

CITY OF MILTON, WISCONSIN

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT**

DECEMBER 31, 2011

CITY OF MILTON, WISCONSIN

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& COMPANY, LLP

Certified Public Accountants | Business Advisors

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INDEPENDENT AUDITORS' REPORT

To the Common Council
City of Milton, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milton, Wisconsin (the "City"), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2012, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5 through 15, post-employment healthcare benefits schedule on page 55, and budgetary comparison information on pages 55 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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.

Hawkins, Ash, Bapko & Company, LLP

La Crosse, Wisconsin
May 1, 2012

CITY OF MILTON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2011

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

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

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the report year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements (beginning on page 16).

The City's government-wide financial statements have been prepared on the full-accrual basis of accounting in conformity with generally accepted accounting principals (GAAP). The City's fund financial statements for governmental funds (General, Special Revenue, Debt Service, and Capital Projects) have been prepared on the modified accrual basis of accounting in conformity with GAAP. The City's Proprietary funds (Enterprise –Water & Sewer) are accounted for on the accrual basis. A detailed discussion on Government-wide and Fund financial statements can be found on pages 7-8.

Financial Highlights

- As shown on the Statement of Net Assets, fiscal year December 31, 2011 ended with an Unrestricted Net Asset Balance of \$813,633 in Governmental Activities. These monies are intended to provide a cushion against significant downturns in revenues and to maintain sufficient working capital and cash flow to meet daily financial needs. Other reserves have been designated by management to address annual budget amendments, furniture and equipment replacement, major repairs and Parkland improvements.
- Also shown on the statement of Net Assets is an Unrestricted Net Asset Balance of \$1,575,608 in the Business Activities category. These monies are intended to provide a cushion against significant downturns in revenues and to maintain sufficient working capital and cash flow to meet daily financial needs. Other reserves have been designated by management to address equipment replacement and bond reserve requirements.
- From the Statement of Activities, General Revenues, primarily property taxes were used to support the following major activities. The property tax amount for each function was:
 - \$595,484 for General Government purposed – administration, finance, facilities and City Council
 - \$1,201,032 for Public Safety – Police, Fire, Building Inspection.
 - \$830,128 for public works
 - \$28,308 for Health and Human Services
 - \$386,757 for Culture and Recreation
 - \$92,244 for Conservation and development
 - \$639,032 for Interest and Fiscal charges.

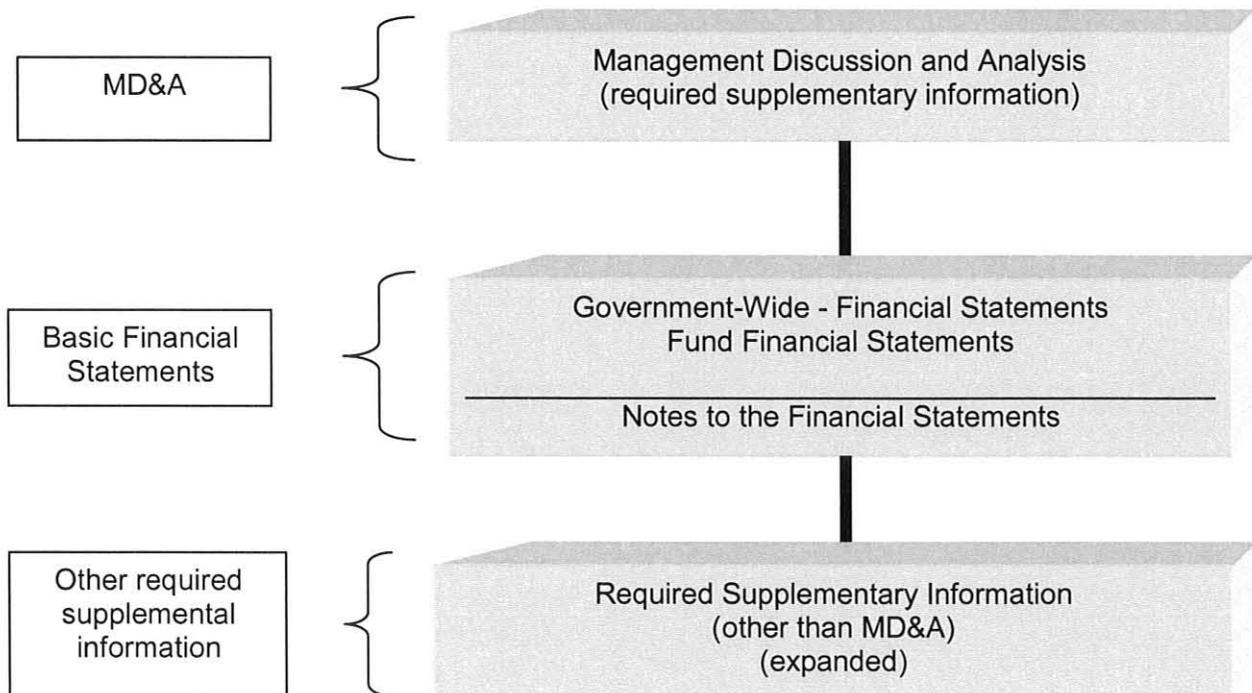
- As of December 31, 2011 the committed, assigned, or unassigned, all of which is available for spending at the City's discretion, general fund was \$1,665,471 or approximately 25% of total general fund revenues.
- The City issued a G.O. Refunding in January 2011 for TID #6 and TID #7 in the amount of \$2,245,000. The City also had a borrowing in April 2011 totaling \$3,355,000. This new borrowing will fund the construction of a Department of Public Works Building and construction costs in TID #8.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the City of Milton's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. Comparative data for 2011 is provided for analysis of the City of Milton's change in net assets.

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

In light of the fact that this is a very different presentation of the City's previous general-purpose financial statements, the following graphic is provided to illustrate this new composition of reports.



Government-Wide Financial Statements

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

The statement of net assets presents information on all of the City of Milton's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Milton is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

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

The government-wide financial statements can be found on pages 16-19 of this report.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Milton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Milton can be divided into two categories: governmental funds and proprietary funds. The focus is now on Major Funds, rather than types. A Major Fund is defined in the following manner:

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

Governmental Funds

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

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

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

The basic governmental fund financial statements can be found on pages 20-25 of this report.

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 26-30 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-54 of this report.

Other Information

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

The combining statements referred to earlier in connection with nonmajor governmental funds and other information related to the individual funds are presented immediately following the required supplementary information. Individual fund statements and schedules can be found on pages 58-61 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Milton, assets exceeded liabilities by \$31,812,256 at the close of 2011. The following table reflects the condensed Statement of Assets.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 9,099,948	6,614,164	\$ 3,445,861	3,843,716	\$ 12,545,809	10,457,880
Capital assets	23,597,703	24,713,585	18,541,745	18,441,923	45,139,448	43,155,508
Total assets	<u>\$ 35,697,651</u>	<u>31,327,749</u>	<u>\$ 21,987,606</u>	<u>22,285,639</u>	<u>\$ 57,685,257</u>	<u>53,613,388</u>
Long-term debt	\$ 15,275,000	112,745,000	\$ 3,536,508	4,074,033	\$ 18,811,508	16,819,033
Other Liabilities	6,205,295	5,103,694	856,198	888,111	7,061,493	5,991,805
Total liabilities	<u>\$ 21,480,295</u>	<u>17,848,694</u>	<u>\$ 4,392,706</u>	<u>4,962,144</u>	<u>\$ 25,873,001</u>	<u>22,810,838</u>
Net assets:						
Invested in capital, net of debt	\$ 12,856,701	13,719,325	\$ 14,467,712	13,860,919	\$ 27,324,413	27,580,244
Restricted	547,022	529,730	1,551,580	1,287,615	2,098,602	1,817,345
Unrestricted	813,633	(770,000)	1,575,608	2,174,961	2,389,241	1,404,961
Total net assets	<u>\$ 14,217,356</u>	<u>13,479,055</u>	<u>\$ 17,594,900</u>	<u>17,323,495</u>	<u>\$ 31,812,256</u>	<u>30,802,550</u>

For more detailed information see pages 16-17 of the Statement of Net Assets

The largest portion of the City of Milton's net assets (approximately 86 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City of Milton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Milton's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Milton's net assets (approximately 7%) represents resources that are subject to external restrictions on how they should be used. The remaining balance of unrestricted net assets or \$2,389,241 may be used to meet the government's ongoing obligations to citizens or creditors.

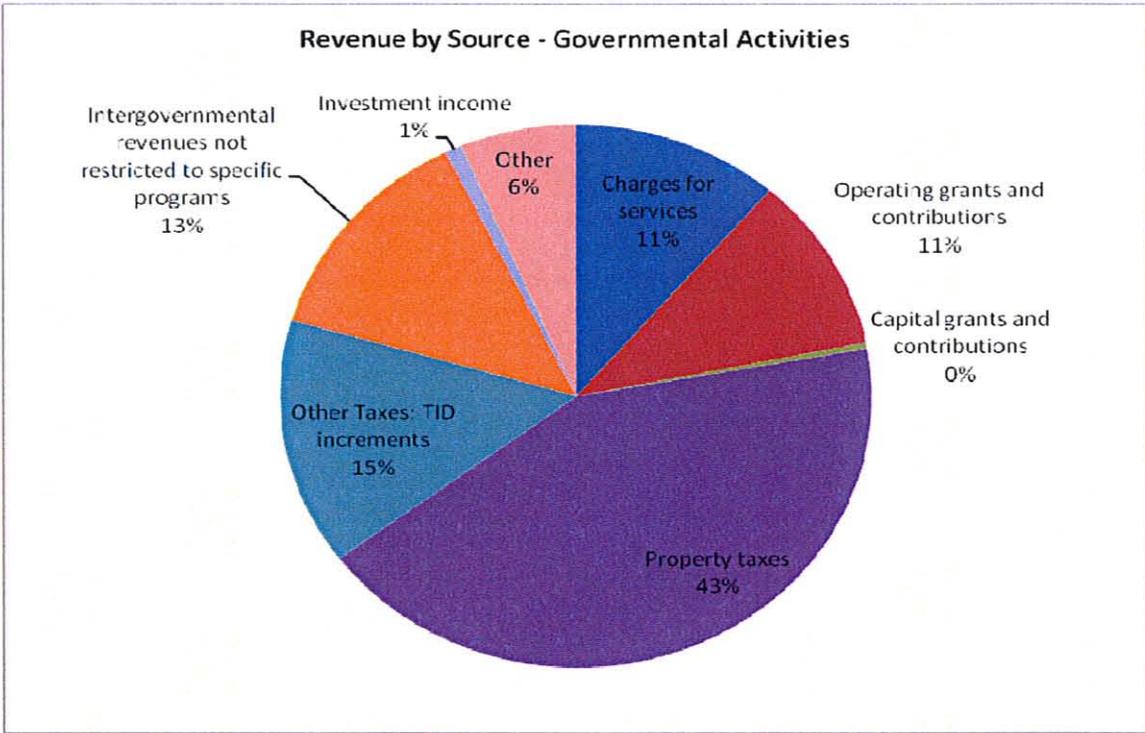
At the end of fiscal year 2011, the City of Milton is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

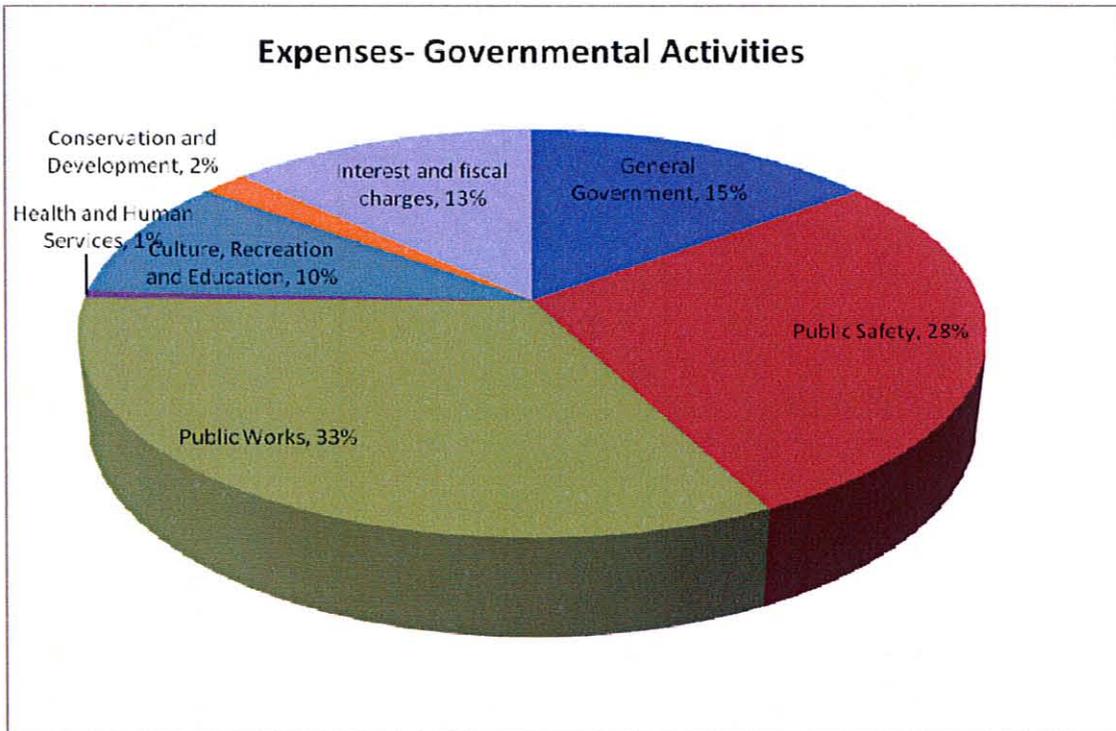
The 2011 Change in net assets for Governmental Activities shows an increase of \$738,301. See page 22 for the reconciliation of change in fund balances to the Statement of Activities.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for services	\$ 627,343	678,892	\$ 2,168,093	2,143,862	\$ 2,795,436	2,822,754
Operating grants and contributions	581,867	549,422	-	-	581,867	549,422
Capital grants and contributions	20,000	8,134,699	2,959	28,567	22,959	8,163,266
General Revenues						
Property taxes	2,361,072	2,074,152	-	-	2,361,072	2,074,152
Other Taxes: TID increments	814,558	1,536,813	-	-	814,558	1,536,813
Intergovernmental revenues not restricted to specific programs	732,596	684,790	-	-	732,596	684,790
Investment income	51,373	55,015	31,183	25,564	82,556	80,579
Other	351,344	58,131	-	-	351,344	58,131
Total revenues	\$ 5,540,153	13,771,914	\$ 2,202,235	2,197,993	\$ 7,742,388	15,969,907
Expenses						
General Government	\$ 734,965	678,032	\$ -	-	\$ 734,965	678,032
Public Safety	1,396,054	1,399,360	-	-	1,396,054	1,399,360
Public Works	1,628,067	1,429,114	-	-	1,628,067	1,429,114
Health and Human Services	32,308	47,190	-	-	32,308	47,190
Culture, Recreation and Education	475,860	505,758	-	-	475,860	505,758
Conservation and Development	95,909	92,564	-	-	95,909	92,564
Interest and fiscal charges	639,032	586,063	-	-	639,032	586,063
Water	-	-	757,945	760,220	757,945	760,220
Sewer	-	-	838,083	855,295	838,083	855,295
Stormwater	-	-	134,459	145,544	134,459	145,544
Total expenses	\$ 5,002,195	4,738,081	1,730,487	1,761,059	6,732,682	6,499,140
Change in Net Assets before Transfers	537,958	9,033,833	471,748	436,934	1,009,706	9,470,767
Transfers	200,343	(56,528)	(200,343)	56,528	-	-
Change in Net Assets	738,301	8,977,305	271,405	493,462	1,009,706	9,470,767
Net assets - 1/1	13,479,055	4,068,308	17,323,495	16,830,033	30,802,550	20,898,341
Prior Period Adjustment	-	433,442	-	-	-	433,442
Net assets - 12/31	\$ 14,217,356	13,479,055	17,594,900	17,323,495	31,812,256	30,802,550

As shown by the following graphs and identified by the Statement of Activities on page 18-19 property taxes and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities.



As identified above and on the following page, property taxes are the largest revenue source for the governmental activities accounting for approximately 43 percent of total revenues. Charges for services, operating grants and contributions, and capital grants and contributions provided approximately 11 percent, 11 percent and 0 percent of total revenues, respectively.

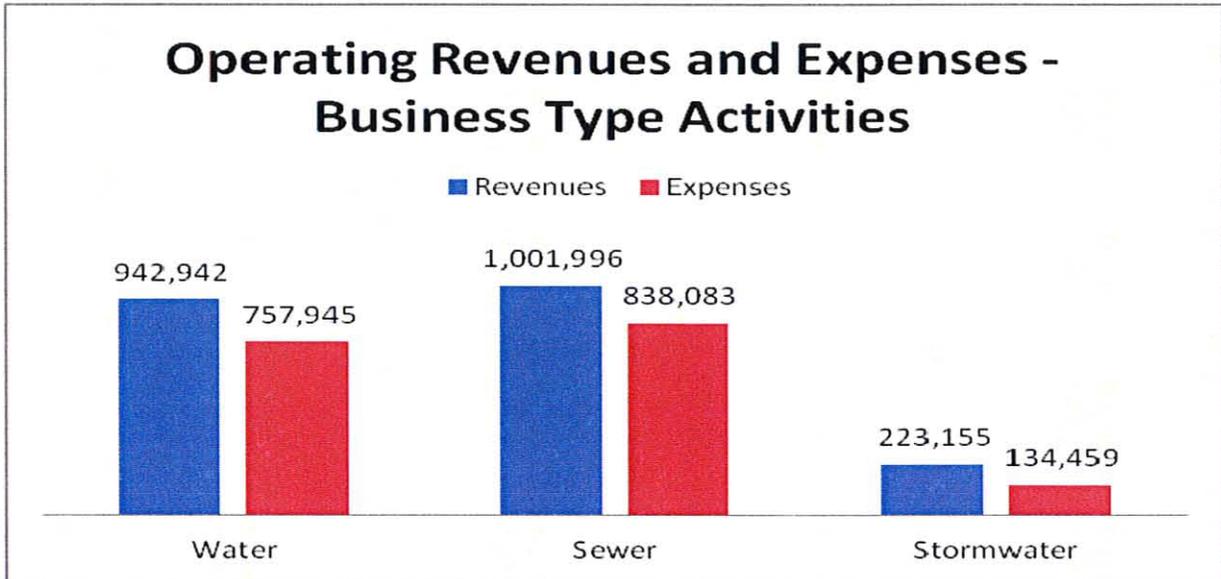


Public Works activities accounts for approximately 33% and Public Safety activities accounts for 28% of the total expenditures within the governmental activities of the City of Milton.

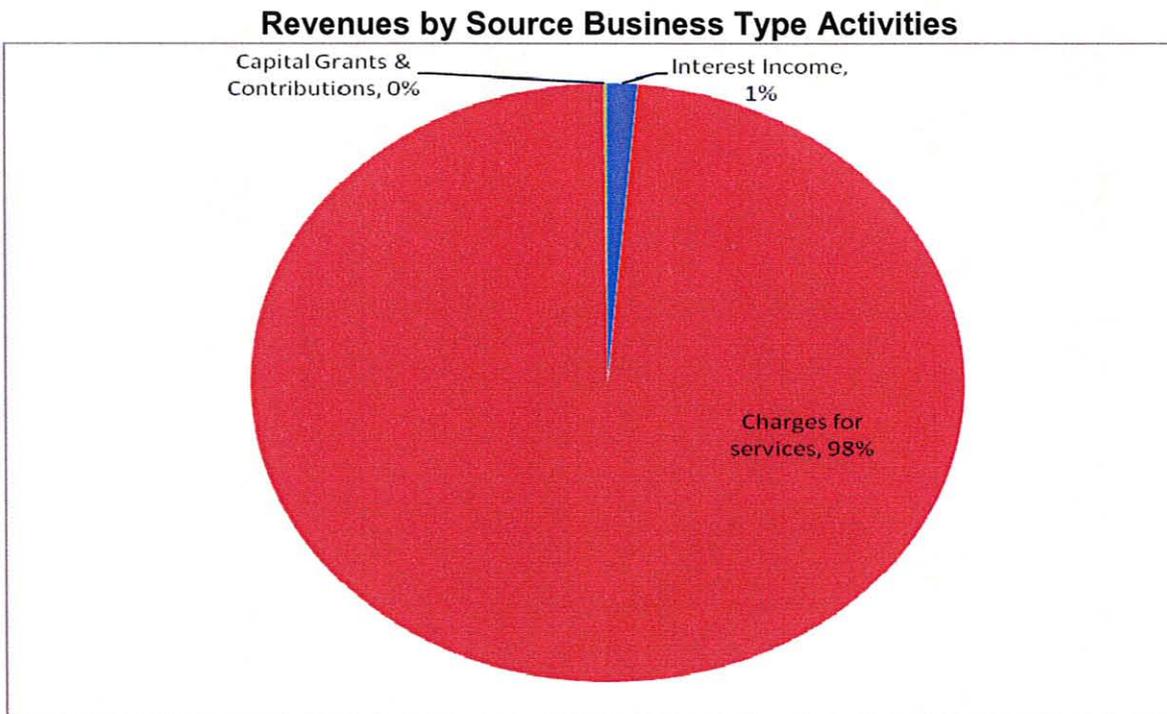
City departments across the board were within their approved budgets.

Business-type activities.

Business type activities increased the City of Milton's net assets by \$271,405 during 2011. The following graph compares the charges for services to the operating expenses of each utility.



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



Financial Analysis of the Government's Funds

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

Governmental Funds

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

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

As of December 31, 2011, the City of Milton's governmental funds reported combined ending balances of \$3,997,819, an increase of \$1,723,421 in comparison with the prior year. \$1,594,650 of the fund balance is assigned, unassigned or committed. The remainder of the fund balance (\$2,403,169) is nonspendable or restricted to indicate that it is not available for new spending because it has already been committed for other uses. The majority of this reserve (\$1,114,437) is restricted for Capital Projects.

The General Fund is the chief operating fund of the City of Milton. As of December 31, 2011, the total fund balance of the general fund was \$1,774,929 of which \$1,665,471 is unassigned. This unassigned balance represents approximately 38 percent of total general fund revenues in 2011.

The fund balance of the general fund increased by \$271,913 in fiscal year 2011. The 2011 annual program budget for the City of Milton's general fund had revenues exceeding expenditures by \$996,471. The Common Council authorized additional expenditures of \$413,528. Actual expenditures were less than the amended budgeted expenditures by approximately 8 percent. The decrease in expenditures was primarily related to across the board departmental positive variances.

The Debt Service Fund has a total fund balance of \$78,405, all of which is restricted for the payment of debt service. The fund increased by \$0.

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

Proprietary Fund.

The City of Milton's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The growth in Net Assets for 2011 was \$271,405. Net assets in the amount of \$1,551,580 are restricted for debt coverage and for equipment replacement. Unrestricted net assets in the Water, Wastewater and Stormwater Utilities at the end of the year amounted to \$1,575,608.

The financial statements and a statement of cash flows for the enterprise funds can be found on pages 26-30 of this report.

Capital Asset and Debt Administration

The City of Milton's investment in capital assets for its governmental and business type activities as of December 31, 2011, amounts to \$45,139,448 net of accumulated depreciation. This investment in capital assets includes land, buildings, infrastructure, improvements other than buildings, machinery and equipment and construction in progress. The total increase in the City of Milton's investment in capital assets for the current fiscal period was a total of approximately \$2,019,751 net of depreciation.

	<u>Beginning Balance</u>	Additions	Deletions	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land and Improvements	\$ 938,365	\$ -	\$ (75,000)	\$ -	\$ 863,365
Construction in process	49,342	1,986,431	-	-	2,035,773
Total Capital Assets not being Depreciated	<u>\$ 987,707</u>	<u>\$ 1,986,431</u>	<u>\$ (75,000)</u>	<u>\$ -</u>	<u>\$ 2,899,138</u>
Other Capital Assets:					
Buildings and improvements	2,929,400	-	-	-	2,929,400
Infrastructure	23,475,491	83,124	(1,026)	-	23,557,589
Improvements other than Bldg	313,244	50,506	-	-	363,750
Machinery and Equipment	5,508,276	510,499	(65,985)	-	5,952,790
Total Capital Assets being Depreciated	<u>\$ 32,226,411</u>	<u>\$ 644,129</u>	<u>\$ (67,011)</u>	<u>\$ -</u>	<u>\$ 32,803,529</u>
Accumulated Depreciation	<u>(8,500,533)</u>	<u>(677,059)</u>	<u>65,985</u>	<u>6,643</u>	<u>(9,104,964)</u>
Net Capital Assets- Governmental Activities	<u>\$ 24,713,585</u>	<u>\$ 1,953,501</u>	<u>\$ (76,026)</u>	<u>\$ 6,643</u>	<u>\$ 26,597,703</u>
BUSINESS TYPE ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land and Improvements	\$ 91,202	\$ -	\$ -	\$ -	\$ 91,202
Construction in process	120,647	22,412	-	-	143,059
Total Capital Assets not being Depreciated	<u>\$ 211,849</u>	<u>\$ 22,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 234,261</u>
Other Capital Assets:					
Buildings and improvements	6,466,172	6,180	-	-	6,472,352
Improvements other than Bldg	12,774,099	469,665	(15,800)	-	13,227,964
Machinery and Equipment	3,911,797	179,146	-	-	4,090,943
Total Capital Assets being Depreciated	<u>\$ 23,152,068</u>	<u>\$ 654,991</u>	<u>\$ (15,800)</u>	<u>\$ -</u>	<u>\$ 23,791,259</u>
Accumulated Depreciation	<u>(4,921,994)</u>	<u>(577,581)</u>	<u>15,800</u>	<u>\$ -</u>	<u>(5,483,775)</u>
Net Capital Assets- Governmental Activities	<u>\$ 18,441,923</u>	<u>\$ 99,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,541,745</u>

Major additions to infrastructure included the construction of a new Department of Public Works Building/Garage and the resurfacing of Parkview Drive as well as various park improvements. Equipment purchases included the Cities portion of a new fire ladder truck for the Joint Fire Commission. Additional information of the City of Milton's capital assets can be found in Note 4 on pages 41-43.

Long-Term Debt

General obligation debt is secured by the full faith and credit and unlimited taxing powers of the City. General obligation debt is expected to be repaid with general property taxes, special assessments and TIF increments. General obligation debt is used to fund infrastructure projects within the City (streets, sidewalks, curb & gutter, etc), finance equipment replacement, or fund other capital projects. At the end of the current fiscal year, the City of Milton has total general obligation bonded debt outstanding of \$13,895,000 entirely backed by the full faith and credit of the government.

SUMMARY OF LONG -TERM OBLIGATIONS

	Governmental Activities				Balances 12/31/2011
	Balances 1/1/2011	Increases	Decreases	Adjustment	
Bonds Payable	\$ 11,060,000	\$ 3,460,000	\$ 2,110,000	\$ -	\$ 12,410,000
Notes Payable	-	1,485,000	-	-	1,485,000
General Obligation Debt	11,060,000	4,945,000	2,110,000	-	13,895,000
CDA Lease Revenue					
Bonds	\$ 2,315,000	\$ -	\$ 70,000	\$ -	\$ 2,245,000
Promissory note	-	389,500	389,500	-	-
Post-retirement health benefits	180,746	117,878	34,699	-	263,925
Vested compensated absences	326,838	360,903	326,838	-	360,903
Total Governmental Activities Long-Term Liabilities	\$ 13,882,584	\$ 5,813,281	\$ 2,931,037	\$ -	\$ 16,764,828

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the City of Milton is \$18,185,785, which exceeds the current outstanding general obligation debt by \$4,290,785. As of December 31, 2011, the City of Milton's outstanding debt equaled 76 percent of the state authorized debt limit.

Additional information of the City of Milton's outstanding debt can be found in note 5 on pages 43-47.

Requests for Information

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

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

CITY OF MILTON, WISCONSIN

BASIC FINANCIAL STATEMENTS

CITY OF MILTON, WISCONSIN
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MILTON, WISCONSIN
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
Cash and investments	\$ 6,358,560	\$ 1,401,116	\$ 7,759,676
Cash and investments - restricted	-	1,575,378	1,575,378
Receivables			
Taxes	2,136,401	-	2,136,401
Accounts and other	181,784	294,415	476,199
Special assessments	169,753	-	169,753
Prepaid expenses	1,479	-	1,479
Internal balances	(148,838)	148,838	-
Inventories	-	26,114	26,114
Loans receivable	246,811	-	246,811
Unamortized debt issue costs	153,998	-	153,998
Capital assets, net of accumulated depreciation			
Land and construction in progress	2,899,138	234,261	3,133,399
Buildings, systems, and equipment	<u>23,698,565</u>	<u>18,307,484</u>	<u>42,006,049</u>
TOTAL ASSETS	<u>\$ 35,697,651</u>	<u>\$ 21,987,606</u>	<u>\$ 57,685,257</u>

(Continued on page 17)

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

CITY OF MILTON, WISCONSIN
STATEMENT OF NET ASSETS - Continued
DECEMBER 31, 2011

<u>LIABILITIES AND NET ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
LIABILITIES			
Accounts payable	\$ 767,522	\$ 28,453	\$ 795,975
Accrued liabilities			
Payroll, payroll taxes	83,702	13,606	97,308
Interest	158,803	25,204	184,007
Due to other governments	1,269	-	1,269
Contractors' deposits	5,575	-	5,575
Compensated absences			
Vacation	66,032	27,346	93,378
Sick	294,871	125,932	420,803
Deferred revenue	3,698,596	-	3,698,596
Current portion of long-term obligations	865,000	537,525	1,402,525
Net OPEB obligation	263,925	98,132	362,057
Noncurrent portion of long-term obligations	15,275,000	3,536,508	18,811,508
TOTAL LIABILITIES	21,480,295	4,392,706	25,873,001
NET ASSETS			
Invested in capital assets, net of related debt	12,856,701	14,467,712	27,324,413
Restricted for:			
Debt Service	237,208	1,551,580	1,788,788
Other purposes - rehab loans	309,814	-	309,814
Unrestricted	813,633	1,575,608	2,389,241
TOTAL NET ASSETS	14,217,356	17,594,900	31,812,256
TOTAL LIABILITIES AND NET ASSETS	\$ 35,697,651	\$ 21,987,606	\$ 57,685,257

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

CITY OF MILTON, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
GOVERNMENTAL ACTIVITIES				
General government	\$ 734,965	\$ 134,856	\$ 4,625	\$ -
Public safety	1,396,054	136,741	58,281	-
Public works	1,628,067	332,332	465,607	-
Health and human services	32,308	4,000	-	-
Culture, recreation, and education	475,860	15,749	53,354	20,000
Conservation and development	95,909	3,665	-	-
Interest and fiscal charges	639,032	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	5,002,195	627,343	581,867	20,000
BUSINESS-TYPE ACTIVITIES				
Water	757,945	942,942	-	860
Sewer	838,083	1,001,996	-	(54,022)
Storm Water	134,459	223,155	-	56,121
TOTAL BUSINESS-TYPE ACTIVITIES	1,730,487	2,168,093	-	2,959
TOTAL PRIMARY GOVERNMENT	\$ 6,732,682	\$ 2,795,436	\$ 581,867	\$ 22,959

GENERAL REVENUE

Taxes

Property taxes, levied for general purposes

Tax increments

Intergovernmental revenue not restricted to specific programs

Interest and investment income

Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUE AND TRANSFERS

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR

NET ASSETS - END OF YEAR

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

NET (EXPENSES) REVENUE AND
CHANGES IN NET ASSETS

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
\$ (595,484)		\$ (595,484)
(1,201,032)		(1,201,032)
(830,128)		(830,128)
(28,308)		(28,308)
(386,757)		(386,757)
(92,244)		(92,244)
<u>(639,032)</u>		<u>(639,032)</u>
<u>(3,772,985)</u>		<u>(3,772,985)</u>
	\$ 185,857	185,857
	109,891	109,891
	<u>144,817</u>	<u>144,817</u>
	<u>440,565</u>	<u>440,565</u>
<u>(3,772,985)</u>	<u>440,565</u>	<u>(3,332,420)</u>
2,361,072	-	2,361,072
814,558	-	814,558
732,596	-	732,596
51,373	31,183	82,556
351,344	-	351,344
<u>200,343</u>	<u>(200,343)</u>	<u>-</u>
<u>4,511,286</u>	<u>(169,160)</u>	<u>4,342,126</u>
738,301	271,405	1,009,706
<u>13,479,055</u>	<u>17,323,495</u>	<u>30,802,550</u>
<u>\$ 14,217,356</u>	<u>\$ 17,594,900</u>	<u>\$ 31,812,256</u>

CITY OF MILTON, WISCONSIN

FUND FINANCIAL STATEMENTS

CITY OF MILTON, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>DEBT SERVICE</u>	<u>TIF #6</u>	<u>CAPITAL PROJECTS</u>
Cash and investments	\$ 2,674,025	\$ 38,246	\$ 668,079	\$ 1,794,112
Receivables				
Taxes	2,136,401	-	-	-
Accounts and other	36,948	-	-	-
Special assessments	169,753	-	-	-
Loans	-	144,656	-	-
Prepaid expenses	1,479	-	-	-
Due from other funds	101,000	-	466,089	-
Advances to other funds	-	40,159	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 5,119,606</u>	<u>\$ 223,061</u>	<u>\$ 1,134,168</u>	<u>\$ 1,794,112</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 61,238	\$ -	\$ 10,956	\$ 664,455
Accrued liabilities	83,814	-	-	-
Due to other governments	1,269	-	-	-
Due to other funds	660,210	-	-	-
Deferred revenue				
Tax roll	2,536,621	-	786,038	-
Other	1,525	144,656	-	9,645
Contractors' deposits	-	-	-	5,575
Advances from other funds	-	-	175,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>3,344,677</u>	<u>144,656</u>	<u>971,994</u>	<u>679,675</u>
 FUND BALANCES (DEFICITS)				
Nonspendable	1,479	-	-	-
Restricted	-	78,405	249,500	1,114,437
Committed	107,979	-	-	-
Unassigned	1,665,471	-	(87,326)	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>1,774,929</u>	<u>78,405</u>	<u>162,174</u>	<u>1,114,437</u>
 TOTAL LIABILITIES AND FUND BALANCES				
	<u>\$ 5,119,606</u>	<u>\$ 223,061</u>	<u>\$ 1,134,168</u>	<u>\$ 1,794,112</u>

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

NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,184,098	\$ 6,358,560
-	2,136,401
180	37,128
-	169,753
246,811	391,467
-	1,479
180,124	747,213
-	40,159
<u>\$ 1,611,213</u>	<u>\$ 9,882,160</u>

\$ 30,761	\$ 767,410
-	83,814
-	1,269
101,000	761,210
90,915	3,413,574
520,663	676,489
-	5,575
-	175,000
<u>743,339</u>	<u>5,884,341</u>

-	1,479
959,348	2,401,690
-	107,979
(91,474)	1,486,671
<u>867,874</u>	<u>3,997,819</u>
<u>\$ 1,611,213</u>	<u>\$ 9,882,160</u>

CITY OF MILTON, WISCONSIN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
YEAR ENDED DECEMBER 31, 2011

Fund balances - total governmental funds \$ 3,997,819

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

Capital assets used in government activities are not financial resources and therefore, are not reported in the funds. 26,597,703

Deferred charges for debt issuance costs are not available to pay for current-period expenditures and, therefore, are deferred in the statement of net assets 153,998

Some revenue is deferred in the funds because they are not available to pay current period's expenditures. 391,467

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.

Accrued interest payable	\$ (158,803)	
Bonds and notes payable	(16,140,000)	
Compensated absences	(360,903)	
OPEB liability	<u>(263,925)</u>	
		<u>(16,923,631)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$14,217,356

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

CITY OF MILTON, WISCONSIN
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011

	GENERAL	DEBT SERVICE	TIF #6	CAPITAL PROJECTS
REVENUE				
Taxes	\$ 2,361,072	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	1,270,045	-	8,479	-
Licenses and permits	110,025	-	-	-
Fines, forfeits, and penalties	50,762	-	-	-
Public charges for services	44,489	-	-	-
Intergovernmental charges for services	68,532	-	725,351	-
Other	474,236	1,443	6,065	35,032
TOTAL REVENUE	<u>4,379,161</u>	<u>1,443</u>	<u>739,895</u>	<u>35,032</u>
EXPENDITURES				
Current				
General government	723,524	-	-	-
Public safety	1,183,910	-	-	-
Public works	559,684	-	-	-
Health and human services	34,492	-	-	-
Culture, recreation, and education	412,784	-	-	-
Conservation and development	55,497	-	350	-
Capital outlay	57,654	-	18,315	2,798,685
Debt service				
Principal	-	825,391	1,722,000	-
Interest and fiscal charges	-	464,220	169,035	-
TOTAL EXPENDITURES	<u>3,027,545</u>	<u>1,289,611</u>	<u>1,909,700</u>	<u>2,798,685</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>1,351,616</u>	<u>(1,288,168)</u>	<u>(1,169,805)</u>	<u>(2,763,653)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	-	1,590,000	3,524,500
Transfers in	183,200	1,288,168	-	355,512
Transfers out	(1,262,903)	-	(122,100)	(103,696)
Debt issuance costs	-	-	(38,450)	-
TOTAL OTHER FINANCING (USES) SOURCES	<u>(1,079,703)</u>	<u>1,288,168</u>	<u>1,429,450</u>	<u>3,776,316</u>
NET CHANGE IN FUND BALANCE	271,913	-	259,645	1,012,663
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>1,503,016</u>	<u>78,405</u>	<u>(97,471)</u>	<u>101,774</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,774,929</u>	<u>\$ 78,405</u>	<u>\$ 162,174</u>	<u>\$ 1,114,437</u>

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

NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 2,361,072
88	88
30,651	1,309,175
-	110,025
-	50,762
305,313	349,802
89,207	883,090
42,611	559,387
<u>467,870</u>	<u>5,623,401</u>
232	723,756
-	1,183,910
343,215	902,899
-	34,492
670	413,454
-	55,847
89,972	2,964,626
25,000	2,572,391
33,617	666,872
<u>492,706</u>	<u>9,518,247</u>
<u>(24,836)</u>	<u>(3,894,846)</u>
220,000	5,334,500
16,227	1,843,107
(27,500)	(1,516,199)
<u>(4,691)</u>	<u>(43,141)</u>
<u>204,036</u>	<u>5,618,267</u>
179,200	1,723,421
688,674	2,274,398
<u>\$ 867,874</u>	<u>\$ 3,997,819</u>

CITY OF MILTON, WISCONSIN
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

Net change in fund balances - total governmental funds		\$ 1,723,421
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual		
Capital outlay reported in governmental fund statements	\$ 2,964,626	
Depreciation expense reported in the statement of activities	(677,059)	
Less cost of capital assets disposed	<u>(69,382)</u>	
Amount by which capital outlays are greater than depreciation in the current period:		2,218,185
The net effect of various transactions involving capital assets (i.e., noncapitalized outlay and contributions) is to decrease net assets.		
		(334,066)
Some capital assets acquired during the year were financed with long-term debt. The amount of long-term debt is reported in the governmental funds as a source of financing. In the statement of net assets, however, long-term debt is not reported as a financing source, but rather constitutes a long-term liability. The amount of long-term debt issued in the governmental funds statement is:		
		(5,334,500)
Certain employee benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.		
This year the accrual of these benefits increased by:		(34,066)
OPEB expense is not recorded in the statement of activities.		(83,179)
Certain revenue is deferred in the governmental funds because they are not available to pay current period expenditures. In the statement of activities, these are recorded as revenue in the current year, primary loans.		
		(57,975)
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 assets and does not affect the statement of activities.		
The amount of long-term debt principal payments in the current year:		2,569,500
Governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities.		
The net effect of these differences in the current year:		
Debt issuance costs	\$ 112,323	
Amortization of bond issuance cost	<u>(24,065)</u>	
		88,258
In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as it accrues.		
The amount of interest paid during the current period.	\$ 666,872	
The amount of interest accrued during the current period.	<u>(684,149)</u>	
Interest paid is less than interest accrued by:		<u>(17,277)</u>
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES		<u>\$ 738,301</u>

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

CITY OF MILTON, WISCONSIN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

<u>ASSETS</u>	<u>WATER</u>	<u>SEWER</u>	<u>STORM WATER</u>	<u>TOTAL ENTERPRISE FUNDS</u>
CURRENT ASSETS				
Cash and investments	\$ 377,901	\$ 927,848	\$ 95,367	\$ 1,401,116
Cash and investments - restricted	472,413	1,102,965	-	1,575,378
Accounts receivable	122,782	139,220	31,994	293,996
Other accounts receivable	134	285	-	419
Due from other funds	36,687	5,303	1,473	43,463
Inventories	26,114	-	-	26,114
TOTAL CURRENT ASSETS	<u>1,036,031</u>	<u>2,175,621</u>	<u>128,834</u>	<u>3,340,486</u>
NONCURRENT ASSETS				
CAPITAL ASSETS				
Land	17,734	73,468	-	91,202
Buildings	357,790	6,114,562	-	6,472,352
Improvements other than buildings	8,974,082	4,253,882	-	13,227,964
Machinery and equipment	725,170	629,959	2,735,814	4,090,943
Construction work in progress	20,535	122,524	-	143,059
TOTAL CAPITAL ASSETS	10,095,311	11,194,395	2,735,814	24,025,520
Less accumulated depreciation	<u>2,398,204</u>	<u>2,628,320</u>	<u>457,251</u>	<u>5,483,775</u>
NET CAPITAL ASSETS	7,697,107	8,566,075	2,278,563	18,541,745
OTHER ASSETS				
Advances to other funds	<u>75,000</u>	<u>100,000</u>	<u>-</u>	<u>175,000</u>
TOTAL NONCURRENT ASSETS	<u>7,772,107</u>	<u>8,666,075</u>	<u>2,278,563</u>	<u>18,716,745</u>
TOTAL ASSETS	<u>\$8,808,138</u>	<u>\$ 10,841,696</u>	<u>\$ 2,407,397</u>	<u>\$ 22,057,231</u>

(Continued on page 27)

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

CITY OF MILTON, WISCONSIN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS - Continued
DECEMBER 31, 2011

<u>LIABILITIES AND NET ASSETS</u>	<u>WATER</u>	<u>SEWER</u>	<u>STORM WATER</u>	<u>TOTAL ENTERPRISE FUNDS</u>
CURRENT LIABILITIES				
Accounts payable	\$ 9,644	\$ 15,754	\$ 3,055	\$ 28,453
Accrued payroll and fringe benefits	5,708	6,031	1,867	13,606
Accrued interest	-	1,406	-	1,406
Due to other funds	-	29,466	-	29,466
Compensated absences				
Vacation	11,633	11,769	3,944	27,346
Sick	58,207	50,087	17,638	125,932
Net OPEB liability	45,936	41,287	10,909	98,132
Payable from restricted assets				
Accrued interest	9,843	13,955	-	23,798
Current portion of revenue bonds	215,000	322,525	-	537,525
TOTAL CURRENT LIABILITIES	<u>355,971</u>	<u>492,280</u>	<u>37,413</u>	<u>885,664</u>
NONCURRENT LIABILITIES				
Revenue bonds	910,000	2,626,508	-	3,536,508
Advances from other funds	-	40,159	-	40,159
TOTAL NONCURRENT LIABILITIES	<u>910,000</u>	<u>2,666,667</u>	<u>-</u>	<u>3,576,667</u>
TOTAL LIABILITIES	<u>1,265,971</u>	<u>3,158,947</u>	<u>37,413</u>	<u>4,462,331</u>
NET ASSETS				
Invested in capital assets, net of related debt	6,572,107	5,617,042	2,278,563	14,467,712
Restricted	462,570	1,089,010	-	1,551,580
Unrestricted	507,490	976,697	91,421	1,575,608
TOTAL NET ASSETS	<u>7,542,167</u>	<u>7,682,749</u>	<u>2,369,984</u>	<u>17,594,900</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$8,808,138</u>	<u>\$ 10,841,696</u>	<u>\$ 2,407,397</u>	<u>\$ 22,057,231</u>

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

CITY OF MILTON, WISCONSIN
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2011

	<u>WATER</u>	<u>SEWER</u>	<u>STORM WATER</u>	<u>TOTAL ENTERPRISE FUNDS</u>
OPERATING REVENUE				
Charges for services	<u>\$ 942,942</u>	<u>\$ 956,163</u>	<u>\$ 223,155</u>	<u>\$ 2,122,260</u>
OPERATING EXPENSES				
Operations	246,339	132,708	16,604	395,651
Maintenance	94,339	104,160	6,963	205,462
General and administration	137,214	194,157	76,445	407,816
Depreciation	234,256	308,878	34,447	577,581
Taxes	<u>1,381</u>	<u>11,383</u>	<u>-</u>	<u>12,764</u>
TOTAL OPERATING EXPENSES	<u>713,529</u>	<u>751,286</u>	<u>134,459</u>	<u>1,599,274</u>
OPERATING INCOME	<u>229,413</u>	<u>204,877</u>	<u>88,696</u>	<u>522,986</u>
NONOPERATING REVENUE (EXPENSES)				
Interest income	12,722	18,433	28	31,183
Connection fees	-	45,833	-	45,833
Interest expense	<u>(44,416)</u>	<u>(86,797)</u>	<u>-</u>	<u>(131,213)</u>
TOTAL NONOPERATING (EXPENSES) REVENUE	<u>(31,694)</u>	<u>(22,531)</u>	<u>28</u>	<u>(54,197)</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	197,719	182,346	88,724	468,789
TRANSFERS (OUT)	(193,086)	(75,527)	(58,295)	(326,908)
CAPITAL CONTRIBUTIONS	<u>63,132</u>	<u>6,185</u>	<u>60,207</u>	<u>129,524</u>
CHANGE IN NET ASSETS	67,765	113,004	90,636	271,405
NET ASSETS BEGINNING OF YEAR	<u>7,474,402</u>	<u>7,569,745</u>	<u>2,279,348</u>	<u>17,323,495</u>
NET ASSETS END OF YEAR	<u>\$7,542,167</u>	<u>\$7,682,749</u>	<u>\$2,369,984</u>	<u>\$17,594,900</u>

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

CITY OF MILTON, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2011

	WATER	SEWER	STORM WATER	TOTAL ENTERPRISE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 673,202	\$ 924,485	\$ 199,588	\$ 1,797,275
Receipts from municipality	256,724	42,789	23,997	323,510
Payments to municipality	-	(20,831)	(11,999)	(32,830)
Payments to suppliers for goods and services	(288,361)	(284,586)	(24,469)	(597,416)
Payments to employees for services	(148,026)	(160,441)	(44,177)	(352,644)
Payments for employee benefits	(40,784)	(56,686)	(19,768)	(117,238)
NET CASH PROVIDED BY OPERATING ACTIVITIES	452,755	444,730	123,172	1,020,657
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(193,086)	(75,527)	(58,295)	(326,908)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property, plant, and equipment	(419,260)	(102,441)	(29,138)	(550,839)
Connection fees and cash contributions	860	45,833	-	46,693
Retirement of bonds and loans	(195,000)	(311,971)	-	(506,971)
Advance to municipality	75,000	100,000	-	175,000
Interest paid	(46,097)	(88,329)	-	(134,426)
Contributed capital	-	2,099	-	2,099
NET CASH (USED IN) RELATED FINANCING ACTIVITIES	(584,497)	(354,809)	(29,138)	(968,444)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	12,722	18,433	28	31,183
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(312,106)	32,827	35,767	(243,512)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,162,317	1,997,783	59,600	3,219,700
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 850,211	\$ 2,030,610	\$ 95,367	\$ 2,976,188
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u>				
Capital contributions municipality	\$ 62,272	\$ 4,086	\$ 60,207	\$ 126,565

(Continued on page 30)

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

CITY OF MILTON, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - Continued
YEAR ENDED DECEMBER 31, 2011

	WATER	SEWER	STORM WATER	TOTAL ENTERPRISE FUNDS
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 229,413	\$ 204,877	\$ 88,696	\$ 522,986
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation	234,256	308,878	34,447	577,581
Depreciation charged to sewer	12,051	(12,051)	-	-
Changes in assets and liabilities				
(Increase) decrease in assets				
Accounts receivable	3,842	9,613	561	14,016
Due from other funds	(28,566)	1,498	(131)	(27,199)
Inventories	1,307	-	-	1,307
Increase (decrease) in liabilities				
Accounts payable	(15,800)	(70,590)	(3,445)	(89,835)
Other accrued expenses	471	(1,985)	242	(1,272)
Deferred revenue	(343)	-	-	(343)
Post employment benefits	16,124	13,270	2,802	32,196
Due to other funds	-	(8,780)	-	(8,780)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 452,755	\$ 444,730	\$ 123,172	\$ 1,020,657

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

	WATER		
	CASH AND INVESTMENTS	RESTRICTED CASH AND INVESTMENTS	TOTALS
Cash and cash equivalents	\$ 377,798	\$ 472,413	\$ 850,211
Investments	103	-	103
CASH AND INVESTMENTS PER STATEMENT OF NET ASSETS	\$ 377,901	\$ 472,413	\$ 850,314

	SEWER		
	CASH AND INVESTMENTS	RESTRICTED CASH AND INVESTMENTS	TOTALS
Cash and cash equivalents	\$ 927,645	\$ 1,102,965	\$ 2,030,610
Investments	203	-	203
CASH AND INVESTMENTS PER STATEMENT OF NET ASSETS	\$ 927,848	\$ 1,102,965	\$ 2,030,813

	STORM WATER		
	CASH AND INVESTMENTS	RESTRICTED CASH AND INVESTMENTS	TOTALS
Cash and cash equivalents	\$ 95,367	\$ -	\$ 95,367
Investments	-	-	-
CASH AND INVESTMENTS PER STATEMENT OF NET ASSETS	\$ 95,367	\$ -	\$ 95,367

	TOTALS		
	CASH AND INVESTMENTS	RESTRICTED CASH AND INVESTMENTS	TOTALS
Cash and cash equivalents	\$ 1,400,810	\$ 1,575,378	\$ 2,976,188
Investments	306	-	306
CASH AND INVESTMENTS PER STATEMENT OF NET ASSETS	\$ 1,401,116	\$ 1,575,378	\$ 2,976,494

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

CITY OF MILTON, WISCONSIN
STATEMENT OF FIDICIARY NET ASSETS
AGENCY FUND
DECEMBER 31, 2011

ASSETS

Cash and investments	\$ 2,395,205
Taxes receivable	<u>3,264,420</u>
TOTAL ASSETS	<u>\$ 5,659,625</u>

LIABILITIES

Due to other governments	<u>\$ 5,659,625</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF MILTON, WISCONSIN

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other nonexchange revenue. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 1 - Summary of Significant Accounting Policies - Continued

Basis of Presentation - Continued

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenue, and expenditures/expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

- a. Total assets, liabilities, revenue, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major governmental funds:

General Fund - Accounts for the City's primary operating activities. It is used to account for all financial resources, except those required to be accounted for in another fund.

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

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

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

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 1 - Summary of Significant Accounting Policies - Continued

Basis of Presentation - Continued

The City reports the following major enterprise funds:

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

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

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

In addition, the City reports the following fund type:

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

Measurement Focus and Basis of Accounting

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2011 that will be collected in 2012 are recorded as a receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenue when services are provided.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue, excluding property taxes, to be available if they are collected within 90 days of the end of the current year. Property taxes are considered to be available if they are collected within 60 days of the end of the current year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 1 - Summary of Significant Accounting Policies - Continued

Measurement Focus and Basis of Accounting - Continued

Significant revenue sources, which are susceptible to accrual, include property taxes, state share revenue, grants, contributions, and interest. All other revenue sources including licenses, permits, fines, and forfeits are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

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 government's water, sewer, and storm water functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

Cash and Cash Equivalents

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

Accounts Receivable

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

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 1 - Summary of Significant Accounting Policies - Continued

Due To/From Advance To/From Other Funds

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as due to and from other funds. Long-term interfund loans (noncurrent portion) are reported as advances from and to other funds. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Prepaid Items

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

Inventory

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

Restricted Cash and Investments

Restricted cash and investments include the following restricted asset accounts:

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

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

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

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

Impairment of Long-Lived Assets

In accordance with U.S. GAAP, the City reviews its non-current assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recovered. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the year ended December 31, 2011.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 1 - Summary of Significant Accounting Policies - Continued

Capital Assets

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

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

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

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

Bond Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the straight-line method. The use of the straight-line method over the effective interest method has no material effect on the financial statements. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 1 - Summary of Significant Accounting Policies - Continued

Compensated Absences

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

Post-Employment Benefits

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

Equity Classifications - Government-Wide Statements

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

Invested in Capital Assets, Net of Related Debt - Consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets - Consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted Net Assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Equity Classifications - Fund Financial Statements

The City classifies its fund equity as follows:

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

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 1 - Summary of Significant Accounting Policies - Continued

Equity Classifications - Fund Financial Statements - Continued

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

State and Federal Aids

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

Interfund Transactions

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Employment Retirement Plan

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

Subsequent Events

The City has evaluated subsequent events through May 1, 2012, the date which the financial statements were available to be issued.

Change in Accounting Principle

The City adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* on January 1, 2011. Accordingly, the cumulative effect on the accounting change as of the beginning of the year is reported in the Balance Sheet – Governmental Funds. The implementation of this principle has affected the prior period governmental fund balances in fund balance classification only.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 2 - Cash and Investments

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

As of December 31, 2011, the City had the following investments:

<u>INVESTMENT</u>	<u>WEIGHTED AVERAGE MATURITIES</u>	<u>FAIR VALUE</u>
State of Wisconsin Investment Pool	Less than one year	<u>\$ 5,111,445</u>

Fair (Market) Value of Deposits and Investments - Deposits and investments are reported at fair value. At December 31, 2011, the fair value of the City's deposits and investments approximated original cost, therefore no fair value adjustments were necessary.

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

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

Investment Pool Information - Participation in the State of Wisconsin Local Government Investment Pool is voluntary. The Pool's regulatory oversight is provided by state statutes and its investment board. The fair value of the City's position in the Pool is the same as the value of the Pool shares. At December 31, 2011, the Pool's fair value was 100 percent of book value.

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

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

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

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 2 - Cash and Investments - Continued

Custodial Credit Risk - Deposits - Custodial credit is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund availability. As of December 31, 2011, \$3,552,555 of the City's bank balance of \$6,190,578 was exposed to custodial credit risk as follows:

Uninsured, collateral pledged by bank	\$ 2,611,800
Uninsured and uncollateralized	<u>940,755</u>
	<u>\$ 3,552,555</u>

NOTE 3 - Property Taxes

Property taxes attach as an enforceable lien on property in December when the tax roll is certified. Taxes are levied in December and payable in two installments on January 31 and July 31, or payable in full on January 31. Special assessments, charges, and personal property taxes are payable in full on January 31. The City bills and collects its own property taxes and also taxes for the State, County, Technical College, and Public Schools until February 1, at which time all uncollected real estate taxes are turned over to the County for collection. Collection of the taxes and remittance of them to the appropriate entities are accounted for in the Tax Agency Fund. City property tax revenue is recognized in the year they are levied for and available for use. The 2011 tax roll has been set up as a receivable and offset by the amounts due to other governmental units and deferred income tax revenue for the City's portion. Advance tax collections are offset against the receivable.

NOTE 4 - Capital Assets

Capital asset balances and activity for the year ended December 31, 2011, was as follows:

	<u>BALANCES</u> <u>01/01/11</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>TRANSFERS/ ADJUSTMENTS</u>	<u>BALANCES</u> <u>12/31/11</u>
<u>GOVERNMENTAL ACTIVITIES</u>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 938,365	\$ -	\$ (75,000)	\$ -	\$ 863,365
Construction in progress	<u>49,342</u>	<u>1,986,431</u>	<u>-</u>	<u>-</u>	<u>2,035,773</u>
Total capital assets not being depreciated	<u>987,707</u>	<u>1,986,431</u>	<u>-</u>	<u>-</u>	<u>2,899,138</u>
<i>Capital assets being depreciated</i>					
Buildings	2,929,400	-	-	-	2,929,400
Infrastructure	23,475,491	83,124	(1,026)	-	23,557,589
Improvements other than buildings	313,244	50,506	-	-	363,750
Machinery and equipment	<u>5,508,276</u>	<u>510,499</u>	<u>(65,985)</u>	<u>-</u>	<u>5,952,790</u>
Total capital assets being depreciated	<u>32,226,411</u>	<u>644,129</u>	<u>(67,011)</u>	<u>-</u>	<u>32,803,529</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 4 - Capital Assets - Continued

	<u>BALANCES</u> 01/01/11	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>TRANSFERS/ ADJUSTMENTS</u>	<u>BALANCES</u> 12/31/11
<u>GOVERNMENTAL ACTIVITIES -</u>					
<u>Continued</u>					
Less accumulated depreciation for:					
Buildings	\$ 1,418,466	\$ 56,039	\$ -	\$ (133)	\$ 1,474,372
Infrastructure	2,447,847	429,707	-	-	2,877,553
Improvements other than buildings	278,896	12,517	-	(6,138)	285,275
Machinery and equipment	<u>4,355,324</u>	<u>178,796</u>	<u>(65,985)</u>	<u>(372)</u>	<u>4,467,764</u>
Total accumulated depreciation	<u>8,500,533</u>	<u>677,059</u>	<u>(65,985)</u>	<u>(6,643)</u>	<u>9,104,964</u>
Total capital assets being depreciated, net	<u>23,725,878</u>	<u>(32,930)</u>	<u>(1,026)</u>	<u>6,643</u>	<u>23,698,565</u>
GOVERNMENT ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$ 24,713,585</u>	<u>\$ 1,953,501</u>	<u>\$ (76,026)</u>	<u>\$ 6,643</u>	<u>\$ 26,597,703</u>

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

General Government	\$ 32,006
Public Safety	81,485
Public Works	512,857
Health and Human Services	1,389
Culture, Recreation, and Education	<u>49,322</u>
TOTAL	<u>\$ 677,059</u>

	<u>BALANCES</u> 01/01/11	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCES</u> 12/31/11
<u>BUSINESS-TYPE ACTIVITIES</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 91,202	\$ -	\$ -	\$ 91,202
Construction in progress	<u>120,647</u>	<u>22,412</u>	<u>-</u>	<u>143,059</u>
Total capital assets not being depreciated	<u>211,849</u>	<u>22,412</u>	<u>-</u>	<u>234,261</u>
<i>Capital assets being depreciated</i>				
Buildings	6,466,172	6,180	-	6,472,352
Improvements other than building	12,774,099	469,665	(15,800)	13,227,964
Machinery and equipment	<u>3,911,797</u>	<u>179,146</u>	<u>-</u>	<u>4,090,943</u>
Total capital assets being depreciated	<u>23,152,068</u>	<u>654,991</u>	<u>(15,800)</u>	<u>23,791,259</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 4 - Capital Assets - Continued

	<u>BALANCES</u> <u>01/01/11</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCES</u> <u>12/31/11</u>
<u>BUSINESS-TYPE ACTIVITIES - Continued</u>				
Less accumulated depreciation for:				
Buildings	\$ 1,335,915	\$ 213,017	\$ -	\$ 1,548,932
Improvements other than building	2,637,483	233,293	(15,800)	2,854,976
Machinery and equipment	<u>948,596</u>	<u>131,271</u>	<u>-</u>	<u>1,079,867</u>
Total accumulated depreciation	<u>4,921,994</u>	<u>577,581</u>	<u>(15,800)</u>	<u>5,483,775</u>
 Total capital assets being depreciated, net accumulated depreciation	 <u>18,230,074</u>	 <u>77,410</u>	 <u>-</u>	 <u>18,307,484</u>
 BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET OF ACCUMULATED				
DEPRECIATION	<u>\$18,441,923</u>	<u>\$ 99,822</u>	<u>\$ -</u>	<u>\$ 18,541,745</u>

Depreciation expense was charged to functions as follows:

Business-type activities	
Water	\$ 234,256
Sewer	308,878
Storm Water	<u>34,447</u>
TOTAL	<u>\$ 577,581</u>

NOTE 5 - Long-Term Obligations

Details of the City's long-term obligations are set forth below.

Summary of Long-Term Obligations

	<u>BALANCES</u> <u>01/01/11</u>	<u>ADDITIONS</u>	<u>PAYMENTS/ ADJUSTMENTS</u>	<u>BALANCES</u> <u>12/31/11</u>	<u>AMOUNT DUE WITHIN ONE YEAR</u>
<u>GOVERNMENTAL ACTIVITIES:</u>					
Bonds payable	\$ 11,060,000	\$ 3,460,000	\$(2,110,000)	\$ 12,410,000	\$ 660,000
Notes payable	-	1,485,000	-	1,485,000	135,000
CDA revenue bonds payable	2,315,000	-	(70,000)	2,245,000	70,000
Promissory note	-	389,500	(389,500)	-	-
Compensated absences					
Vacation	54,127	66,032	(54,127)	66,032	66,032
Sick	272,711	294,871	(272,711)	294,871	294,871
Net OPEB obligation	<u>180,746</u>	<u>117,878</u>	<u>(34,699)</u>	<u>263,925</u>	<u>263,925</u>
TOTAL	<u>\$ 13,882,584</u>	<u>\$ 5,813,281</u>	<u>\$(2,931,037)</u>	<u>\$ 16,764,828</u>	<u>\$ 1,489,828</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 5 - Long-Term Obligations - Continued

	<u>BALANCES</u> <u>01/01/11</u>	<u>ADDITIONS</u>	<u>PAYMENTS/ ADJUSTMENTS</u>	<u>BALANCES</u> <u>12/31/11</u>	<u>AMOUNT DUE WITHIN ONE YEAR</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Mortgage revenue bonds:					
Sewer	\$ 3,261,004	\$ -	\$ (311,971)	\$ 2,949,033	\$ 322,525
Water	1,320,000	-	(195,000)	1,125,000	215,000
Compensated absences					
Vacation	23,105	27,346	(23,105)	27,346	27,346
Sick	124,690	125,932	(124,690)	125,932	125,932
Net OPEB obligation	65,936	32,196	-	98,132	98,132
TOTAL	<u>\$ 4,794,735</u>	<u>\$ 185,474</u>	<u>\$ (654,766)</u>	<u>\$ 4,325,443</u>	<u>\$ 788,935</u>

GOVERNMENTAL FUNDS

General Obligation Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the City. The general obligation debt is expected to be repaid with general property taxes, special assessments and tax increments (TIF). General obligation debt at December 31, 2011, is comprised of the following issues:

<u>ISSUE DESCRIPTION</u>	<u>RATES (%)</u>	<u>DATES OF MATURITY</u>	<u>BALANCE 12/31/11</u>
<u>GENERAL OBLIGATION BONDS</u>			
2005 Issue	2.50 - 3.35%	2016	\$ 655,000
2007 Issue	4.00%	2026	3,535,000
2007 Issue	4.00%	2027	4,220,000
2010 Issue	1.00 - 2.20%	2016	540,000
2011 Issue	0.90 - 3.80%	2023	1,590,000
2011 Issue	2.40 - 4.50%	2031	1,870,000
TOTAL GOVERNMENTAL FUNDS GENERAL OBLIGATION BONDS			<u>12,410,000</u>
<u>GENERAL OBLIGATION NOTES</u>			
2011 Issue	0.60 - 3.15%	2021	1,485,000
TOTAL GOVERNMENTAL FUNDS GENERAL OBLIGATION DEBT			<u>\$ 13,895,000</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 5 - Long-Term Obligations - Continued

Community Development Authority Lease Revenue Bonds

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

<u>ISSUE DESCRIPTION</u>	<u>RATE (%)</u>	<u>DATES OF MATURITY</u>	<u>ORIGINAL INDEBTEDNESS</u>	<u>BALANCE 12/31/11</u>
Lease Revenue Bonds TIF #6 2006 Issue	3.5 - 4.6%	2026	\$ 1,940,000	\$ 1,775,000
Lease Revenue Bonds TIF #7 2006 Issue	3.5 - 4.6%	2026	555,000	<u>470,000</u>
TOTAL LEASE REVENUE BONDS				<u>\$ 2,245,000</u>

Enterprise Fund Debt

Enterprise fund debt is expected to be repaid with water and sewer revenue. Enterprise fund debt at December 31, 2011, is comprised of the following issues:

<u>ISSUE DESCRIPTION</u>	<u>RATES (%)</u>	<u>DATES OF MATURITY</u>	<u>BALANCE 12/31/11</u>
<u>Mortgage Revenue Bonds</u>			
2002 Sewer Issue	2.75%	2022	\$ 2,624,033
2005 Sewer Issue	2.50 - 3.70%	2014	325,000
2005 Water Issue	3.25 - 3.55%	2015	<u>1,125,000</u>
TOTAL ENTERPRISE FUND DEBT			<u>\$ 4,074,033</u>

Mortgage Revenue Bond Requirements

The City's Mortgage Revenue Bonds require that cash be set aside in separate funds and restricted for specific purposes. Required and actual amounts as of December 31, 2011, are as follows:

	<u>WATER UTILITY</u>		<u>SEWER UTILITY</u>	
	<u>REQUIRED</u>	<u>ACTUAL</u>	<u>REQUIRED</u>	<u>ACTUAL</u>
Special Redemption Fund	\$ 63,595	\$ 73,435	\$ 228,973	\$ 241,327
Reserve Fund	211,500	213,653	108,500	108,500
Depreciation Fund	185,325	185,325	195,128	195,128

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 5 - Long-Term Obligations - Continued

Equipment Replacement Fund Requirements

The Sewer Utility has established an equipment replacement fund to be used for significant wastewater treatment mechanical equipment replacement as required by the Wisconsin Department of Natural Resources as a condition to receiving construction grants. At December 31, 2011, this fund had available resources of \$558,010.

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

Statutory Liens

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

The mortgage revenue bonds also require the following disclosures:

The number of Utility connections for each user class at December 31, 2011, was as follows:

<u>Class</u>	
Residential	2,652
Commercial	218
Industrial	33
Public authority	<u>36</u>
Total	<u>2,939</u>

The volume of water used in calculating utility charges for each user class for 2011 was as follows:

<u>Class</u>	
Residential	93,788,000
Commercial	18,703,000
Industrial	182,786,000
Public authority	<u>12,216,000</u>
Total	<u>307,493,000</u>

Insurance coverage:

<u>Insurance Type</u>	<u>Company</u>	<u>Policy Term</u>	<u>Coverage</u>
Property	WI Local Government Property Ins.	1/1/11 - 12/31/11	\$16.5 million
Liability	CVMIC	1/1/11 - 12/31/11	\$5 million
Workers' Comp.	CVMIC	1/1/11 - 12/31/11	\$2 million
Errors & Omissions	CVMIC	1/1/11 - 12/31/11	\$5 million

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 5 - Long-Term Obligations - Continued

General Obligation Debt Limit Calculation

The 2011 equalized valuation of the City as certified by the Wisconsin Department of Revenue is \$363,715,700. The legal debt limit and margin of indebtedness as of December 31, 2011, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (5% of \$363,715,700)	\$ 18,185,785
Applicable long-term debt	(13,895,000)
Amount available in debt service	<u>78,405</u>
MARGIN OF INDEBTEDNESS	<u>\$ 4,369,190</u>

Maturities of Long-Term Obligations

Maturities of the long-term obligations at December 31, 2011, are:

<u>YEARS</u>	<u>GENERAL OBLIGATION DEBT</u>		<u>CDA LEASE REVENUE BONDS</u>		<u>ENTERPRISE FUND DEBT</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2012	\$ 795,000	\$ 470,842	\$ 70,000	\$ 98,090	\$ 537,525	\$ 118,297
2013	815,000	450,491	75,000	95,298	548,232	101,250
2014	845,000	428,265	75,000	92,335	569,096	83,538
2015	865,000	404,160	90,000	88,990	660,121	66,913
2016	880,000	378,202	105,000	84,940	231,312	45,193
2017-2021	4,120,000	1,486,913	770,000	337,853	1,255,547	125,619
2022-2026	4,475,000	692,635	1,060,000	123,279	272,200	3,742
2027-2031	1,100,000	92,680	-	-	-	-
TOTAL	<u>\$13,895,000</u>	<u>\$4,404,188</u>	<u>\$ 2,245,000</u>	<u>\$ 920,785</u>	<u>\$ 4,074,033</u>	<u>\$ 544,552</u>

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

NOTE 6 - Defined Benefit Pension Plans

All eligible City of Milton employees participate in the Wisconsin Retirement System ("WRS"), a cost-sharing multiple-employer defined benefit public employee retirement system. All permanent employees expected to work at least 600 hours a year are eligible to participate in the WRS. Covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 6.2 percent of their salary (3.2 percent for Executives and Elected Officials, 5.5 percent for Protective Occupations with Social Security, and 3.9 percent for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 6 - Defined Benefit Pension Plans - Continued

The payroll for City of Milton employees covered by the WRS for the year ended December 31, 2011, was \$1,638,152; the employer's total payroll was \$1,754,224. The total required contribution for the year ended December 31, 2011, was \$219,025, which consisted of \$120,054 or 5.1 - 11.3 percent of payroll from the employer and \$98,971 or 5.8 - 6.5 percent of payroll from employees. Total contributions for the years ended December 31, 2010 and 2009 were \$203,315 and \$184,503, 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 retirement benefits. 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. Final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation 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, are immediately 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 which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

NOTE 7 - Post-Retirement Healthcare Benefits

Description

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

Funding Policy

Premiums under the Plan for post-employment healthcare benefits are funded by retirees desiring such coverage via co-pays paid to the City in accordance with rates established by the City and from the City itself from appropriate governmental and business-type funds on a pay-as-you-go basis. The City may make additional contributions as determined by management. For the year ended December 31, 2011, the net outlay from the City, which equaled \$34,699, represents the City's net cost paid for current year premiums due.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 7 - Post-Retirement Healthcare Benefits - Continued

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table illustrates the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 150,074
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>150,074</u>
Contributions made	<u>(34,699)</u>
Increase in net OPEB obligation	115,375
Net OPEB obligation - beginning of year	<u>246,682</u>
NET OPEB OBLIGATION - END OF YEAR	<u>\$ 362,057</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation - End of Year</u>
12/31/09	\$ 152,495	15.65%	\$ 128,629
12/31/10	150,072	21.34	246,682
12/31/11	150,074	23.12	362,057

Funding Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits equaled \$1,657,752, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,657,752. The covered payroll (annual payroll of active employees covered the Plan) equaled \$1,031,361, and the ratio of the UAAL to the covered payroll equaled 160.7 percent.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 7 - Post-Retirement Healthcare Benefits - Continued

The schedule of funding progress, presented as RSI following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the City maintains no Plan assets, information relative to Plan assets required disclosures is not applicable.

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan is understood by the City and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and Plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the actuarial valuation dated December 31, 2010, the alternative measurement method was used. Because the City funds its OPEB on a pay-as-you-go basis, the Plan has no assets (investments) used specifically for paying the post-retirement medical benefits; therefore, the actuarial assumptions included a 2.5 percent discount rate, which approximates the expected rate of return on non-pension investments held by the City. The UAAL is being amortized as a level dollar amount over 30 years on an open basis.

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

Individual interfund receivable and payable balances at December 31, 2011, are as follows:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
Due from/to Other Funds:		
General	TIF #7	\$ 47,095
Sidewalk	General	125
Refuse and Recycling	General	126,094
TIF #6	General	466,089
Sewer	General	5,303
Water	General	7,221
Storm Water	General	1,473
Water	Sewer	29,466
TOTAL		<u>\$ 682,866</u>
Advances to/from Other Funds:		
Debt Service	Sewer	\$ 40,159
Sewer	TIF #6	100,000
Water	TIF #6	75,000
TOTAL		<u>\$ 215,159</u>

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

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

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

Individual fund transfers during 2011 are as follows:

<u>RECEIVING FUND</u>	<u>PAYING FUND</u>	<u>AMOUNT</u>
Transfers:		
Debt Service	General	\$ 911,164
Debt Service	TIF #6	114,600
Debt Service	Water	28,700
Debt Service	Sewer	71,713
Debt Service	Storm Water	58,295
Debt Service	Capital Projects	103,696
General	Water	164,386
General	Sewer	3,814
General	TIF #6	7,500
General	TIF #8	7,500
Capital Projects	General	335,512
Capital Projects	Sidewalks Fund	20,000
Refuse and Recycling	General	16,227
Water	Capital Projects	62,272
Sewer	Capital Projects	4,086
Storm Water	Capital Projects	60,207
TOTAL		<u>\$ 1,969,672</u>

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

The wastewater treatment plant shares responsibility for the 1998 Bonds recorded in General Long-Term Obligations (was refunded in 2010 with GO Bonds).

A summary of interest and principal payments on the advance is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>\$ 40,159</u>	<u>\$ 580</u>	<u>\$ 40,739</u>

NOTE 9 - Fund Balances and Net Assets

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

<u>FUND</u>	<u>PURPOSE/REASON</u>	<u>AMOUNT</u>
<u>Deficit</u>		
TIF #7	Awaiting future revenue increments	<u>\$ 91,474</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 9 - Fund Balances and Net Assets - Continued

<u>FUND</u>	<u>PURPOSE/REASON</u>	<u>AMOUNT</u>
<u>Nonspendable</u>		
General Fund	Prepaid Expenses	<u>\$ 1,479</u>
<u>Restricted</u>		
Debt Service	Debt Service	\$ 78,405
TIF #6	Capital Projects	249,500
TIF #8	Capital Projects	625,494
Special Revenue	Rehab Loans	63,003
Sidewalk Fund	Sidewalks	169,864
Refuse and Recycling	Refuse and Recycling	2,632
Dog Park Fund	Dog Park	11,555
Crossridge Park Fund	Crossridge Park	86,800
Capital Projects	Capital Projects	1,114,437
Total Restricted Fund Balances		<u>\$ 2,401,690</u>
Enterprise Fund	Water Bond Requirements	\$ 462,570
Enterprise Fund	Sewer Bond Requirements	1,089,010
Total Restricted Net Assets		<u>\$ 1,551,580</u>
<u>Committed</u>		
General Fund	Shaw Maintenance Fund	\$ 5,308
General Fund	Community House Reserve	6,020
General Fund	Parkland Contribution Fund	8,087
General Fund	Election Equipment Reserve	3,367
General Fund	Ambulance Contribution Fund	146
General Fund	Reserve for OPEB	11,632
General Fund	PEG Fund Reserve	625
General Fund	Reserve for Debt/Capital	21,573
General Fund	Public Works Capital Outlay	12,000
General Fund	City Hall Vehicle	7,000
General Fund	Website Renovation	15,680
General Fund	Employee Services	5,000
General Fund	Library Revenue Fund	10,000
General Fund	Historic Preservation	1,541
Total Committed Fund Balance		<u>\$ 107,979</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 10 - Tax Incremental Finance Districts

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

The City has three Tax Incremental Financing Districts. The following are project summaries of the activity and status of the TIF Districts through December 31, 2011:

	TIF DISTRICT		
	#6	#7	#8
SOURCES OF FUNDS			
Tax increments	\$ 2,959,882	\$ 273,844	\$ 787,780
Grants	265,009	-	15,000
Interest income	117,265	-	3,841
Sales of property	6,269	-	-
Proceeds from long-term debt	7,815,000	555,000	220,000
Rent	72,214	-	8,750
Transfer from other TIF's	29,179	-	-
Transfer from debt service	259,566	-	-
Transfer from general fund	-	-	56,625
Exempt computer aids	22,133	686	19,832
TOTAL SOURCES	<u>11,546,517</u>	<u>829,530</u>	<u>1,111,828</u>
USES OF FUNDS			
Administrative expenditures	290,652	153,021	53,876
Project cost	2,991,692	516,302	114,861
Principal and interest on long-term debt	3,791,910	173,744	1,977
Debt issuance costs	38,450	-	4,691
Transfer to capital projects	3,612,112	29,179	-
Transfer to debt service	652,027	48,758	-
Transfer to general fund	7,500	-	310,929
TOTAL USES	<u>11,384,343</u>	<u>921,004</u>	<u>486,334</u>
FUND BALANCES AS OF DECEMBER 31, 2011	<u>\$ 162,174</u>	<u>\$ (91,474)</u>	<u>\$ 625,494</u>
FUTURE REQUIREMENTS			
Debt service	\$ 9,296,676	\$ 646,217	\$ 249,269
Advances from other funds	175,000	-	-
Accounts payable	10,956	-	2,099
TOTAL FUTURE REQUIREMENTS	<u>9,482,632</u>	<u>646,217</u>	<u>251,368</u>
Less cash on hand	(675,541)	(39,074)	(627,593)
BALANCE TO BE COLLECTED ON TIF DISTRICT	<u>\$ 8,807,091</u>	<u>\$ 607,143</u>	<u>\$ (376,225)</u>
2011 Tax Increment	\$ 786,038	\$ 90,915	\$ -

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2011

NOTE 11 - Risk Management

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

NOTE 12 - Joint Venture

The City and Town of Milton share equally in the control and operating cost of a joint fire department. Each municipality appoints three members to the Milton Joint Fire Commission. Each municipality pays 50 percent of the operating and capital costs of the fire department. The City paid \$150,322 of operating expenses during 2011. Financial information is available from the Fire Commission upon request.

CITY OF MILTON, WISCONSIN

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILTON, WISCONSIN
POST-EMPLOYMENT HEALTHCARE BENEFITS SCHEDULES
YEAR ENDED DECEMBER 31, 2011

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/09	\$ -	\$ 1,678,807	\$ 1,678,807	0.0%	\$ 1,425,100	117.8%
12/31/10	\$ -	\$ 1,657,752	\$ 1,657,752	0.0%	\$ 1,031,361	160.7%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Annual Required Contribution	Actual Contribution	Percentage Contributed
2009	\$ 152,495	\$ 23,866	15.7%
2010	\$ 150,072	\$ 32,019	21.3%
2011	\$ 150,074	\$ 34,699	23.1%

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

CITY OF MILTON, WISCONSIN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUE				
Taxes	\$ 2,357,105	\$ 2,357,105	\$ 2,361,072	\$ 3,967
Intergovernmental	1,183,572	1,217,851	1,270,045	52,194
Licenses and permits	99,260	99,260	110,025	10,765
Fines, forfeits, and penalties	56,500	56,500	50,762	(5,738)
Public charges for services	42,830	42,830	44,489	1,659
Intergovernmental charges for services	84,934	84,934	68,532	(16,402)
Other	88,019	444,719	474,236	29,517
TOTAL REVENUE	<u>3,912,220</u>	<u>4,303,199</u>	<u>4,379,161</u>	<u>75,962</u>
EXPENDITURES				
Current				
General government	854,868	854,868	723,524	131,344
Public safety	1,229,223	1,229,223	1,183,910	45,313
Public works	640,008	640,008	559,684	80,324
Health and human services	44,099	44,099	34,492	9,607
Culture, recreation, and education	412,891	412,891	412,784	107
Conservation and development	64,115	64,115	55,497	8,618
Capital outlay	35,975	61,524	57,654	3,870
TOTAL EXPENDITURES	<u>3,281,179</u>	<u>3,306,728</u>	<u>3,027,545</u>	<u>279,183</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>631,041</u>	<u>996,471</u>	<u>1,351,616</u>	<u>355,145</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	145,000	167,549	183,200	15,651
Transfers out	(776,041)	(1,164,020)	(1,262,903)	(98,883)
TOTAL OTHER FINANCING (USES)	<u>(631,041)</u>	<u>(996,471)</u>	<u>(1,079,703)</u>	<u>(83,232)</u>
NET CHANGE IN FUND BALANCE	-	-	271,913	271,913
FUND BALANCE AT BEGINNING OF YEAR	<u>1,503,016</u>	<u>1,503,016</u>	<u>1,503,016</u>	-
FUND BALANCE AT END OF YEAR	<u>\$ 1,503,016</u>	<u>\$ 1,503,016</u>	<u>\$ 1,774,929</u>	<u>\$ 271,913</u>

CITY OF MILTON, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
YEAR ENDED DECEMBER 31, 2011

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

1. Prior to October 15, City management submits to the Common Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted in the Council Chambers to obtain taxpayer comments.
3. Prior to December 1, the budget is legally enacted through passage of a resolution.
4. All budget revisions must be approved by the Common Council.
5. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
6. Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles.
7. Budgetary expenditure control is exercised at the department level within the fund.
8. Budgeted amounts are as authorized in the original budget resolution and subsequent revisions authorized by the Common Council.
9. The supplemental appropriations to increase the General Fund budget during the year were \$413,528.
10. Appropriations lapse at year end, except those specifically carried forward by Council action.
11. Encumbrance accounting is not used.

CITY OF MILTON, WISCONSIN
OTHER SUPPLEMENTARY INFORMATION

CITY OF MILTON, WISCONSIN
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

<u>ASSETS</u>	SPECIAL REVENUE		
	GRANT FUND	SIDEWALK FUND	REFUSE AND RECYCLING FUND
Cash and investments	\$ 63,003	\$ 169,739	\$ 178,872
Receivables			
Accounts and other	-	-	180
Loans	246,811	-	-
Due from other funds	-	125	126,094
TOTAL ASSETS	\$ 309,814	\$ 169,864	\$ 305,146
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 28,662
Due to other funds	-	-	-
Deferred revenue			
Tax roll	-	-	-
Other	246,811	-	273,852
TOTAL LIABILITIES	246,811	-	302,514
FUND BALANCES (DEFICITS)			
Restricted	63,003	169,864	2,632
Unassigned	-	-	-
TOTAL FUND BALANCES (DEFICITS)	63,003	169,864	2,632
TOTAL LIABILITIES AND FUND BALANCES	\$ 309,814	\$ 169,864	\$ 305,146

DOG PARK	CROSSRIDGE PARK	CAPITAL PROJECTS		NONMAJOR GOVERNMENTAL FUNDS
		TIF #7	TIF #8	
\$ 11,555	\$ 86,800	\$ 46,536	\$ 627,593	\$ 1,184,098
-	-	-	-	180
-	-	-	-	246,811
-	-	53,905	-	180,124
<u>\$ 11,555</u>	<u>\$ 86,800</u>	<u>\$ 100,441</u>	<u>\$ 627,593</u>	<u>\$ 1,611,213</u>
\$ -	\$ -	\$ -	\$ 2,099	\$ 30,761
-	-	101,000	-	101,000
-	-	90,915	-	90,915
-	-	-	-	520,663
-	-	<u>191,915</u>	<u>2,099</u>	<u>743,339</u>
11,555	86,800	-	625,494	959,348
-	-	(91,474)	-	(91,474)
<u>11,555</u>	<u>86,800</u>	<u>(91,474)</u>	<u>625,494</u>	<u>867,874</u>
<u>\$ 11,555</u>	<u>\$ 86,800</u>	<u>\$ 100,441</u>	<u>\$ 627,593</u>	<u>\$ 1,611,213</u>

CITY OF MILTON, WISCONSIN
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011

	SPECIAL REVENUE		
	GRANT FUND	SIDEWALK FUND	REFUSE AND RECYCLING FUND
REVENUE			
Special assessments	\$ -	\$ 88	\$ -
Intergovernmental	-	-	20,850
Public charges for services	-	-	305,313
Intergovernmental charges for services	-	-	-
Other	33,793	1,068	825
TOTAL REVENUE	<u>33,793</u>	<u>1,156</u>	<u>326,988</u>
EXPENDITURES			
Current			
General government	-	-	-
Public works	-	-	343,215
Culture, recreation, and education	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>343,215</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>33,793</u>	<u>1,156</u>	<u>(16,227)</u>
OTHER FINANCING (USES) SOURCES			
Proceeds from long-term debt	-	-	-
Transfers in	-	-	16,227
Transfers out	-	(20,000)	-
Debt issuance costs	-	-	-
TOTAL OTHER FINANCING (USES) SOURCES	<u>-</u>	<u>(20,000)</u>	<u>16,227</u>
NET CHANGE IN FUND BALANCE	33,793	(18,844)	-
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>29,210</u>	<u>188,708</u>	<u>2,632</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 63,003</u>	<u>\$ 169,864</u>	<u>\$ 2,632</u>

DOG PARK	CROSSRIDGE PARK	CAPITAL PROJECTS		NONMAJOR GOVERNMENTAL FUNDS
		TIF #7	TIF #8	
\$ -	\$ -	\$ -	\$ -	\$ 88
-	-	233	9,568	30,651
-	-	-	-	305,313
-	-	89,207	-	89,207
615	84	-	6,226	42,611
<u>615</u>	<u>84</u>	<u>89,440</u>	<u>15,794</u>	<u>467,870</u>
-	-	232	-	232
-	-	-	-	343,215
670	-	-	-	670
4,031	-	-	85,941	89,972
-	-	25,000	-	25,000
-	-	31,640	1,977	33,617
<u>4,701</u>	<u>-</u>	<u>56,872</u>	<u>87,918</u>	<u>492,706</u>
<u>(4,086)</u>	<u>84</u>	<u>32,568</u>	<u>(72,124)</u>	<u>(24,836)</u>
-	-	-	220,000	220,000
-	-	-	-	16,227
-	-	-	(7,500)	(27,500)
-	-	-	(4,691)	(4,691)
-	-	-	207,809	204,036
(4,086)	84	32,568	135,685	179,200
<u>15,641</u>	<u>86,716</u>	<u>(124,042)</u>	<u>489,809</u>	<u>688,674</u>
<u>\$ 11,555</u>	<u>\$ 86,800</u>	<u>\$ (91,474)</u>	<u>\$ 625,494</u>	<u>\$ 867,874</u>

CITY OF MILTON, WISCONSIN

OTHER REPORT



Hawkins, Ash, Baptie

& COMPANY, LLP

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

To the Common Council
City of Milton, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milton, Wisconsin (the "City") as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 1, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 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.

Our consideration of 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Common Council and management and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins, Ash, DePatis & Company, LLP

La Crosse, Wisconsin
May 1, 2012