resources | | | |
| Property taxes | 1,178,949 | 837,020 | - |
| Special assessments | 9,172 | 205 | - |
| Loans | - | - | 599,269 |
| Total Deferred Inflows of Resources | <hr/> | <hr/> | <hr/> |
| | 1,188,121 | 837,225 | 599,269 |
| Fund Balances (Deficit) | | | |
| Nonspendable: | | | |
| Loans receivable | - | - | - |
| Restricted for: | | | |
| Capital projects | - | 736 | 144,375 |
| Committed for: | | | |
| Subsequent years' expenditures | 1,658,133 | - | - |
| Unassigned, reported in: | | | |
| General fund | (41,897) | - | - |
| Capital project funds | - | - | - |
| Total Fund Balances (Deficit) | <hr/> | <hr/> | <hr/> |
| | 1,616,236 | 736 | 144,375 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 6,725,817 | \$ 839,062 | \$ 743,644 |

(Continued)

| Other Governmental Funds | Total Governmental Funds | |
|--------------------------------|-----------------------------|----------------------|
| | 2013 | 2012 |
| \$ 710,454 | \$ 4,639,323 | \$ 4,386,209 |
| 61,440 | 3,687,191 | 3,757,476 |
| - | 3,205 | 4,527 |
| - | 12,892 | 10,785 |
| 1,038,893 | 1,638,162 | 1,511,973 |
| - | 138,537 | 483,154 |
| <hr/> | | |
| <u>\$ 1,810,787</u> | <u>\$ 10,119,310</u> | <u>\$ 10,154,124</u> |

| | | |
|----------------|------------------|------------------|
| \$ 50 | \$ 82,078 | \$ 137,802 |
| - | 3,788,094 | 3,819,549 |
| 138,537 | 186,976 | 483,154 |
| - | 4,000 | 4,000 |
| <hr/> | | |
| <u>138,587</u> | <u>4,061,148</u> | <u>4,444,505</u> |

| | | |
|----------------|------------------|------------------|
| 61,440 | 2,077,409 | 2,051,835 |
| - | 9,377 | 7,270 |
| 348,805 | 948,074 | 645,174 |
| <hr/> | | |
| <u>410,245</u> | <u>3,034,860</u> | <u>2,704,279</u> |

| | | |
|------------------|------------------|------------------|
| - | - | 866,799 |
| 1,210,849 | 1,355,960 | - |
| 51,128 | 1,709,261 | 2,619,740 |
| - | (41,897) | (72,394) |
| (22) | (22) | (408,805) |
| <hr/> | | |
| <u>1,261,955</u> | <u>3,023,302</u> | <u>3,005,340</u> |

| | | |
|---------------------|----------------------|----------------------|
| <u>\$ 1,810,787</u> | <u>\$ 10,119,310</u> | <u>\$ 10,154,124</u> |
|---------------------|----------------------|----------------------|

CITY OF CHILTON, WISCONSIN

Balance Sheet (Continued)

Governmental Funds

December 31, 2013

(With summarized financial information as of December 31, 2012)

| | Total | |
|---|----------------------|----------------------|
| | 2013 | 2012 |
| <u>Reconciliation to the Statement of Net Position</u> | | |
| Total Fund Balances as shown on previous page | \$ 3,023,302 | \$ 3,005,340 |
| 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. | 18,980,522 | 19,218,573 |
| 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 | (3,490,000) | (4,075,000) |
| Compensated absences | (171,079) | (167,692) |
| Accrued interest on long-term obligations | (21,317) | (32,270) |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | |
| Special assessments receivables | 9,377 | 7,270 |
| Loan receivables | 628,074 | 645,174 |
| | <hr/> | <hr/> |
| Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 9) | <u>\$ 18,958,879</u> | <u>\$ 18,601,395</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, 2013
(With summarized financial information for the year ended December 31, 2012)

| | General | Tax Incremental District #2 | Community Rehabilitation |
|---|---------------------|-----------------------------------|-----------------------------|
| Revenues | | | |
| Taxes | \$ 1,183,485 | \$ 826,798 | \$ - |
| Special assessments | 12,571 | 205 | - |
| Intergovernmental | 874,502 | 1,729 | - |
| Licenses and permits | 72,568 | - | - |
| Fines and forfeits | 18,573 | - | - |
| Public charges for services | 229,333 | - | - |
| Intergovernmental charges for services | 100,253 | - | - |
| Miscellaneous | 70,742 | 1,464 | 27,612 |
| Total Revenues | <u>2,562,027</u> | <u>830,196</u> | <u>27,612</u> |
| Expenditures | | | |
| Current | | | |
| General government | 190,101 | - | - |
| Public safety | 985,843 | - | - |
| Public works | 858,289 | - | - |
| Sanitation | 266,635 | - | - |
| Health and human services | 23,344 | - | - |
| Culture and recreation | 381,482 | - | - |
| Development | 16,912 | - | 14,902 |
| Debt service | | | |
| Principal | 127,382 | 1,640,602 | - |
| Interest and fiscal charges | 6,370 | 114,673 | - |
| Capital outlay | - | 38,290 | - |
| Total Expenditures | <u>2,856,358</u> | <u>1,793,565</u> | <u>14,902</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(294,331)</u> | <u>(963,369)</u> | <u>12,710</u> |
| Other Financing Sources (Uses) | | | |
| Sale of land | - | 26,145 | - |
| Long-term debt issued | - | 1,360,000 | - |
| Transfers in | 107,359 | - | - |
| Transfers out | - | (530,000) | - |
| Total Other Financing Sources (Uses) | <u>107,359</u> | <u>856,145</u> | <u>-</u> |
| Net Change in Fund Balances | <u>(186,972)</u> | <u>(107,224)</u> | <u>12,710</u> |
| Fund Balances - January 1 | <u>1,803,208</u> | <u>107,960</u> | <u>131,665</u> |
| Fund Balances - December 31 | <u>\$ 1,616,236</u> | <u>\$ 736</u> | <u>\$ 144,375</u> |

(Continued)

| Other Governmental Funds | Total Governmental Funds | |
|--------------------------------|-----------------------------|------|
| | 2013 | 2012 |

| | | |
|----------------|------------------|------------------|
| \$ 67,278 | \$ 2,077,561 | \$ 2,030,031 |
| - | 12,776 | 4,416 |
| 384 | 876,615 | 903,402 |
| - | 72,568 | 69,668 |
| - | 18,573 | 17,232 |
| - | 229,333 | 221,748 |
| - | 100,253 | 105,488 |
| 112,399 | 212,217 | 105,221 |
| <u>180,061</u> | <u>3,599,896</u> | <u>3,457,206</u> |

| | | |
|-------|---------|---------|
| - | 190,101 | 216,298 |
| - | 985,843 | 967,517 |
| - | 858,289 | 745,225 |
| - | 266,635 | 256,286 |
| - | 23,344 | 18,843 |
| 9,384 | 390,866 | 371,828 |
| 75 | 31,889 | 50,167 |

| | | |
|----------------|------------------|------------------|
| 177,016 | 1,945,000 | 585,000 |
| 40,379 | 161,422 | 138,058 |
| 183,759 | 222,049 | 246,667 |
| <u>410,613</u> | <u>5,075,438</u> | <u>3,595,889</u> |

| | | |
|------------------|--------------------|------------------|
| <u>(230,552)</u> | <u>(1,475,542)</u> | <u>(138,683)</u> |
|------------------|--------------------|------------------|

| | | |
|----------------|------------------|----------------|
| - | 26,145 | - |
| - | 1,360,000 | - |
| 530,000 | 637,359 | 344,918 |
| - | (530,000) | (244,000) |
| <u>530,000</u> | <u>1,493,504</u> | <u>100,918</u> |

| | | |
|---------|--------|----------|
| 299,448 | 17,962 | (37,765) |
|---------|--------|----------|

| | | |
|----------------|------------------|------------------|
| <u>962,507</u> | <u>3,005,340</u> | <u>3,043,105</u> |
|----------------|------------------|------------------|

| | | |
|---------------------|---------------------|---------------------|
| <u>\$ 1,261,955</u> | <u>\$ 3,023,302</u> | <u>\$ 3,005,340</u> |
|---------------------|---------------------|---------------------|

CITY OF CHILTON, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended December 31, 2013
(With summarized financial information for the year ended December 31, 2012)

| | Total Governmental Funds | |
|--|-----------------------------|-------------------|
| | 2013 | 2012 |
| Net Change in Fund Balances as shown on previous page | \$ 17,962 | \$ (37,765) |
| 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 | 537,879 | 412,925 |
| Depreciation expense reported in the statement of activities | (735,066) | (710,297) |
| 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: | (3,387) | (15,361) |
| 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: | 1,945,000 | 585,000 |
| Some capital assets acquired during the year and debt retired were financed with debt. The amount of the debt is reported in the governmental funds as a source of financing. In the statement of net position, however, debt constitutes a long-term liability. The amount of debt reported in the governmental funds statement is: | (1,360,000) | - |
| 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. | 10,954 | 2,985 |
| 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. | (40,864) | (39,283) |
| 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 | 2,107 | (4,416) |
| Loan receivables | (17,101) | 4,626 |
| | <hr/> | <hr/> |
| Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see pages 10 and 11) | <u>\$ 357,484</u> | <u>\$ 198,414</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 Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---------------------|--------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 1,182,757 | \$ 1,182,757 | \$ 1,183,485 | \$ 728 |
| Special assessments | 2,450 | 2,450 | 12,571 | 10,121 |
| Intergovernmental | 875,570 | 875,570 | 874,502 | (1,068) |
| Licenses and permits | 64,201 | 64,201 | 72,568 | 8,367 |
| Fines and forfeits | 15,500 | 15,500 | 18,573 | 3,073 |
| Public charges for services | 214,600 | 223,186 | 229,333 | 6,147 |
| Intergovernmental charges for services | 99,050 | 104,708 | 100,253 | (4,455) |
| Miscellaneous | 34,300 | 75,514 | 70,742 | (4,772) |
| Total Revenues | 2,488,428 | 2,543,886 | 2,562,027 | 18,141 |
| Expenditures | | | | |
| Current | | | | |
| General government | 215,192 | 347,638 | 190,101 | 157,537 |
| Public safety | 1,018,793 | 1,187,104 | 985,843 | 201,261 |
| Public works | 588,390 | 1,657,925 | 858,289 | 799,636 |
| Sanitation | 262,931 | 281,222 | 266,635 | 14,587 |
| Health and human services | 17,100 | 58,952 | 23,344 | 35,608 |
| Culture and recreation | 328,395 | 657,576 | 381,482 | 276,094 |
| Development | 18,875 | 39,505 | 16,912 | 22,593 |
| Debt service | | | | |
| Principal | 127,383 | 127,383 | 127,382 | 1 |
| Interest and fiscal charges | 6,369 | 6,369 | 6,370 | (1) |
| Total Expenditures | 2,583,428 | 4,363,674 | 2,856,358 | 1,507,316 |
| Excess of Revenues Over (Under) Expenditures | (95,000) | (1,819,788) | (294,331) | 1,525,457 |
| Other Financing Sources | | | | |
| Transfer in | 95,000 | 95,000 | 107,359 | 12,359 |
| Net Change in Fund Balance | - | (1,724,788) | (186,972) | 1,537,816 |
| Fund Balance - January 1 | 1,803,208 | 1,803,208 | 1,803,208 | - |
| Fund Balance - December 31 | \$ 1,803,208 | \$ 78,420 | \$ 1,616,236 | \$ 1,537,816 |

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, 2013

(With summarized financial information as of December 31, 2012)

| | Water Utility | Sewer Utility | Total | |
|--------------------------------------|---------------------|---------------------|----------------------|----------------------|
| | | | 2013 | 2012 |
| ASSETS | | | | |
| Cash and investments | \$ 1,541,574 | \$ 2,931,943 | \$ 4,473,517 | \$ 4,383,646 |
| Accounts receivable | | | | |
| Customer accounts | 150,200 | 217,736 | 367,936 | 357,385 |
| Note | - | 500,000 | 500,000 | 562,500 |
| Other | 233 | 4,227 | 4,460 | 15,391 |
| Due from other funds | 41,772 | 6,667 | 48,439 | 46,900 |
| Inventories | 20,029 | - | 20,029 | 22,293 |
| Restricted cash and cash equivalents | - | 796,857 | 796,857 | 720,462 |
| Capital Assets | | | | |
| Water utility plant | 6,794,944 | - | 6,794,944 | 6,674,305 |
| Sewer utility plant | - | 11,290,341 | 11,290,341 | 11,290,341 |
| Less accumulated depreciation | (2,597,411) | (6,175,430) | (8,772,841) | (8,219,185) |
| TOTAL ASSETS | 5,951,341 | 9,572,341 | 15,523,682 | 15,854,038 |
| LIABILITIES | | | | |
| Accounts payable | 8,780 | 8,636 | 17,416 | 18,142 |
| Accrued interest | 985 | - | 985 | 1,122 |
| Long-term obligations | | | | |
| Due within one year | 23,495 | 302,090 | 325,585 | 317,209 |
| Due in more than one year | 238,099 | 2,863,699 | 3,101,798 | 3,427,383 |
| TOTAL LIABILITIES | 271,359 | 3,174,425 | 3,445,784 | 3,763,856 |
| NET POSITION | | | | |
| Net investment in capital assets | 3,935,939 | 1,949,122 | 5,885,061 | 6,000,869 |
| Restricted for capital projects | - | 796,857 | 796,857 | 720,462 |
| Unrestricted | 1,744,043 | 3,651,937 | 5,395,980 | 5,368,851 |
| TOTAL NET POSITION | \$ 5,679,982 | \$ 6,397,916 | \$ 12,077,898 | \$ 12,090,182 |

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, 2013
(With summarized financial information for the year ended December 31, 2012)

| | Water Utility | Sewer Utility | Total | |
|---|---------------------|---------------------|----------------------|----------------------|
| | | | 2013 | 2012 |
| Operating Revenues | | | | |
| Unmetered sales | \$ 652 | \$ - | \$ 652 | \$ 609 |
| Metered or measured sales | | | | |
| Residential | 236,855 | 343,923 | 580,778 | 593,953 |
| Commercial | 54,242 | 73,613 | 127,855 | 213,475 |
| Industrial | 228,355 | 414,361 | 642,716 | 623,037 |
| Public authorities | 24,471 | 25,976 | 50,447 | 52,810 |
| Multi-family | 40,584 | 47,958 | 88,542 | - |
| Irrigation | 599 | - | 599 | - |
| Private fire protection | 21,910 | - | 21,910 | 21,910 |
| Public fire protection | 172,917 | - | 172,917 | 172,859 |
| Other sales | 11,148 | 57,153 | 68,301 | 59,683 |
| Forfeited discounts | 1,073 | 1,391 | 2,464 | 2,477 |
| Total Operating Revenues | 792,806 | 964,375 | 1,757,181 | 1,740,813 |
| Operating Expenses | | | | |
| Water utility | 469,693 | - | 469,693 | 435,409 |
| Sewer utility | - | 520,208 | 520,208 | 474,957 |
| Depreciation | 157,320 | 428,482 | 585,802 | 583,787 |
| Taxes | 11,383 | - | 11,383 | 10,480 |
| Total Operating Expenses | 638,396 | 948,690 | 1,587,086 | 1,504,633 |
| Operating Income | 154,410 | 15,685 | 170,095 | 236,180 |
| Nonoperating Revenues (Expenses) | | | | |
| Interest revenue | - | 4,785 | 4,785 | 6,860 |
| Miscellaneous revenue | - | 15,205 | 15,205 | 16,894 |
| Interest expense | (6,321) | (88,689) | (95,010) | (103,325) |
| Total Nonoperating Revenues (Expenses) | (6,321) | (68,699) | (75,020) | (79,571) |
| Income (Loss) before Transfers | 148,089 | (53,014) | 95,075 | 156,609 |
| Transfer out | (107,359) | - | (107,359) | (100,918) |
| Change in Net Position | 40,730 | (53,014) | (12,284) | 55,691 |
| Net Position - January 1 | 5,639,252 | 6,450,930 | 12,090,182 | 12,034,491 |
| Net Position - December 31 | \$ 5,679,982 | \$ 6,397,916 | \$ 12,077,898 | \$ 12,090,182 |

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, 2013

(With summarized financial information for the year ended December 31, 2012)

| | Water Utility | Sewer Utility | Total | |
|---|---------------------|---------------------|---------------------|---------------------|
| | | | 2013 | 2012 |
| Cash Flows from Operating Activities | | | | |
| Cash received from customers | \$ 791,699 | \$ 979,527 | \$ 1,771,226 | \$ 1,741,944 |
| Cash payments to employees | (161,211) | (177,043) | (338,254) | (298,345) |
| Cash payments to suppliers | (313,838) | (347,654) | (661,492) | (641,402) |
| Net Cash Provided by Operating Activities | 316,650 | 454,830 | 771,480 | 802,197 |
| Cash Flows from Non-Capital Financing Activities | | | | |
| Paid to municipality for tax equivalent | (107,359) | - | (107,359) | (100,918) |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Acquisition of capital assets | (152,784) | - | (152,784) | (120,007) |
| Principal payment received on note | - | 62,500 | 62,500 | 62,500 |
| Principal payments on long-term debt | (22,952) | (294,257) | (317,209) | (309,050) |
| Interest payments on long-term debt | (6,458) | (88,689) | (95,147) | (103,413) |
| Net Cash Used in Capital and Related Financing Activities | (182,194) | (320,446) | (502,640) | (469,970) |
| Cash Flows Provided by Investing Activities | | | | |
| Interest from investments | - | 4,785 | 4,785 | 6,860 |
| Net Increase in Cash and Cash Equivalents | 27,097 | 139,169 | 166,266 | 238,169 |
| Cash and Cash Equivalents - January 1 | 1,514,477 | 3,589,631 | 5,104,108 | 4,865,940 |
| Cash and Cash Equivalents - December 31 | \$ 1,541,574 | \$ 3,728,800 | \$ 5,270,374 | \$ 5,104,109 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | | |
| Operating income | \$ 154,410 | \$ 15,685 | \$ 170,095 | \$ 236,180 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Miscellaneous revenue | - | 15,205 | 15,205 | 16,894 |
| Depreciation | 157,320 | 428,482 | 585,802 | 583,787 |
| Depreciation allocated to other accounts | 5,122 | (5,122) | - | - |
| Changes in assets and liabilities | | | | |
| Accounts receivable | 36,727 | 1,702 | 38,429 | (12,675) |
| Due from other funds | (37,834) | (1,755) | (39,589) | (3,089) |
| Inventories | 2,264 | - | 2,264 | (398) |
| Accounts payable | (1,359) | 633 | (726) | (18,503) |
| Net Cash Provided by Operating Activities | \$ 316,650 | \$ 454,830 | \$ 771,480 | \$ 802,196 |
| 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, 2013

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 No. 61.

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 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, 2013

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, 2013

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, 2013

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

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 two types of items that qualifies for reporting in this category, property taxes and loans receivable. These amounts will be recognized as an inflow of resources in the subsequent year for which it was levied or when collected. The loan receivable consists of a single development loan due in calendar 2038 with an extension possible to calendar 2058. 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, 2013

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, 2013

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.

5. 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, 2012, from which the summarized information was derived.

6. Use of Estimates

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

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

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, 2013.

2. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2013:

| Fund | Deficit Fund Equity |
|-----------------------------|---------------------|
| Tax Incremental District #5 | \$ 2,695 |
| Redevelopment Authority | 22 |

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, 2013

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 on December 31, 2013 as summarized below:

| | |
|--------------------------------------|--------------|
| Petty cash funds | \$ 5,200 |
| Deposits with financial institutions | 9,367,740 |
| Investments | 536,757 |
| | \$ 9,909,697 |

Reconciliation to the basic financial statements:

| | |
|---------------------------------|--------------|
| Statement of Net Position | |
| Cash and investments | \$ 9,112,840 |
| Restricted cash and investments | 796,857 |
| | \$ 9,909,697 |

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 the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-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 the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. 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, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

As of December 31, 2013, \$4,983,929 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits. Of this amount, \$2,530,599 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 2014.

Investments

The City has investments in the Wisconsin local government investment pool of \$536,757 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, 2013, 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, 2013 totaled \$796,857 and consisted of cash and investments held for the following purposes:

Enterprise Funds

Sewer Utility

Equipment replacement

\$ 796,857

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, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2013 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 | 11,978 | (30,700) | 1,037,939 |
| Buildings | 4,790,140 | 22,735 | - | 4,812,875 |
| Machinery and equipment | 5,083,859 | 297,950 | (157,385) | 5,224,424 |
| Infrastructure | 15,307,270 | 205,216 | (26,992) | 15,485,494 |
| Subtotals | 26,237,930 | 537,879 | (215,077) | 26,560,732 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (51,318) | (11,803) | - | (63,121) |
| Buildings | (2,125,115) | (106,873) | - | (2,231,988) |
| Machinery and equipment | (3,761,287) | (168,564) | 157,048 | (3,772,803) |
| Infrastructure | (6,789,162) | (447,826) | 17,165 | (7,219,823) |
| Subtotals | (12,726,882) | (735,066) | 174,213 | (13,287,735) |
| Total capital assets, being depreciated, net | 13,511,048 | (197,187) | (40,864) | 13,272,997 |
| Governmental activities capital assets, net | <u>\$ 19,218,573</u> | <u>\$ (197,187)</u> | <u>\$ (40,864)</u> | 18,980,522 |
| Less related long-term debt outstanding | | | | <u>3,490,000</u> |
| Net investment in capital assets | | | | <u>\$ 15,490,522</u> |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 99,012 | \$ - | \$ - | \$ 99,012 |
| Construction in progress | 25,171 | 126,661 | - | 151,832 |
| Total capital assets, not being depreciated | 124,183 | 126,661 | - | 250,844 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 13,043,514 | 312 | (775) | 13,043,051 |
| Machinery and equipment | 4,796,949 | 25,814 | (31,373) | 4,791,390 |
| Subtotals | 17,840,463 | 26,126 | (32,148) | 17,834,441 |
| Less accumulated depreciation | (8,219,185) | (585,804) | 32,148 | (8,772,841) |
| Total capital assets, being depreciated, net | 9,621,278 | (559,678) | - | 9,061,600 |
| Business-type activities capital assets, net | <u>\$ 9,745,461</u> | <u>\$ (433,017)</u> | <u>\$ -</u> | 9,312,444 |
| Less related long-term debt outstanding | | | | <u>3,427,383</u> |
| Net investment in capital assets | | | | <u>\$ 5,885,061</u> |

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

| | |
|---|-------------------|
| Governmental activities | |
| General government | \$ 54,615 |
| Public safety | 140,136 |
| Public works | 495,282 |
| Health and human services | 499 |
| Culture and recreation | 44,534 |
| Total depreciation expense - governmental activities | <u>\$ 735,066</u> |
| Business-type activities | |
| Water utility | \$ 157,321 |
| Sewer utility | 428,483 |
| Total depreciation expense - business-type activities | <u>\$ 585,804</u> |

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, 2013 are detailed below:

| | Interfund Receivables | Interfund Payables |
|--|--------------------------|-----------------------|
| Temporary Cash Advances to Finance Operating | | |
| Charges Between Funds | | |
| Enterprise Funds | | |
| Water Utility | \$ 41,772 | \$ - |
| Sewer Utility | 6,667 | - |
| General Fund | - | 48,439 |
| General Fund | 138,537 | - |
| Tax Incremental District #4 | | 11,390 |
| Tax Incremental District #5 | | 127,125 |
| Redevelopment Authority | | 22 |
| Totals | <u>\$ 186,976</u> | <u>\$ 186,976</u> |

Interfund transfers for the year ended December 31, 2013 were as follows:

| | Total | Transfer to: | | |
|----------------|-------------------|-------------------|-------------------|-------------------|
| | | General Fund | TID #4 | TID #5 |
| Transfer from: | | | | |
| Water Utility | \$ 107,359 | \$ 107,359 | \$ - | \$ - |
| TID #2 | 530,000 | - | 312,000 | 218,000 |
| | <u>\$ 637,359</u> | <u>\$ 107,359</u> | <u>\$ 312,000</u> | <u>\$ 218,000</u> |

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, 2013

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, 2013:

| | Outstanding 1/1/13 | Issued | Retired | Outstanding 12/31/13 | Due Within One Year |
|--|-----------------------|---------------------|---------------------|-------------------------|------------------------|
| Governmental activities: | | | | | |
| General Obligation Debt | | | | | |
| Bonds | \$ 1,955,000 | \$ 1,360,000 | \$ 1,665,000 | \$ 1,650,000 | \$ 365,000 |
| Notes | 2,120,000 | - | 280,000 | 1,840,000 | 300,000 |
| Total General Obligation Debt | 4,075,000 | 1,360,000 | 1,945,000 | 3,490,000 | 665,000 |
| Compensated absences | 167,692 | 14,829 | 11,442 | 171,079 | - |
| Governmental activities Long-term obligations | <u>\$ 4,242,692</u> | <u>\$ 1,374,829</u> | <u>\$ 1,956,442</u> | <u>\$ 3,661,079</u> | <u>\$ 665,000</u> |
| Business-type activities: | | | | | |
| Revenue bonds | <u>\$ 3,744,592</u> | <u>\$ -</u> | <u>\$ 317,209</u> | <u>\$ 3,427,383</u> | <u>\$ 325,585</u> |

Total interest paid during the year on long-term debt totaled \$256,569.

General Obligation Debt

General obligation debt outstanding is detailed as follows:

| | | |
|--|--|---------------------|
| Bonds | | |
| \$720,000 issued 3/13/10; \$145,000 due annually through 2015; interest 1.0% to 1.9% | | \$ 290,000 |
| \$1,360,000 issued 10/22/13; \$220,000 to \$465,000 due annually through 2017; interest 0.4% to 1.05% | | 1,360,000 |
| Notes | | |
| \$2,385,000 issued 3/19/09; \$265,000 to \$370,000 due annually through 2019; interest 3.29% | | <u>1,840,000</u> |
| Total Outstanding General Obligation Debt | | <u>\$ 3,490,000</u> |

Annual principal and interest maturities of the outstanding general obligation debt of \$3,490,000 on December 31, 2013 are detailed below:

| Year Ended December 31 | Governmental Activities | | |
|---------------------------|-------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2014 | \$ 665,000 | \$ 72,225 | \$ 737,225 |
| 2015 | 660,000 | 60,073 | 720,073 |
| 2016 | 720,000 | 47,583 | 767,583 |
| 2017 | 745,000 | 35,212 | 780,212 |
| 2018 | 330,000 | 19,630 | 349,630 |
| 2019 | 370,000 | 6,845 | 376,845 |
| | <u>\$ 3,490,000</u> | <u>\$ 241,568</u> | <u>\$ 3,731,568</u> |

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

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, 2013 was \$8,336,015 as follows:

| | |
|---|----------------|
| Equalized valuation of the City | \$ 236,520,300 |
| Statutory limitation percentage | (x) 5% |
| General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes | 11,826,015 |
| Less outstanding general obligation debt applicable to debt limitation | (3,490,000) |
| Legal Margin for New Debt | \$ 8,336,015 |

Revenue Bonds

Revenue bond debt service requirements are financed from operations of the enterprise funds. Revenue bonds outstanding on December 31, 2013 totaled \$3,427,383 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% | \$ 1,268,020 |
| \$2,318,000; of which \$2,202,860 has been received; \$92,232 to \$145,833 due annually through 2028; interest 2.703% | 1,897,769 |

Water Utility

| | |
|---|--------------|
| \$450,065 issued 4/14/04; \$20,903 to \$28,996 due annually through 2023; interest 2.365% | 261,594 |
| | \$ 3,427,383 |

Annual principal and interest maturities of the above outstanding enterprise fund revenue bonds of \$3,972,675 on December 31, 2013 are shown below:

| Year Ended December 31 | Business-type Activities | | |
|---------------------------|--------------------------|------------|--------------|
| | Principal | Interest | Total |
| 2014 | \$ 325,585 | \$ 86,661 | \$ 412,246 |
| 2015 | 334,181 | 77,951 | 412,132 |
| 2016 | 343,005 | 69,010 | 412,015 |
| 2017 | 352,061 | 59,834 | 411,895 |
| 2018 | 361,358 | 50,415 | 411,773 |
| 2019-2023 | 992,628 | 151,828 | 1,144,456 |
| 2024-2028 | 718,565 | 49,592 | 768,157 |
| Total | \$ 3,427,383 | \$ 545,291 | \$ 3,972,674 |

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 \$3,972,674. Principal and interest paid for the current year and total customer net revenues were \$412,356 and \$755,897, respectively.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

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 2013 General Fund Expenditures | \$2,856,358 |
| Minimum Fund Balance % | (x) 7% - 12% |
| Minimum Fund Balance Amount | \$199,945 - \$342,763 |

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, 2013, fund balance was committed as follows:

| | | |
|---|----|----------|
| Council (Reserve) | \$ | 6,553 |
| Mayor (Reserve) | | 2,855 |
| Attorney (Reserve) | | 6,650 |
| Clerk (Reserve) | | 26,548 |
| Elections - Oper. Reserve | | 1,568 |
| Elections - Capital | | 1,214 |
| Data Processing (Reserve) | | 3,303 |
| Data Processing (Capital) | | 10,972 |
| Accounting & Auditing (Reserve) | | 600 |
| Assessment of Property (Reserve) | | 3,163 |
| City Hall (Reserve) | | 22,772 |
| City Hall - Capital Equipment | | 23,763 |
| City Clock (Reserve) | | 563 |
| Insurance (Reserve) | | 47,015 |
| Police - Capital Equipment | | 19,934 |
| Police (Reserve) | | 78,640 |
| School Patrol (Reserve) | | 1,735 |
| Fire Department - Capital Equipment | | 61,005 |
| Fire Department - Future Fire Truck | | (11,332) |
| Fire Department (Reserve) | | 47,241 |
| Building Inspector (Reserve) | | 1,458 |
| Civil Defense - Reserve | | 1,844 |
| Civil Defense - Capital Equipment | | 738 |
| Department of Public Works (Reserve) | | 21,834 |
| Street Department Buildings (Reserve) | | 46,977 |
| Street Department Buildings - Capital Improvement | | 1,683 |
| Street Machinery Operations (Reserve) | | 35,997 |
| Street Machinery Operations - Capital Equipment | | 185,272 |
| Street Maintenance - Capital Improvement | | 157,630 |
| Street Cleaning (Reserve) | | 11,216 |

(Continued)

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

| | |
|---|---------------------|
| Snow & Ice (Reserve) | 3,919 |
| Street Signs and Markings (Reserve) | 6,422 |
| Street Signs and Markings - Capital Improvement | 13,610 |
| Street Construction - Capital Improvement | 206,767 |
| Street Lighting (Reserve) | 49,653 |
| Street Lighting - Capital Improvement | 60,757 |
| Sidewalks - Capital Improvement | 9,691 |
| Storm Sewer - Capital | 30,592 |
| Pits & Quarries (Reserve) | 3,692 |
| Solid Waste Collection (Reserve) | 2,950 |
| Refuse Disposal (Reserve) | 2,912 |
| Recycling (Reserve) | 221 |
| Recycling - Capital Improvements | 8,504 |
| Tree Board Evasive Diseases | 5,000 |
| Tree Board (Reserve) | 3,981 |
| Weed Control (Reserve) | 5,701 |
| Cemetery (Reserve) | 10,042 |
| Cemetery - Capital Improvements | 25,566 |
| Library - Oper. Reserve | 19,151 |
| Library - Capital Improvements | 7,832 |
| Library Revenue/Expense - Capital | 51,795 |
| Parks (Reserve) | 57,421 |
| Parks - Capital Equipment | 71,283 |
| Recreation Department - Capital | 9,617 |
| Hobart Field (Reserve) | 3,275 |
| Hobart Field - Capital | 5,493 |
| Celebrations & Entertainment | 325 |
| Band (Reserve) | 8,137 |
| Band - Capital Equipment | 15,713 |
| Christmas Decorations (Reserve) | 11,359 |
| Skating Rinks | 14,692 |
| Planning (Reserve) | 3,471 |
| Planning (Capital) | 1,921 |
| Redevelopment (Capital) | 1,423 |
| Industrial and Commercial Development (Reserve) | 3,511 |
| Industrial and Commercial Development (Capital) | 850 |
| Advances and Promotions (Reserve) | 5,850 |
| Maps and Plats - Operating Reserve | 729 |
| Maps and Plats - Capital Improvements | 4,836 |
| Health Insurance | 90,058 |
| | <u>\$ 1,658,133</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, 2013

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 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 and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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 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:

| | 2013 | |
|------------------------------------|-----------------|-----------------|
| | <u>Employee</u> | <u>Employer</u> |
| General | 6.65% | 6.65% |
| Executives & Elected Officials | 7.0% | 7.0% |
| Protective with Social Security | 6.65% | 9.75% |
| Protective without Social Security | 6.65% | 12.35% |

The payroll for City employees covered by the WRS for the year ended December 31, 2013 was \$1,122,603; the employer's total payroll was \$1,257,450. The total required contribution for the year ended December 31, 2013 was \$168,124, which consisted of \$143,789 or 12.81% of covered payroll from the employer, and \$24,335, or 2.17% of covered payroll from employees. Total contributions for the years ended December 31, 2012 and 2011 were \$147,756 and \$149,967, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest 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.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE D - OTHER INFORMATION (Continued)

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, 2013.

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, 2013 from future excess tax increment revenues follows:

| | Total | TID No. 2 | TID No. 4 | TID No. 5 |
|--------------------------------|-------------|-------------|-----------|-----------|
| Net Unreimbursed Project Costs | \$2,682,942 | \$2,071,268 | \$608,978 | \$2,696 |

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 |

4. Major Customer

Revenue from one industrial customer aggregated approximately 34% of total Water Utility enterprise fund operating revenue and 40% of total Sewer Utility enterprise fund operating revenue in 2013.

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 2013 and 2014 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 2013 budget was .56%. The actual limit for the 2014 budget was .53%. 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.

SUPPLEMENTARY INFORMATION

CITY OF CHILTON, WISCONSIN

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2013

(With summarized financial information as of December 31, 2012)

| | General Capital Improvements | Tax Incremental District # 4 | Tax Incremental District #5 |
|---|------------------------------------|------------------------------------|-----------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 480,128 | \$ - | \$ - |
| Receivables | | | |
| Taxes | - | 53,613 | 7,827 |
| Loans | - | 885,643 | 124,445 |
| TOTAL ASSETS | \$ 480,128 | \$ 939,256 | \$ 132,272 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ - | \$ - | \$ 15 |
| Due to other funds | - | 11,390 | 127,125 |
| Total Liabilities | - | 11,390 | 127,140 |
| Deferred Inflows of Resources | | | |
| Property taxes | - | 53,613 | 7,827 |
| Loans | - | 320,000 | - |
| Total Deferred Inflows of Resources | - | 373,613 | 7,827 |
| Fund Balances (Deficits) | | | |
| Nonspendable loans receivable | - | - | - |
| Restricted for capital projects | 480,128 | 554,253 | (2,695) |
| Committed for subsequent years' expenditures | - | - | - |
| Unassigned | - | - | - |
| Total Fund Balances (Deficits) | 480,128 | 554,253 | (2,695) |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 480,128 | \$ 939,256 | \$ 132,272 |

| Chilton Lake District | Library Donations | Economic Development | Redevelopment Authority | Total Nonmajor Governmental Funds | |
|-----------------------------|----------------------|-------------------------|----------------------------|--------------------------------------|---------------------|
| | | | | 2013 | 2012 |
| \$ 37,937 | \$ 179,163 | \$ 13,226 | \$ - | \$ 710,454 | \$ 612,546 |
| - | - | - | - | 61,440 | 52,280 |
| - | - | 28,805 | - | 1,038,893 | 865,819 |
| <u>\$ 37,937</u> | <u>\$ 179,163</u> | <u>\$ 42,031</u> | <u>\$ -</u> | <u>\$ 1,810,787</u> | <u>\$ 1,530,645</u> |
| | | | | | |
| \$ 35 | \$ - | \$ - | \$ - | \$ 50 | \$ 298 |
| - | - | - | 22 | 138,537 | 483,154 |
| <u>35</u> | <u>-</u> | <u>-</u> | <u>22</u> | <u>138,587</u> | <u>483,452</u> |
| | | | | | |
| - | - | - | - | 61,440 | 52,280 |
| - | - | 28,805 | - | 348,805 | 32,406 |
| - | - | 28,805 | - | 410,245 | 84,686 |
| | | | | | |
| - | - | - | - | - | 833,413 |
| - | 179,163 | - | - | 1,210,849 | - |
| 37,902 | - | 13,226 | - | 51,128 | 612,473 |
| - | - | - | (22) | (22) | (483,379) |
| <u>37,902</u> | <u>179,163</u> | <u>13,226</u> | <u>(22)</u> | <u>1,261,955</u> | <u>962,507</u> |
| | | | | | |
| <u>\$ 37,937</u> | <u>\$ 179,163</u> | <u>\$ 42,031</u> | <u>\$ -</u> | <u>\$ 1,810,787</u> | <u>\$ 1,530,645</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, 2013
(With summarized financial information for the year ended December 31, 2012)

| | General Capital Improvements | Tax Incremental District #4 | Tax Incremental District #5 |
|--|------------------------------------|-----------------------------------|-----------------------------------|
| Revenues | | | |
| Taxes | \$ - | \$ 44,914 | \$ 7,366 |
| Intergovernmental | - | 291 | 12 |
| Miscellaneous | 2,409 | 2,861 | 1,692 |
| Total Revenues | <u>2,409</u> | <u>48,066</u> | <u>9,070</u> |
| Expenditures | | | |
| Current | | | |
| Culture and recreation | - | - | - |
| Development | - | - | - |
| Debt service | | | |
| Principal | - | 177,016 | - |
| Interest and fiscal charges | - | 40,379 | - |
| Capital outlay | - | 158,592 | 10,072 |
| Total Expenditures | <u>-</u> | <u>375,987</u> | <u>10,072</u> |
| Excess of Revenues Over (Under) Expenditures | <u>2,409</u> | <u>(327,921)</u> | <u>(1,002)</u> |
| Other Financing Sources | | | |
| Transfers in | <u>-</u> | <u>312,000</u> | <u>218,000</u> |
| Net Change in Fund Balances | 2,409 | (15,921) | 216,998 |
| Fund Balances (Deficit) - January 1 | <u>477,719</u> | <u>570,174</u> | <u>(219,693)</u> |
| Fund Balances (Deficit) - December 31 | <u>\$ 480,128</u> | <u>\$ 554,253</u> | <u>\$ (2,695)</u> |

| Chilton Lake District | Library Donations | Economic Development | Redevelopment Authority | Total Nonmajor Governmental Funds | |
|-----------------------------|----------------------|-------------------------|----------------------------|--------------------------------------|------------|
| | | | | 2013 | 2012 |
| \$ 14,998 | \$ - | \$ - | \$ - | \$ 67,278 | \$ 49,920 |
| 81 | - | - | - | 384 | 502 |
| 109 | 100,302 | 4,526 | 500 | 112,399 | 12,860 |
| 15,188 | 100,302 | 4,526 | 500 | 180,061 | 63,282 |
| - | 9,384 | - | - | 9,384 | - |
| - | - | - | 75 | 75 | 285 |
| - | - | - | - | 177,016 | 167,532 |
| - | - | - | - | 40,379 | 44,263 |
| 15,095 | - | - | - | 183,759 | 71,904 |
| 15,095 | 9,384 | - | 75 | 410,613 | 283,984 |
| 93 | 90,918 | 4,526 | 425 | (230,552) | (220,702) |
| - | - | - | - | 530,000 | 244,000 |
| 93 | 90,918 | 4,526 | 425 | 299,448 | 23,298 |
| 37,809 | 88,245 | 8,700 | (447) | 962,507 | 939,209 |
| \$ 37,902 | \$ 179,163 | \$ 13,226 | \$ (22) | \$ 1,261,955 | \$ 962,507 |

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

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

To the 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, 2013, and have issued our report thereon dated March 24, 2014.

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 2013-001 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
March 24, 2014

CITY OF CHILTON, WISCONSIN
Schedule of Findings and Responses
For the Year Ended December 31, 2013

Section I - Internal Control Over Financial Reporting

| Finding No. | Internal Control Deficiency |
|----------------------|---|
| 2013-001 | 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 assist in the preparation of 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. 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, 2013.