

CITY OF CHILTON, WISCONSIN
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2011



CITY OF CHILTON, WISCONSIN
December 31, 2011

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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

To the City Council
City of Chilton
Chilton, 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 Chilton, 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 of Chilton's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the City's 2010 financial statements and, in our report dated February 20, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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 and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A.2, the City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the fiscal year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

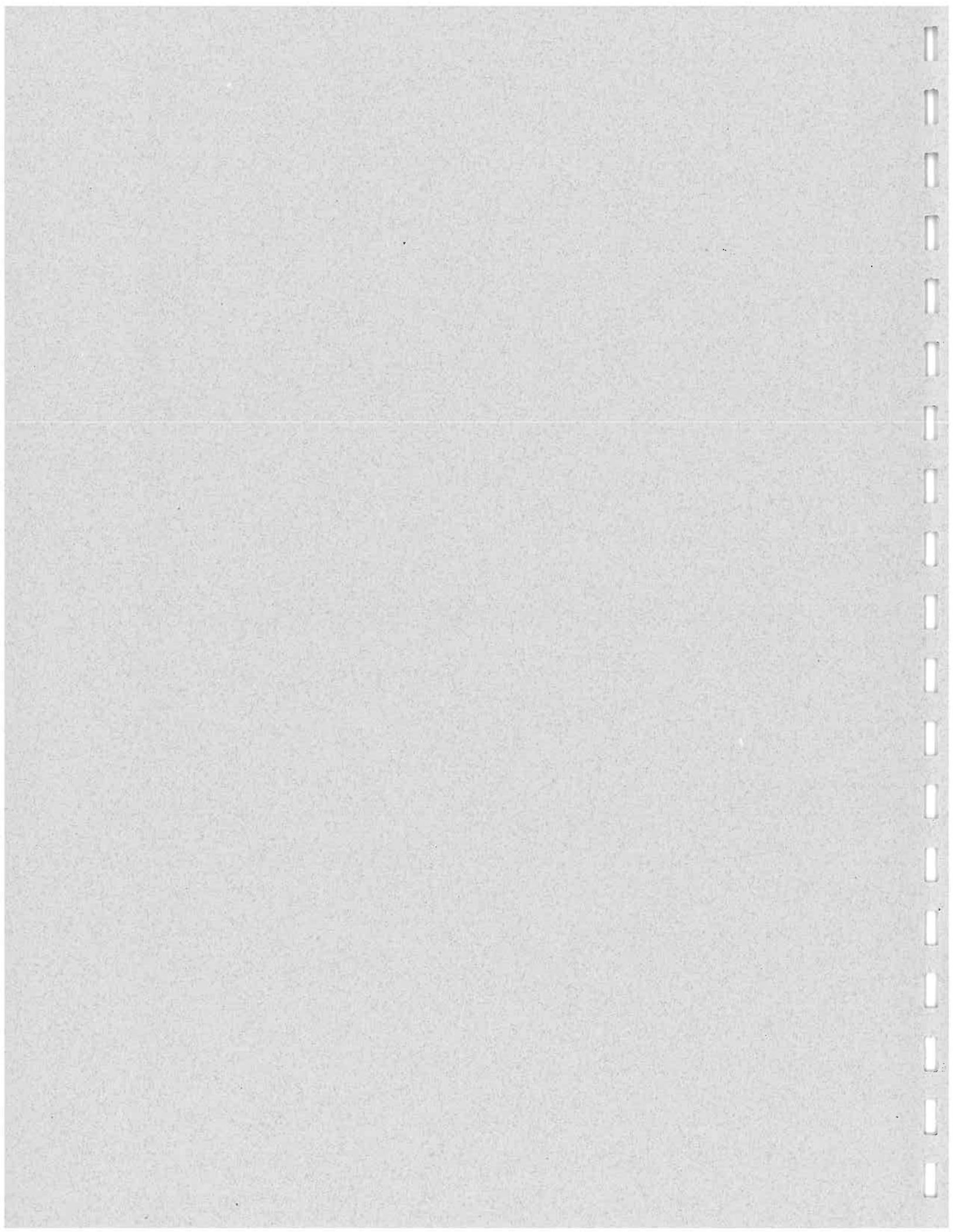
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The financial information listed in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is 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.



Certified Public Accountants
Green Bay, Wisconsin
February 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS





The City of Chilton
42 School St.
Chilton, WI 53014
www.chilton.govoffice.com
info@chilton.govoffice.com
(920) 849-2451 (phone); (920) 849-2025 (fax)

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011

As management of the City of Chilton, we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2011.

Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2011 by \$30.5 million (*net assets*). Of this amount, \$7.9 million (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
 - The City's total net assets increased by \$196,000. The primary factor was capital related development activities of the governmental funds.
 - As of December 31, 2011, the City's governmental activities reported ending net assets of \$18,433,065, an increase of \$301,985 in comparison with the prior year. Approximately 15% of this total amount, \$2,705,220 is *available for spending* at the City's discretion (*unrestricted net assets*).
 - As of December 31, 2011, unassigned fund balance for the general fund was a deficit of \$74,533. However, committed fund balance of \$1,963,536 was available.
 - The City's total general-obligation debt decreased by \$405,000 during 2011, due to the scheduled debt reduction payments.

Overview of the Basic Financial Statements

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

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

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

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

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

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

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

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

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, tax incremental district #2 fund, tax incremental district #4 fund, and tax incremental district #5 fund, each of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining* statements elsewhere in this report.

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer utility funds, both of which are considered to be major funds of the City.

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

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 22 - 38 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the basic financial statements. Combining statements can be found on pages 39 - 42.

Government-wide Financial Analysis

Net assets. 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, assets exceeded liabilities by \$30.5 million at the close of 2011.

City of Chilton's Net Assets (in thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 9,605	\$ 9,585	\$ 5,235	\$ 5,203	\$ 14,840	\$ 14,788
Restricted cash	-	-	681	642	681	642
Capital assets	19,555	19,752	10,209	10,679	29,764	30,431
Total Assets	29,160	29,337	16,125	16,524	45,285	45,861
Current liabilities	5,915	5,989	38	29	5,953	6,018
Long-term liabilities outstanding	4,812	5,217	4,054	4,354	8,866	9,571
Total Liabilities	10,727	11,206	4,092	4,383	14,819	15,589
Net Assets						
Invested in capital assets, net of related debt	14,895	14,687	6,155	6,325	21,050	21,012
Restricted	833	751	681	642	1,514	1,393
Unrestricted	2,705	2,693	5,197	5,174	7,902	7,867
Total Net Assets	\$ 18,433	\$ 18,131	\$ 12,033	\$ 12,141	\$ 30,466	\$ 30,272

By far the largest portion of the City's net assets (69%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure, etc.), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although, the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$7.9 million) may be used to meet the City's ongoing obligations to citizens and creditors.

Change in net assets. Governmental-type activities increased the City's net assets by \$302,000, thereby accounting for the majority of the increase in net assets of the City. Key elements are as follows:

City of Chilton's Change in Net Assets (In thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for services	\$ 503	\$ 558	\$ 1,655	\$ 1,612	\$ 2,158	\$ 2,170
Operating grants and contributions	497	461	-	-	497	461
General Revenues						
Property taxes	2,049	1,903	-	-	2,049	1,903
Other taxes	40	38	-	-	40	38
Grants and contributions not restricted to specific programs	539	559	-	-	539	559
Other	76	97	8	12	84	109
Total Revenues	3,704	3,616	1,663	1,624	5,367	5,240
Expenses						
General government	292	361	-	-	292	361
Public safety	1,043	1,043	-	-	1,043	1,043
Public works	1,005	583	-	-	1,005	583
Sanitation	258	257	-	-	258	257
Health and human services	19	20	-	-	19	20
Culture and recreation	402	399	-	-	402	399
Development	324	1,457	-	-	324	1,457
Interest on debt	152	187	-	-	152	187
Water utility	-	-	652	619	652	619
Sewer utility	-	-	1,024	960	1,024	960
Total Expenses	3,495	4,307	1,676	1,579	5,171	5,886
Change in Net Assets	209	(691)	(13)	45	196	(646)
Transfers	93	(184)	(93)	184	-	-
Net Assets - January 1	18,131	19,006	12,141	11,912	30,272	30,918
Net Assets - December 31	\$ 18,433	\$ 18,131	\$ 12,035	\$ 12,141	\$ 30,468	\$ 30,272

Financial Analysis of the City's Funds

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

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

As of December 31, 2011, the City's governmental funds reported combined ending fund balances of \$3,043,105, an increase of \$99,778 in comparison with the prior year. Approximately 89% of this amount \$2,710,597 constitutes *committed and unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is *nonspendable* to indicate that it is not available for new spending because it represents loans receivable (\$895,586).

The general fund is the main operating fund of the City. At the end of the current year, fund balance of the general fund was \$1,889,003. The entire amount was considered committed.

The fund balance of the City's general fund decreased by \$401,131 during the current year. Key factors in this decrease are as follows:

- Certain continuing appropriations were used to accomplish approved projects.

The Tax Incremental District #2 fund has a total fund balance of \$74,518. The fund balance of the Tax Incremental District #2 fund decreased by \$63,203 during the current year.

The Tax Incremental District #4 has a total fund balance of \$588,669 representing the costs in the initial seven years of operation funded partially by a shared increment from TID #2 in 2008, 2009, 2010 and 2011.

The Tax Incremental District #5 has a total deficit fund balance of (\$255,984) representing the costs in the initial seven years of operation, reduced by a shared increment from TID #2 in 2009 and 2011.

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

Unrestricted net assets of the water utility at the end of the year amounted to \$1,536,219. The increase in net assets was \$23,376.

Unrestricted net assets of the sewer utility at the end of the year amounted to \$3,661,374. The decrease in net assets during the year was \$129,538.

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

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amount to a \$1,934,575 increase in appropriations and can be briefly summarized as follows:

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

During the year, actual revenues were less than budgeted revenues by \$25,697. Actual expenditures were less than budgeted expenditures by \$1,824,915, primarily in public works.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2011 amounts to \$29.7 million (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, machinery and equipment, and public domain infrastructure (highways and bridges).

City of Chilton's Capital Assets (net of accumulated depreciation)						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land and improvements	\$ 6,764	\$ 6,781	\$ 99	\$ 99	\$ 6,863	\$ 6,880
Buildings and improvements	4,790	4,763	12,995	12,961	17,785	17,724
Machinery and equipment	5,035	4,842	4,757	4,728	9,792	9,570
Infrastructure	15,082	15,004	-	-	15,082	15,004
Construction in progress	-	-	24	23	24	23
Accumulated depreciation	(12,116)	(11,639)	(7,666)	(7,132)	(19,782)	(18,771)
Total	\$ 19,555	\$ 19,751	\$ 10,209	\$ 10,679	\$ 29,764	\$ 30,430

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$8,713,642. Of this amount, \$4,660,000 comprises debt backed by the full faith and credit of the government, and \$4,053,642 is debt secured by the revenues of the water and sewer utilities.

City of Chilton's Outstanding Debt General Obligation Debt and Revenue Bonds						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General Obligation Debt						
Bonds	\$ 2,275	\$ 2,680	\$ -	\$ -	\$ 2,275	\$ 2,680
Notes	2,385	2,385	-	-	2,385	2,385
Total General Obligation Debt	4,660	5,065	-	-	4,660	5,065
Revenue bonds	-	-	4,054	4,355	4,054	4,355
Total	\$ 4,660	\$ 5,065	\$ 4,054	\$ 4,355	\$ 8,714	\$ 9,420

The City's total bonded debt decreased by \$405,000 (8%) during the current fiscal year. The decrease was primarily due to scheduled debt payments.

State statutes limit the amount of general obligation debt the City may issue to 5% of its total equalized valuation. The current debt limitation for the City is \$12,056,085, which is significantly greater than the City's \$4,660,000 in outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

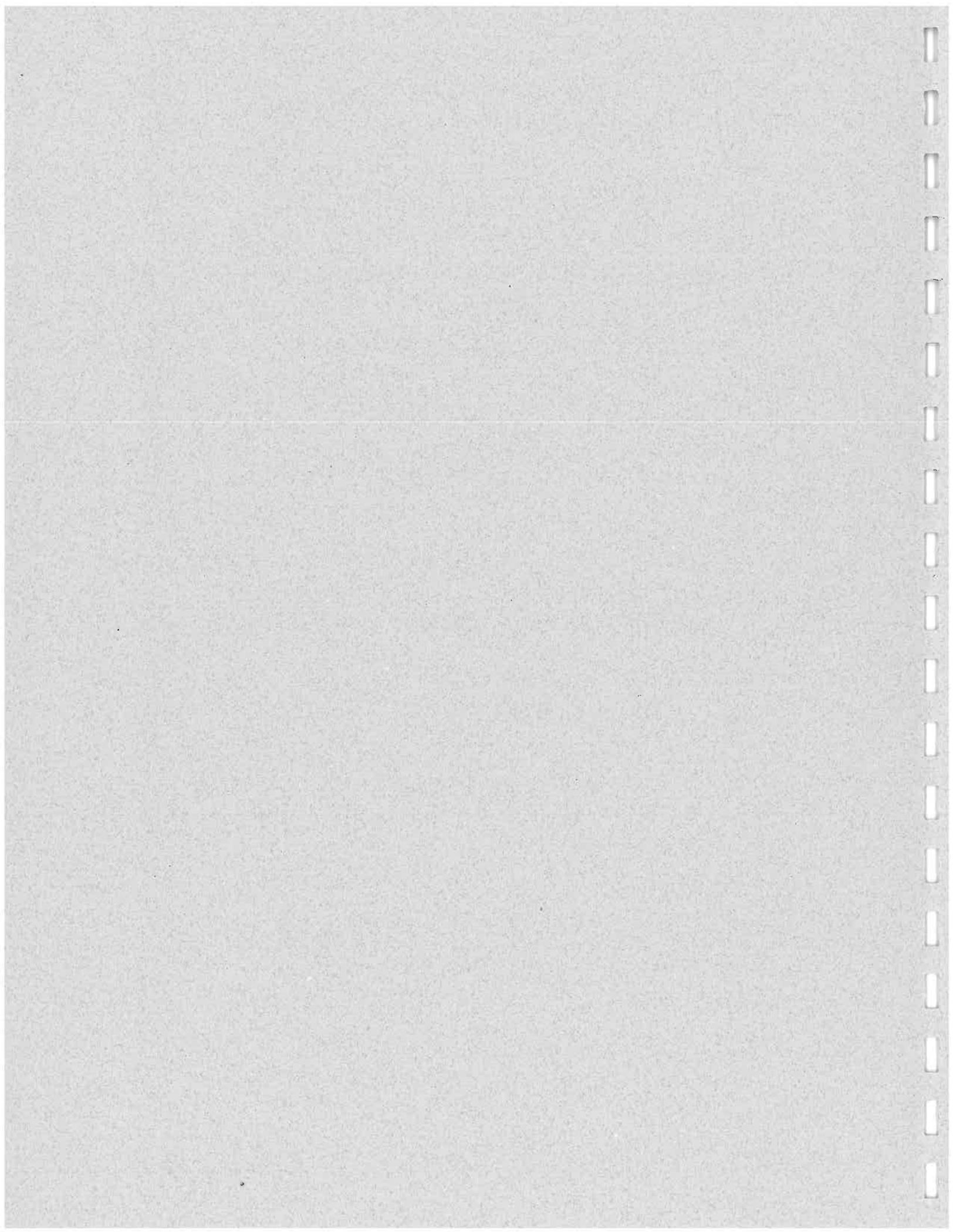
- The economic condition and outlook of the City has remained fairly stable based on a relatively healthy mix of manufacturing, tourism, service industry, retail, and farming activities which support our tax base.
- Inflationary trends in our region compare favorably to national indices.

These factors were considered in preparing the City's budget for the 2012 fiscal year.

Contacting the City's Financial Management

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS



CITY OF CHILTON, WISCONSIN
Statement of Net Assets
December 31, 2011
(With summarized financial information as of December 31, 2010)

	Governmental Activities	Business-type Activities	Total	
			2011	2010
ASSETS				
Cash and investments	\$ 4,318,036	\$ 4,184,641	\$ 8,502,677	\$ 8,483,178
Receivables				
Taxes	3,744,308	-	3,744,308	3,588,830
Customer accounts	4,187	345,868	350,055	433,475
Special assessments	15,731	-	15,731	24,688
Notes	1,536,134	625,000	2,161,134	2,199,257
Other	-	14,233	14,233	3,320
Internal balances	(43,811)	43,811	-	-
Inventories	-	21,895	21,895	21,547
Restricted Assets				
Restricted cash and cash equivalents	-	681,299	681,299	642,067
Deferred charges - issuance costs	30,084	-	30,084	33,845
Capital Assets				
Land and improvements	6,764,186	99,012	6,863,198	6,880,098
Buildings	4,790,140	12,995,419	17,785,559	17,724,138
Machinery and equipment	5,034,584	4,757,522	9,792,106	9,570,646
Infrastructure	15,082,100	-	15,082,100	15,004,430
Construction in progress	-	23,600	23,600	22,926
Less: Accumulated depreciation	(12,115,782)	(7,666,312)	(19,782,094)	(18,771,395)
TOTAL ASSETS	29,159,897	16,125,988	45,285,885	45,861,050
LIABILITIES				
Accounts payable	104,609	36,645	141,254	137,717
Accrued interest payable	35,255	1,210	36,465	39,376
Due to other governments	3,766,647	-	3,766,647	3,789,181
Deposits held in trust	2,000	-	2,000	2,000
Unearned revenues	2,005,990	-	2,005,990	2,049,432
Long-term obligations				
Due within one year	585,000	309,050	894,050	706,100
Due in more than one year	4,227,331	3,744,592	7,971,923	8,865,511
TOTAL LIABILITIES	10,726,832	4,091,497	14,818,329	15,589,317
NET ASSETS				
Invested in capital assets, net of related debt	14,895,228	6,155,599	21,050,827	21,011,101
Restricted for				
Community rehabilitation	744,988	-	744,988	745,152
Library donations	88,091	-	88,091	87,806
Capital projects	(162)	681,299	681,137	642,067
Unrestricted	2,704,920	5,197,593	7,902,513	7,785,607
TOTAL NET ASSETS	\$ 18,433,065	\$ 12,034,491	\$ 30,467,556	\$ 30,271,733

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

CITY OF CHILTON, WISCONSIN

Statement of Activities

Year Ended December 31, 2011

(With summarized financial information for the year ended December 31, 2010)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 291,547	\$ 14,241	\$ -	\$ -
Public safety	1,042,984	116,602	23,162	-
Public works	1,005,195	27,395	240,763	-
Sanitation	258,028	191,809	22,782	-
Health and human services	19,299	10,765	-	-
Culture and recreation	401,601	91,499	97,719	-
Development	324,349	50,936	112,454	-
Interest on debt	151,794	-	-	-
Total Governmental Activities	3,494,797	503,247	496,880	-
Business-type Activities				
Water utility	652,241	768,696	-	-
Sewer utility	1,024,394	886,589	-	-
Total Business-type Activities	1,676,635	1,655,285	-	-
Total	\$ 5,171,432	\$ 2,158,532	\$ 496,880	\$ -

General revenues

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

Transfers

Total general revenues and transfers

Change in net assets

Net assets - January 1

Net assets - December 31

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

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total	
		2011	2010

\$	(277,306)	\$	-	\$	(277,306)	\$	(343,047)
	(903,220)		-		(903,220)		(900,253)
	(737,037)		-		(737,037)		(289,165)
	(43,437)		-		(43,437)		(20,926)
	(8,534)		-		(8,534)		(7,251)
	(212,383)		-		(212,383)		(233,268)
	(160,959)		-		(160,959)		(1,308,684)
	(151,794)		-		(151,794)		(186,703)
	<u>(2,494,670)</u>		-		<u>(2,494,670)</u>		<u>(3,289,297)</u>

	-	116,455	116,455	147,802
	-	(137,805)	(137,805)	(115,380)
	-	(21,350)	(21,350)	32,422

<u>(2,494,670)</u>	<u>(21,350)</u>	<u>(2,516,020)</u>	<u>(3,256,875)</u>
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904,734	-	904,734	902,286
893,507	-	893,507	757,998
117,616	-	117,616	122,820
133,407	-	133,407	119,712
39,469	-	39,469	38,460

538,560	-	538,560	559,096
66,068	8,291	74,359	103,123
10,191	-	10,191	5,378
93,103	(93,103)	-	-
<u>2,796,655</u>	<u>(84,812)</u>	<u>2,711,843</u>	<u>2,608,873</u>

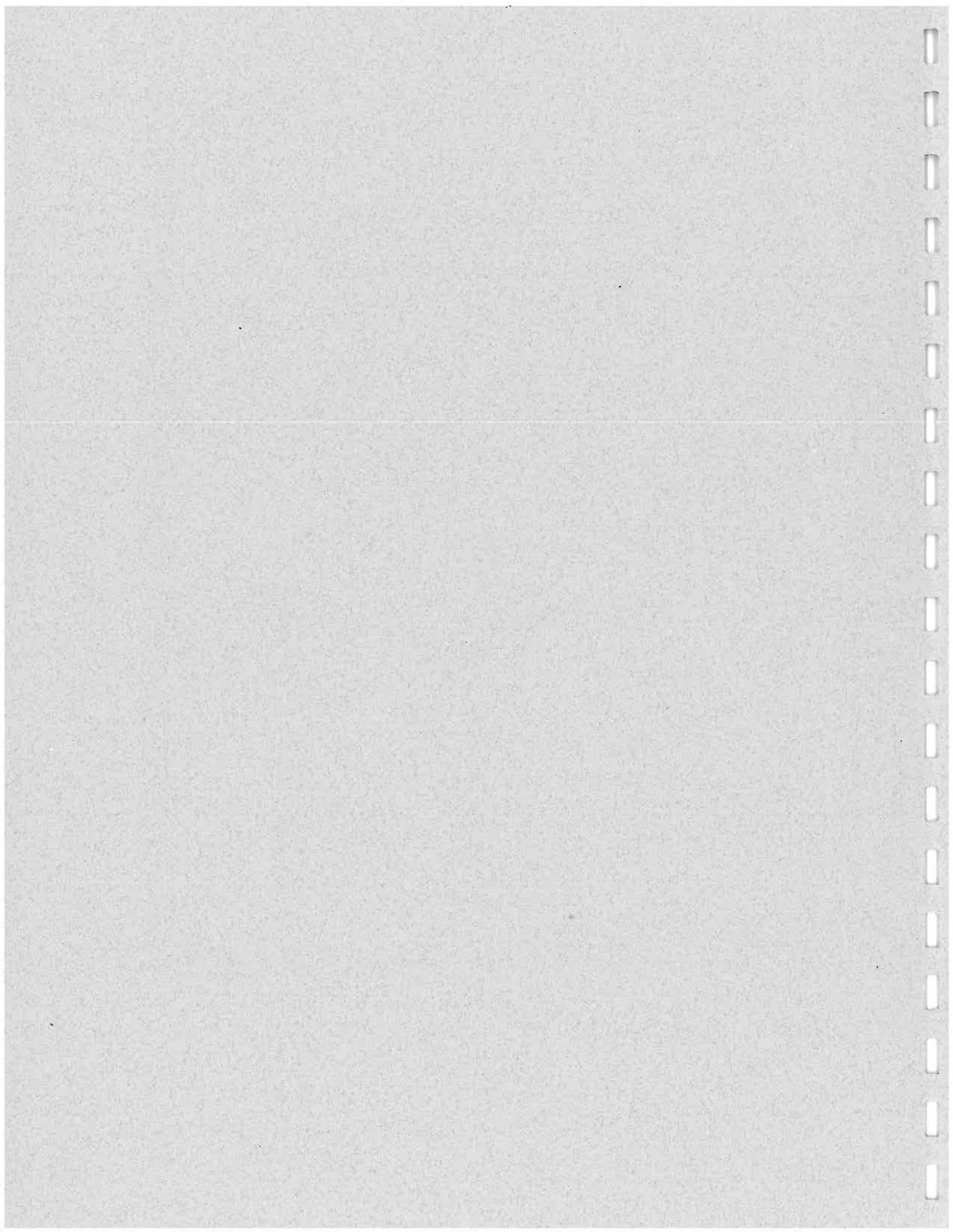
301,985	(106,162)	195,823	(648,002)
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<u>18,131,080</u>	<u>12,140,653</u>	<u>30,271,733</u>	<u>30,919,735</u>
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<u>\$ 18,433,065</u>	<u>\$ 12,034,491</u>	<u>\$ 30,467,556</u>	<u>\$ 30,271,733</u>
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FUND FINANCIAL STATEMENTS



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CITY OF CHILTON, WISCONSIN

Balance Sheet

Governmental Funds

December 31, 2011

(With summarized financial information as of December 31, 2010)

	General	Tax Incremental District #2	Tax Incremental District #4
ASSETS			
Cash and investments	\$ 3,542,004	\$ 28,901	\$ -
Receivables			
Taxes	2,904,591	804,788	16,074
Accounts	4,187	-	-
Special assessments	15,322	409	-
Loans	-	45,617	713,310
Due from other funds	517,376	-	-
TOTAL ASSETS	\$ 6,983,480	\$ 879,715	\$ 729,384
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 148,280	\$ -	\$ 70
Due to other governments	3,766,647	-	-
Due to other funds	-	-	124,571
Deposits held in trust	2,000	-	-
Deferred revenue - tax levy	1,166,273	804,788	16,074
Deferred revenue - special assessments	11,277	409	-
Deferred revenue - loans	-	-	-
Total Liabilities	5,094,477	805,197	140,715
Fund Balances (Deficit)			
Nonspendable:			
Loans receivable	-	45,617	713,310
Committed for:			
Subsequent years' expenditures	1,963,536	28,901	-
Unassigned, reported in:			
General fund	(74,533)	-	-
Capital project funds	-	-	(124,641)
Total Fund Balances (Deficit)	1,889,003	74,518	588,669
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,983,480	\$ 879,715	\$ 729,384

(Continued)

Tax Incremental District #5	Other Governmental Funds	Total Governmental Funds	
		2011	2010
\$ -	\$ 747,131	\$ 4,318,036	\$ 4,378,088
18,855	-	3,744,308	3,588,830
-	-	4,187	86,160
-	-	15,731	24,088
136,659	640,548	1,536,134	1,511,758
-	-	517,376	1,035,721
<u>\$ 155,514</u>	<u>\$ 1,387,679</u>	<u>\$ 10,135,772</u>	<u>\$ 10,624,645</u>

\$ -	\$ 70	\$ 148,420	\$ 110,419
-	-	3,766,647	3,789,181
392,643	162	517,376	1,072,911
-	-	2,000	2,000
18,855	-	2,005,990	2,049,432
-	-	11,686	19,422
-	640,548	640,548	637,953
<u>411,498</u>	<u>640,780</u>	<u>7,092,667</u>	<u>7,681,318</u>

136,659	-	895,586	873,805
-	747,061	2,739,498	2,783,839
-	-	(74,533)	240,953
(392,643)	(162)	(517,446)	(955,270)
<u>(255,984)</u>	<u>746,899</u>	<u>3,043,105</u>	<u>2,943,327</u>
<u>\$ 155,514</u>	<u>\$ 1,387,679</u>	<u>\$ 10,135,772</u>	<u>\$ 10,624,645</u>

CITY OF CHILTON, WISCONSIN

Balance Sheet (Continued)

Governmental Funds

December 31, 2011

(With summarized financial information as of December 31, 2010)

	Total Governmental Funds	
	2011	2010
<u>Reconciliation to the Statement of Net Assets</u>		
Total Fund Balances as shown on previous page	\$ 3,043,105	\$ 2,943,327
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,555,228	19,751,525
Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	(4,660,000)	(5,065,000)
Compensated absences	(152,331)	(151,869)
Deferred charges - bond issues	30,084	33,845
Accrued interest on long-term obligations	(35,255)	(38,123)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Special assessments receivables	11,686	19,422
Loan receivables	640,548	637,953
	<hr/>	<hr/>
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 9)	<u>\$ 18,433,065</u>	<u>\$ 18,131,080</u>

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

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CITY OF CHILTON, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2011
(With summarized financial information for the year ended December 31, 2010)

	General	Tax Incremental District #2	Tax Incremental District #4
Revenues			
Taxes	\$ 1,166,190	\$ 798,517	\$ 75,764
Special assessments	7,231	505	-
Intergovernmental	942,135	111,999	330
Licenses and permits	59,011	-	-
Fines and forfeits	17,998	-	-
Public charges for services	225,984	-	-
Intergovernmental charges for services	112,371	-	-
Miscellaneous	86,558	2,976	2,515
Total Revenues	<u>2,617,478</u>	<u>913,997</u>	<u>78,609</u>
Expenditures			
Current			
General government	190,741	-	-
Public safety	975,392	-	-
Public works	982,165	-	-
Sanitation	250,791	-	-
Health and human services	18,800	-	-
Culture and recreation	396,270	-	-
Development	46,530	108,788	-
Debt service			
Principal	237,990	167,010	-
Interest and fiscal charges	13,033	91,847	46,021
Capital outlay	-	43,062	42,860
Total Expenditures	<u>3,111,712</u>	<u>410,707</u>	<u>88,881</u>
Excess of Revenues Over (Under) Expenditures	<u>(494,234)</u>	<u>503,290</u>	<u>(10,272)</u>
Other Financing Sources (Uses)			
Sale of land	-	-	-
Long-term debt issued	-	-	-
Transfers in	93,103	-	467,000
Transfers out	-	(566,493)	-
Total Other Financing Sources (Uses)	<u>93,103</u>	<u>(566,493)</u>	<u>467,000</u>
Net Change in Fund Balances	(401,131)	(63,203)	456,728
Fund Balances (Deficit) - January 1	<u>2,290,134</u>	<u>137,721</u>	<u>131,941</u>
Fund Balances (Deficit) - December 31	<u>\$ 1,889,003</u>	<u>\$ 74,518</u>	<u>\$ 588,669</u>

(Continued)

Tax Incremental District #5	Other Governmental Funds	Total Governmental Funds	
		2011	2010
\$ 19,225	\$ 14,998	\$ 2,074,694	\$ 1,928,593
-	-	7,736	13,635
125	89	1,054,678	1,037,909
-	-	59,011	70,320
-	-	17,998	18,302
-	-	225,984	225,046
-	-	112,371	130,229
2,829	56,329	151,207	149,810
<u>22,179</u>	<u>71,416</u>	<u>3,703,679</u>	<u>3,573,844</u>
-	-	190,741	202,448
-	-	975,392	1,291,099
-	-	982,165	752,376
-	-	250,791	245,767
-	-	18,800	19,520
-	-	396,270	396,622
-	53,877	209,195	380,205
-	-	405,000	1,035,000
-	-	150,901	187,277
12,469	19,358	117,749	1,363,384
<u>12,469</u>	<u>73,235</u>	<u>3,697,004</u>	<u>5,873,698</u>
<u>9,710</u>	<u>(1,819)</u>	<u>6,675</u>	<u>(2,299,854)</u>
-	-	-	42,256
-	-	-	720,000
85,433	14,060	659,596	331,449
-	-	(566,493)	(241,198)
<u>85,433</u>	<u>14,060</u>	<u>93,103</u>	<u>852,507</u>
95,143	12,241	99,778	(1,447,347)
<u>(351,127)</u>	<u>734,658</u>	<u>2,943,327</u>	<u>4,390,674</u>
<u>\$ (255,984)</u>	<u>\$ 746,899</u>	<u>\$ 3,043,105</u>	<u>\$ 2,943,327</u>

CITY OF CHILTON, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
Year Ended December 31, 2011
(With summarized financial information for the year ended December 31, 2010)

	Total Governmental Funds	
	2011	2010
Net Change in Fund Balances as shown on previous page	\$ 99,778	\$ (1,447,347)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as expenditures in governmental fund statements	579,278	1,191,409
Depreciation expense reported in the statement of activities	(705,951)	(684,351)
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits increased by:		
	(462)	(151,869)
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 is:		
	405,000	1,035,000
Some capital assets acquired during the year and in prior years were financed with debt. The amount of the debt is reported in the governmental funds as a source of financing. In the statement of net assets, however, debt constitutes a long-term liability. The amount of debt reported in the governmental funds statement is:		
	-	(720,000)
Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid; in the statement of activities interest is reported as it accrues.		
	2,868	4,334
Bond issue costs are reported in the governmental fund as an expenditure. In the statement of activities, these costs are capitalized and amortized over the life of the bonds.		
	(3,761)	(3,761)
In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported.		
	(69,624)	(102,258)
Because some revenues are not collected soon enough after the City's year end, they are not considered available revenues and are deferred or not recognized in the government funds. This adjustment combines the net changes of the following:		
Special assessments	(7,736)	(8,771)
Loan receivables	2,595	11,797
Change in Net Assets of Governmental Activities as Reported in the Statement of Activities (see pages 10 and 11)	<u>\$ 301,985</u>	<u>\$ (875,817)</u>

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

CITY OF CHILTON, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,165,580	\$ 1,165,580	\$ 1,166,190	\$ 610
Special assessments	5,500	5,500	7,231	1,731
Intergovernmental	938,928	953,498	942,135	(11,363)
Licenses and permits	57,220	57,220	59,011	1,791
Fines and forfeits	19,000	19,000	17,998	(1,002)
Public charges for services	214,475	220,106	225,984	5,878
Intergovernmental charges for services	113,700	121,502	112,371	(9,131)
Miscellaneous	70,570	100,769	86,558	(14,211)
Total Revenues	2,584,973	2,643,175	2,617,478	(25,697)
Expenditures				
Current				
General government	179,530	367,781	190,741	177,040
Public safety	1,014,820	1,101,690	975,392	126,298
Public works	871,685	2,139,519	982,165	1,157,354
Sanitation	251,833	282,722	250,791	31,931
Health and human services	21,070	56,305	18,800	37,505
Culture and recreation	366,900	674,414	396,270	278,144
Development	45,191	63,173	46,530	16,643
Debt service				
Principal	237,990	237,990	237,990	-
Interest and fiscal charges	13,033	13,033	13,033	-
Total Expenditures	3,002,052	4,936,627	3,111,712	1,824,915
Excess of Revenues Over (Under) Expenditures	(417,079)	(2,293,452)	(494,234)	1,799,218
Other Financing Sources				
Transfer in	85,000	85,000	93,103	8,103
Net Change in Fund Balance	(332,079)	(2,208,452)	(401,131)	1,807,321
Fund Balance - January 1	2,290,134	2,290,134	2,290,134	-
Fund Balance - December 31	\$ 1,958,055	\$ 81,682	\$ 1,889,003	\$ 1,807,321

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

CITY OF CHILTON, WISCONSIN

Statement of Net Assets

Proprietary Funds

December 31, 2011

(With summarized financial information as of December 31, 2010)

	Water Utility	Sewer Utility	Total	
			2011	2010
ASSETS				
Cash and investments	\$ 1,346,399	\$ 2,838,242	\$ 4,184,641	\$ 4,105,090
Accounts receivable				
Customer accounts	135,630	210,238	345,868	347,315
Special assessments	-	-	-	600
Note	-	625,000	625,000	687,500
Other	3,100	11,133	14,233	3,320
Due from other funds	43,811	-	43,811	37,190
Inventories	21,895	-	21,895	21,547
Restricted cash and cash equivalents	-	681,299	681,299	642,067
Capital Assets				
Water utility plant	6,628,071	-	6,628,071	6,593,126
Sewer utility plant	-	11,247,482	11,247,482	11,218,297
Less accumulated depreciation	(2,324,310)	(5,342,002)	(7,666,312)	(7,132,105)
TOTAL ASSETS	5,854,596	10,271,392	16,125,988	16,523,947
LIABILITIES				
Accounts payable	13,406	23,239	36,645	27,299
Accrued interest	1,210	-	1,210	1,253
Long-term obligations				
Due within one year	22,422	286,628	309,050	301,100
Due in more than one year	284,546	3,460,046	3,744,592	4,053,642
TOTAL LIABILITIES	321,584	3,769,913	4,091,497	4,383,294
NET ASSETS				
Invested in capital assets, net of related debt	3,996,793	2,158,806	6,155,599	6,324,576
Restricted for capital projects	-	681,299	681,299	642,067
Unrestricted	1,536,219	3,661,374	5,197,593	5,174,010
TOTAL NET ASSETS	\$ 5,533,012	\$ 6,501,479	\$ 12,034,491	\$ 12,140,653

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

CITY OF CHILTON, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended December 31, 2011
(With summarized financial information for the year ended December 31, 2010)

	Water Utility	Sewer Utility	Total	
			2011	2010
Operating Revenues				
Unmetered sales	\$ 169	\$ -	\$ 169	\$ 312
Metered or measured sales				
Residential	232,237	326,896	559,133	563,687
Commercial	93,431	119,982	213,413	221,625
Industrial	213,784	342,697	556,481	510,718
Public authorities	28,181	27,799	55,980	51,004
Private fire protection	21,910	-	21,910	21,536
Public fire protection	167,824	-	167,824	167,707
Other sales	9,788	48,340	58,128	52,209
Forfeited discounts	1,372	1,781	3,153	2,954
Total Operating Revenues	768,696	867,495	1,636,191	1,591,752
Operating Expenses				
Water utility	478,424	-	478,424	448,748
Sewer utility	-	494,197	494,197	431,046
Depreciation	154,507	426,247	580,754	569,325
Taxes	11,834	-	11,834	12,652
Total Operating Expenses	644,765	920,444	1,565,209	1,461,771
Operating Income (Loss)	123,931	(52,949)	70,982	129,981
Nonoperating Revenues (Expenses)				
Interest revenue	24	8,267	8,291	11,303
Miscellaneous revenue	-	19,094	19,094	20,273
Interest expense	(7,476)	(103,950)	(111,426)	(117,832)
Total Nonoperating Revenues (Expenses)	(7,452)	(76,589)	(84,041)	(86,256)
Income (Loss) before Contributions and Transfers	116,479	(129,538)	(13,059)	43,725
Capital contributions	-	-	-	274,341
Transfer out	(93,103)	-	(93,103)	(90,251)
Change in Net Assets	23,376	(129,538)	(106,162)	227,815
Net Assets - January 1	5,509,636	6,631,017	12,140,653	11,912,838
Net Assets - December 31	\$ 5,533,012	\$ 6,501,479	\$ 12,034,491	\$ 12,140,653

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

CITY OF CHILTON, WISCONSIN

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2011

(With summarized financial information for the year ended December 31, 2010)

	Water Utility	Sewer Utility	Total	
			2011	2010
Cash Flows from Operating Activities				
Cash received from customers	\$ 770,928	\$ 868,270	\$ 1,639,198	\$ 1,594,313
Cash payments to employees	(163,898)	(137,093)	(300,991)	(322,479)
Cash payments to suppliers	(322,470)	(351,996)	(674,466)	(573,001)
Net Cash Provided by Operating Activities	284,560	379,181	663,741	698,833
Cash Flows from Non-Capital Financing Activities				
Paid to municipality for tax equivalent	(93,103)	-	(93,103)	(90,251)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(61,076)	(49,601)	(110,677)	(126,614)
Capital contributions	-	-	-	414
Special assessments	325	275	600	1,300
Proceeds from long-term debt	-	-	-	81,794
Principal payment received on note	-	62,500	62,500	62,500
Principal payments on long-term debt	(21,904)	(279,196)	(301,100)	(289,861)
Interest payments on long-term debt	(7,519)	(103,950)	(111,469)	(117,960)
Net Cash Used in Capital and Related Financing Activities	(90,174)	(369,972)	(460,146)	(388,427)
Cash Flows Provided by Investing Activities				
Interest from investments	24	8,267	8,291	11,303
Net Increase in Cash and Cash Equivalents	101,307	17,476	118,783	231,458
Cash and Cash Equivalents - January 1	1,245,092	3,502,065	4,747,157	4,515,699
Cash and Cash Equivalents - December 31	\$ 1,346,399	\$ 3,519,541	\$ 4,865,940	\$ 4,747,157
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 123,931	\$ (52,949)	\$ 70,982	\$ 129,981
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Miscellaneous revenue	-	19,094	19,094	20,273
Depreciation	154,507	426,247	580,754	569,325
Changes in assets and liabilities				
Accounts receivable	9,702	(19,168)	(9,466)	(17,478)
Due from other funds	(7,470)	849	(6,621)	(234)
Inventories	(348)	-	(348)	(1,868)
Accounts payable	4,238	5,108	9,346	(1,166)
Net Cash Provided by Operating Activities	\$ 284,560	\$ 379,181	\$ 663,741	\$ 698,833
Noncash Investing, Capital and Financing Activities				
None	\$ -	\$ -	\$ -	\$ -

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

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

2. Government-Wide and Fund Financial Statements

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

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

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

The City reports the following major governmental funds:

GENERAL FUND

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

TAX INCREMENTAL DISTRICT #2

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

TAX INCREMENTAL DISTRICT #4

This fund accounts for the resources accumulated and payments made for improvements located in the area known as uptown.

TAX INCREMENTAL DISTRICT #5

This fund accounts for the resources accumulated and payments made for the area known as downtown.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major proprietary funds:

WATER UTILITY

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

SEWER UTILITY

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

The City implemented GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" for the year ended December 31, 2011. The City reports the following special revenue funds, including the purpose and significant revenue source:

Fund	Purpose	Significant Revenues
Chilton Lake District	Improvements to Chilton Mill Pond and Chilton Lake District	Taxes
Library Donations	Improvements to Chilton Public Library	Donations
Economic Development	Loans for business development and improvement	Revolving loan payments
Community Rehabilitation	Loans for low income families for residential building improvements	Revolving loan payments

3. Measurement Focus and Basis of Accounting

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

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer utilities and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various activities concerned.

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

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

4. Assets, Liabilities and Net Assets or Equity

a. Cash and Investments

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

b. Accounts Receivable

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

c. Interfund Receivables and Payables

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

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

d. Inventories

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

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

e. Prepaid Items

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

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

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Capital Assets

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

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

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

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

g. Compensated Absences

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

h. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

i. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. 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 received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

For the year ended December 31, 2011, the City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which fund balance amounts can be spent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

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

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

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

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

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

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2011.

2. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2011:

Fund	Deficit Fund Equity
Tax Incremental District #5	\$ 255,984
Redevelopment Authority	162

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

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

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

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

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

The carrying amount of the City's cash and investments totaled \$9,183,976 on December 31, 2011 as summarized below:

Petty cash funds	\$ 5,200
Deposits with financial institutions	7,580,661
Investments	1,598,115
	\$ 9,183,976
Basic financial statements	
Cash and investments	\$ 8,502,677
Restricted cash and investments	681,299
	\$ 9,183,976

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

Custodial Credit Risk

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

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

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

As of December 31, 2011, \$200,974 of the City's deposits with financial institutions were in excess of federal depository insurance limits. The entire amount was collateralized by the pledging financial institution or its trust department or agent but not in the City's name. A majority of the uninsured deposits are due to advance tax collections that will be remitted to other local governments in January of 2012.

Investments

The City has investments in the Wisconsin local government investment pool of \$1,598,115 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2011, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

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

2. Restricted Assets

Restricted assets on December 31, 2011 totaled \$681,299 and consisted of cash and investments held for the following purposes:

Enterprise Funds

Sewer Utility

Equipment replacement

\$ 681,299

3. Property Taxes

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

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

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,707,525	\$ -	\$ -	\$ 5,707,525
Capital assets, being depreciated:				
Land improvements	1,073,561	-	(16,900)	1,056,661
Buildings	4,762,990	27,150	-	4,790,140
Machinery and equipment	4,842,309	369,876	(177,601)	5,034,584
Infrastructure	15,004,430	182,252	(104,582)	15,082,100
Subtotals	25,683,290	579,278	(299,083)	25,963,485
Less accumulated depreciation for:				
Land improvements	(28,510)	(11,404)	-	(39,914)
Buildings	(1,912,554)	(105,941)	-	(2,018,495)
Machinery and equipment	(3,643,342)	(143,719)	170,357	(3,616,704)
Infrastructure	(6,054,884)	(444,887)	59,102	(6,440,669)
Subtotals	(11,639,290)	(705,951)	229,459	(12,115,782)
Total capital assets, being depreciated, net	14,044,000	(126,673)	(69,624)	13,847,703
Governmental activities capital assets, net	<u>\$ 19,751,525</u>	<u>\$ (126,673)</u>	<u>\$ (69,624)</u>	19,555,228
Less related long-term debt outstanding				<u>4,660,000</u>
Invested in capital assets, net of related debt				<u>\$ 14,895,228</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 99,012	\$ -	\$ -	\$ 99,012
Construction in progress	22,926	674	-	23,600
Total capital assets, not being depreciated	121,938	674	-	122,612
Capital assets, being depreciated:				
Buildings and improvements	12,961,148	65,451	(31,180)	12,995,419
Machinery and equipment	4,728,337	44,552	(15,367)	4,757,522
Subtotals	17,689,485	110,003	(46,547)	17,752,941
Less accumulated depreciation	(7,132,105)	(580,754)	46,547	(7,666,312)
Total capital assets, being depreciated, net	10,557,380	(470,751)	-	10,086,629
Business-type activities capital assets, net	<u>\$ 10,679,318</u>	<u>\$ (470,077)</u>	<u>\$ -</u>	10,209,241
Less related long-term debt outstanding				<u>4,053,642</u>
Invested in capital assets, net of related debt				<u>\$ 6,155,599</u>

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental activities	
General government	\$ 54,314
Public safety	120,988
Public works	486,301
Health and human services	499
Culture and recreation	43,849
Total depreciation expense - governmental activities	\$ 705,951
Business-type activities	
Water utility	\$ 154,507
Sewer utility	426,247
Total depreciation expense - business-type activities	\$ 580,754

5. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2011 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Charges Between Funds		
General Fund	\$ 517,376	\$ -
Tax Incremental District #4	-	124,571
Tax Incremental District #5	-	392,643
Redevelopment Authority	-	162
Totals	\$ 517,376	\$ 517,376

Interfund transfers for the year ended December 31, 2011 were as follows:

	Total	Transfer to:			
		General Fund	TID #4	TID #5	Economic Development
Transfer from:					
Water Utility	\$ 93,103	\$ 93,103	\$ -	\$ -	\$ -
TID #2	566,493	-	467,000	85,433	14,060
	\$ 659,596	\$ 93,103	\$ 467,000	\$ 85,433	\$ 14,060

The transfer was payment of the annual property tax equivalent and sharing of tax incremental district revenues.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

6. Deferred Revenues

Governmental activities and governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for resources that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue were as follows:

	Unavailable	Unearned
Subsequent year tax levy receivable		
General fund	\$ -	\$ 1,166,273
Tax Incremental District #2	-	804,788
Tax Incremental District #4	-	16,074
Tax Incremental District #5	-	18,855
Special assessments receivable		
General fund	11,277	-
Tax Incremental District #2	409	-
Development loans receivable		
Community rehabilitation	640,548	-
Total deferred revenue	<u>\$ 652,234</u>	<u>\$ 2,005,990</u>

7. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2011:

	Outstanding 1/1/11	Issued	Retired	Outstanding 12/31/11	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 2,680,000	\$ -	\$ 405,000	\$ 2,275,000	\$ 320,000
Notes	2,385,000	-	-	2,385,000	265,000
Total General Obligation Debt	<u>5,065,000</u>	<u>-</u>	<u>405,000</u>	<u>4,660,000</u>	<u>585,000</u>
Compensated absences	151,869	14,045	13,583	152,331	-
Governmental activities Long-term obligations	<u>\$ 5,216,869</u>	<u>\$ 14,045</u>	<u>\$ 418,583</u>	<u>\$ 4,812,331</u>	<u>\$ 585,000</u>
Business-type activities:					
Revenue bonds	<u>\$ 4,354,742</u>	<u>\$ -</u>	<u>\$ 301,100</u>	<u>\$ 4,053,642</u>	<u>\$ 309,050</u>

Total interest paid during the year on long-term debt totaled \$262,370.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Debt

General obligation debt outstanding is detailed as follows:

Bonds

\$2,195,000 issued 3/1/05; \$50,000 to \$470,000 due annually through 2017; interest 2.5% to 3.6%	\$ 1,695,000
\$720,000 issued 3/13/10; \$140,000 to \$145,000 due annually through 2015; interest 1.0% to 1.9%	580,000

Notes

\$2,385,000 issued 3/19/09; \$265,000 to \$370,000 due annually through 2019; interest 3.29%	<u>2,385,000</u>
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Total Outstanding General Obligation Debt	<u><u>\$ 4,660,000</u></u>
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Annual principal and interest maturities of the outstanding general obligation debt of \$4,660,000 on December 31, 2011 are detailed below:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
2012	\$ 585,000	\$ 138,058	\$ 723,058
2013	625,000	124,415	749,415
2014	645,000	108,375	753,375
2015	645,000	47,910	692,910
2016	710,000	72,145	782,145
2017-2019	1,450,000	73,725	1,523,725
	<u>\$ 4,660,000</u>	<u>\$ 564,628</u>	<u>\$ 5,224,628</u>

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2011 was \$7,396,085 as follows:

Equalized valuation of the City	\$ 241,121,700
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	12,056,085
Less outstanding general obligation debt applicable to debt limitation	<u>(4,660,000)</u>
Legal Margin for New Debt	<u><u>\$ 7,396,085</u></u>

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Revenue Bonds

Revenue bond debt service requirements are financed from operations of the enterprise funds. Revenue bonds outstanding on December 31, 2011 totaled \$4,053,642 and were comprised of the following issues:

Sewer Utility

\$3,418,071 issued 11/1/99; \$173,648 to \$225,340 due annually through 2019; interest 2.64%	\$ 1,648,511
\$2,318,000; of which \$2,202,860 has been received; \$92,232 to \$145,833 due annually through 2028; interest 2.703%	2,098,163

Water Utility

\$450,065 issued 4/14/04; \$20,903 to \$28,996 due annually through 2023; interest 2.365%	306,968
	\$ 4,053,642

Annual principal and interest maturities of the above outstanding enterprise fund revenue bonds of \$4,053,642 on December 31, 2011 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2012	\$ 309,050	\$ 101,350	\$ 410,400
2013	317,209	93,184	410,393
2014	325,584	84,801	410,385
2015	334,181	76,198	410,379
2016	343,005	67,367	410,372
2017-2021	1,387,079	208,276	1,595,355
2022-2026	738,562	85,528	824,090
2027-2028	298,972	7,831	306,803
Total	\$ 4,053,642	\$ 724,535	\$ 4,778,177

Utility Revenues Pledged

The City has pledged future customer revenues, net of specified operating expenses, to repay the water and sewer system revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used with the utility. The bonds are payable solely from water and sewer customer net revenues and are payable through 2028. The total principal and interest remaining to be paid on the bonds is \$4,778,177. Principal and interest paid for the current year and total customer net revenues were \$412,569 and \$651,736, respectively.

8. Minimum Fund Balance Policy

The City Council has adopted a policy that fund balance in the amount of 5% to 10% of the actual current year general fund expenditures be maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Actual 2011 General Fund Expenditures	\$ 3,111,712
Minimum Fund Balance %	(x) 5% - 10%
Minimum Fund Balance Amount	\$155,586 - \$311,171

The City's unassigned general fund balance of (\$74,533) is below the range of the minimum fund balance amount. Committed fund balances currently exceed the minimum fund balance amount in the general fund.

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

9. Fund Equity

In the fund financial statements, portions of governmental fund balances are committed by City Council action. At December 31, 2011, fund balance was committed as follows:

Council (Reserve)	\$ 9,633
Mayor (Reserve)	4,841
Attorney (Reserve)	12,085
Clerk (Reserve)	19,612
Elections - Oper. Reserve	2,296
Elections - Capital	1,214
Data Processing (Reserve)	6,431
Accounting & Auditing (Reserve)	600
Accounting & Auditing - Capital	3,300
Assessment of Property (Reserve)	2,150
Assessment of Property - Capital	500
City Hall (Reserve)	43,464
City Clock (Reserve)	563
Contingency - Capital	15,647
Insurance (Reserve)	54,703
Police - Capital Equipment	57,362
Police (Reserve)	64,404
School Patrol (Reserve)	1,734
Fire Department - Capital Equipment	62,037
Fire Department - Future Fire Truck	(133,332)
Fire Department (Reserve)	70,468
Building Inspector (Reserve)	1,131
Civil Defense - Reserve	2,040
Civil Defense - Capital Equipment	450
Department of Public Works (Reserve)	44,341
Street Department Buildings (Reserve)	71,095
Street Machinery Operations (Reserve)	20,447
Street Machinery Operations - Capital Equipment	203,625
Street Maintenance - Capital Improvement	295,479
Street Cleaning (Reserve)	7,533
Street Signs and Markings (Reserve)	23,043
Street Signs and Markings - Capital Improvement	13,610
Street Construction - Capital Improvement	287,850
Street Lighting (Reserve)	45,143
Street Lighting - Capital Improvement	86,217
Sidewalks - Capital Improvement	12,117
Curb and Gutter - Capital Improvement	15,000
Storm Sewer - Capital	26,517
Pits & Quarries (Reserve)	2,131
Solid Waste Collection (Reserve)	2,673
Refuse Disposal (Reserve)	5,756
Recycling - Capital Improvements	23,504
Tree Board (Reserve)	1,762
Weed Control (Reserve)	8,676

(Continued)

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Cemetery (Reserve)	11,569
Cemetery - Capital Improvements	25,935
Library - Oper. Reserve	120
Library - Capital Improvements	19,916
Library Revenue/Expense - Capital	58,378
Cable TV - Capital	2,000
Parks (Reserve)	54,561
Parks - Capital Equipment	80,994
Recreation Department - Capital	11,877
Hobart Field (Reserve)	2,894
Hobart Field - Capital	5,493
Celebrations & Entertainment	214
Band (Reserve)	10,190
Band - Capital Equipment	10,328
Christmas Decorations (Reserve)	11,103
Skating Rinks	10,076
Planning (Reserve)	1,257
Zoning (Reserve)	1,921
Redevelopment (Capital)	1,423
Industrial and Commercial Development (Reserve)	997
Advances and Promotions (Reserve)	800
Maps and Plats - Capital Improvements	2,155
Maps and Plats - Operating Reserve	214
Maps and Plats - Capital Improvements	7,836
Health Insurance	131,433
	<u>\$ 1,963,536</u>

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

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE D - OTHER INFORMATION

1. Retirement Commitments

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All permanent employees hired before July 1, 2011 and expected to work over 600 hours a year (440 hours for teachers and educational support employees) or hired on or after July 1, 2011 and expected to work over 1200 hours a year (880 hours for teachers and educational support employees) are eligible to participate in the WRS. Covered employees in the General/Teacher/ Educational Support Personnel category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% 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.

The payroll for City employees covered by the WRS for the year ended December 31, 2011 was \$1,144,264 and the employer's total payroll was \$1,283,369. The total required contribution for the year ended December 31, 2011 was \$149,967; which consisted of \$78,929, or 6.9% of covered payroll from the employer and \$71,038 or 6.21% of covered payroll from employees. Of the \$71,038 required contributions for employees for the year ended December 31, 2011, \$63,355 was financed by the City and \$7,683 was financed by the employees. Total contributions for the years ending December 31, 2010 and 2009 were \$132,442 and \$124,936 respectively, equal to the required contributions for each year.

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

2. Risk Management

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

CITY OF CHILTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE D - OTHER INFORMATION (Continued)

3. Tax Incremental Districts

The City has established three separate capital projects funds for Tax Incremental Districts (TID) created by the City in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the Districts were created, the property tax base within each District was "frozen" and increment taxes resulting from increases to the property tax base are used to finance District improvements, including principal and interest on long-term debt issued by the City to finance such improvements. Except for certain exceptions under Section 66.1105(6)(am)(2), the Statutes allow 15 or 22 years after its creation date for a tax incremental district to incur project costs eligible for financing from tax increments. The City's three active Districts were created on January 1, 1992 and January 1, 2005, respectively, and therefore were still eligible to incur project costs for the year ended December 31, 2011.

Since creation of the above Districts, the City has provided various financing sources to each TID. These costs can be recovered from any future excess tax increment revenues. Detail of the amounts recoverable by the City as of December 31, 2011 from future excess tax increment revenues follows:

	Total	TID No. 2	TID No. 4	TID No. 5
Net Unreimbursed Project Costs	<u>\$3,743,267</u>	<u>\$2,568,172</u>	<u>\$919,111</u>	<u>\$255,984</u>

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

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

4. Property Tax Levy Limit

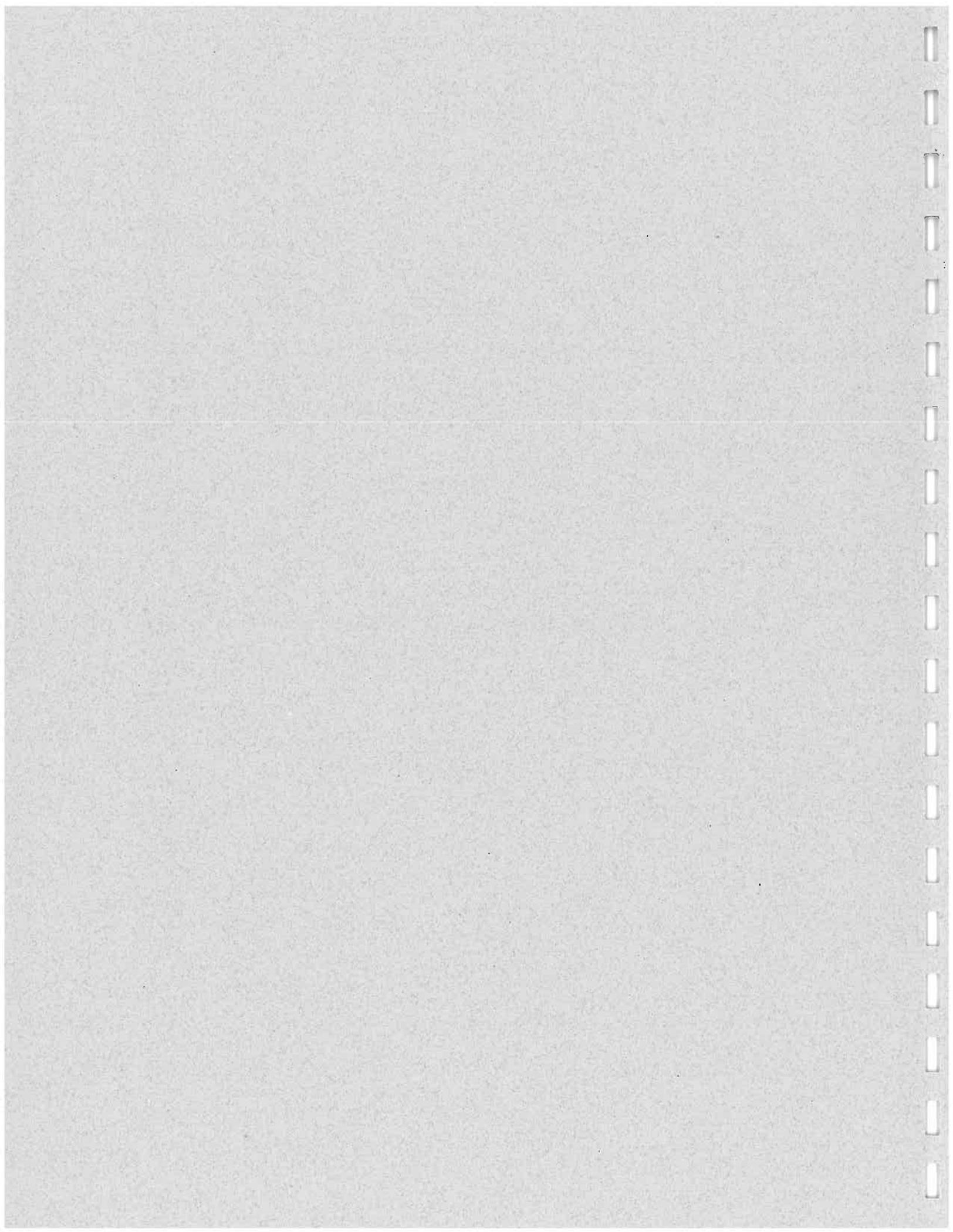
Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2011 budget year, the increase in the maximum allowable tax levy is limited to the greater of the percentage change in the City's January 1 equalized value as a result of net new construction or 3.0% per year. The actual limit for the City for the 2011 budget was 3.0%. For the 2012 budget year, Wisconsin statutes limit the increase in the maximum allowable tax levy to the change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2012 budget was .90%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

5. Contingencies

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

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SUPPLEMENTAL INFORMATION



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CITY OF CHILTON, WISCONSIN

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2011

(With summarized financial information as of December 31, 2010)

	General Capital Improvements	Chilton Lake District	Library Donations
ASSETS			
Cash and investments	\$ 474,943	\$ 39,581	\$ 88,091
Receivables			
Loans	-	-	-
TOTAL ASSETS	\$ 474,943	\$ 39,581	\$ 88,091
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ 63	\$ -
Due to other funds	-	-	-
Deferred revenue - loans	-	-	-
Total Liabilities	-	63	-
Fund Balances			
Committed for subsequent years' expenditures	474,943	39,518	88,091
Unassigned	-	-	-
Total Fund Balances	474,943	39,518	88,091
TOTAL LIABILITIES AND FUND BALANCES	\$ 474,943	\$ 39,581	\$ 88,091

Economic Development	Community Rehabilitation	Redevelopment Authority	Total Nonmajor Governmental Funds	
			2011	2010
\$ 4,134	\$ 140,382	\$ -	\$ 747,131	\$ 734,731
35,942	604,606	-	640,548	637,953
<u>\$ 40,076</u>	<u>\$ 744,988</u>	<u>\$ -</u>	<u>\$ 1,387,679</u>	<u>\$ 1,372,684</u>

\$ -	\$ 7	\$ -	\$ 70	\$ 73
-	-	162	162	-
35,942	604,606	-	640,548	637,953
<u>35,942</u>	<u>604,613</u>	<u>162</u>	<u>640,780</u>	<u>638,026</u>

4,134	140,375	-	747,061	734,658
-	-	(162)	(162)	-
<u>4,134</u>	<u>140,375</u>	<u>(162)</u>	<u>746,899</u>	<u>734,658</u>
<u>\$ 40,076</u>	<u>\$ 744,988</u>	<u>\$ -</u>	<u>\$ 1,387,679</u>	<u>\$ 1,372,684</u>

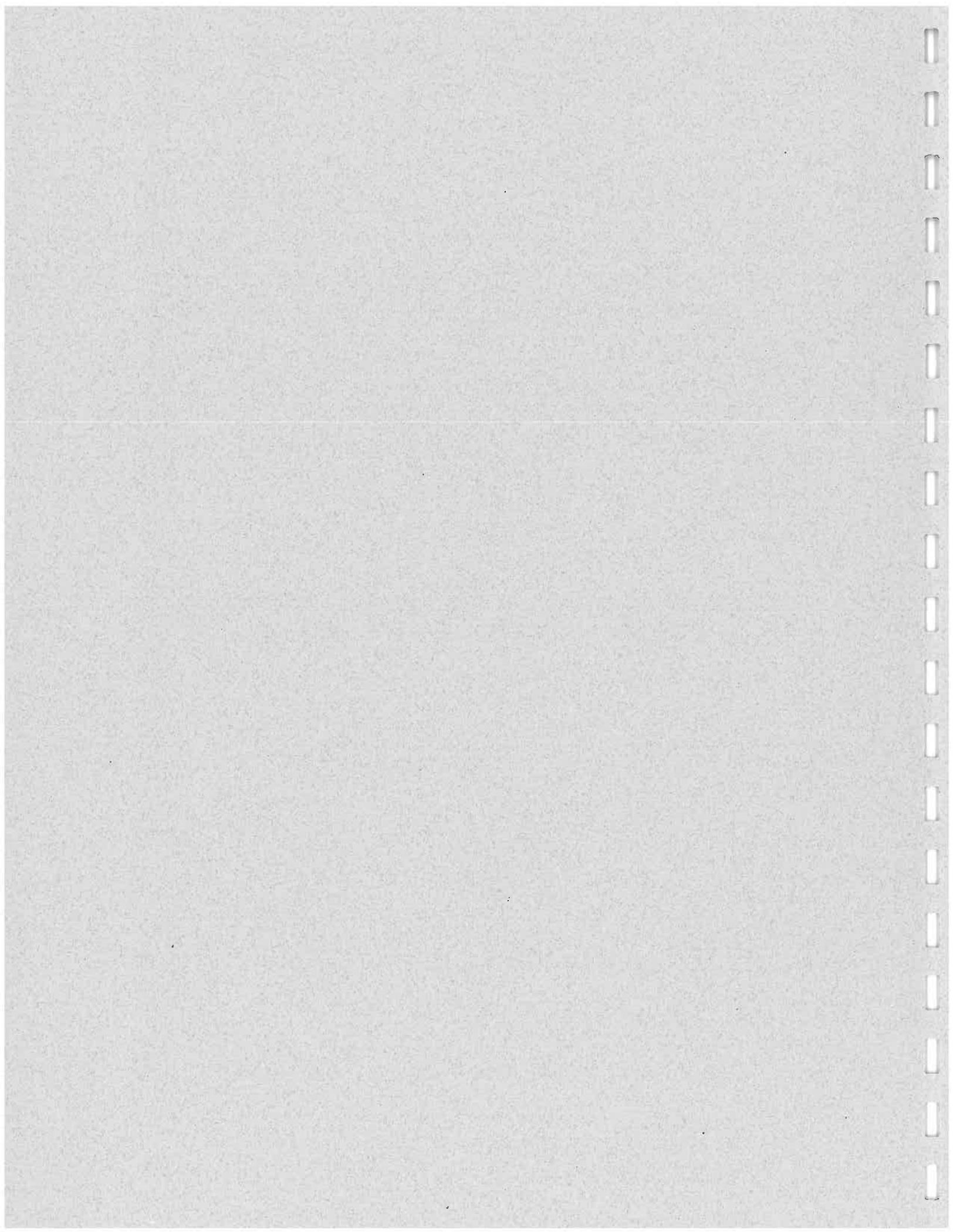
CITY OF CHILTON, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
Year Ended December 31, 2011
(With summarized financial information for the year ended December 31, 2010)

	General Capital Improvements	Chilton Lake District	Library Donations
Revenues			
Taxes	\$ -	\$ 14,998	\$ -
Intergovernmental	-	89	-
Miscellaneous	4,110	210	285
Total Revenues	<u>4,110</u>	<u>15,297</u>	<u>285</u>
Expenditures			
Current			
Development	-	-	-
Capital outlay	-	19,358	-
Total Expenditures	<u>-</u>	<u>19,358</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>4,110</u>	<u>(4,061)</u>	<u>285</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	4,110	(4,061)	285
Fund Balances - January 1	<u>470,833</u>	<u>43,579</u>	<u>87,806</u>
Fund Balances (Deficit) - December 31	<u>\$ 474,943</u>	<u>\$ 39,518</u>	<u>\$ 88,091</u>

Economic Development	Community Rehabilitation	Redevelopment Authority	Total Nonmajor Governmental Funds	
			2011	2010
\$ -	\$ -	\$ -	\$ 14,998	\$ 14,998
-	-	-	89	105
3,168	47,556	1,000	56,329	35,146
3,168	47,556	1,000	71,416	50,249
14,060	38,655	1,162	53,877	52,461
-	-	-	19,358	20,805
14,060	38,655	1,162	73,235	73,266
(10,892)	8,901	(162)	(1,819)	(23,017)
14,060	-	-	14,060	25,000
-	-	-	-	(16,198)
14,060	-	-	14,060	8,802
3,168	8,901	(162)	12,241	(14,215)
966	131,474	-	734,658	748,873
\$ 4,134	\$ 140,375	\$ (162)	\$ 746,899	\$ 734,658

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





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

To the City Council
City of Chilton
Chilton, 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 Chilton, Wisconsin, as of and for the year ended December 31, 2011, which collectively comprise the City of Chilton's basic financial statements and have issued our report thereon dated February 10, 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

Management of City of Chilton, Wisconsin is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Chilton, Wisconsin'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 of Chilton, Wisconsin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Chilton, Wisconsin's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2011-01 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Chilton, Wisconsin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic 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*.

We noted certain matters that we reported to management of the City of Chilton, Wisconsin in a separate letter dated February 10, 2012.

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

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



Certified Public Accountants
Green Bay, Wisconsin
February 10, 2012

CITY OF CHILTON, WISCONSIN
Schedule of Findings and Responses
Year Ended December 31, 2011

Section I - Internal Control Over Financial Reporting

Finding No.	Internal Control Deficiency
2011-01	Year End Closing and Financial Reporting
Condition:	While the current staff of the City maintain financial records which accurately report revenues and expenditures throughout the year, preparing year end adjusting, closing and GASB 34 conversion entries necessary to prepare financial statements, including related notes, state financial reports and public service commission reports require additional expertise that would entail additional training and staff time to develop. The City contracts with Schenck and their knowledge of current accounting principles and regulatory requirements of the Wisconsin Department of Revenue and the Public Service Commission of Wisconsin to prepare required journal entries and financial reports for the City in an efficient manner.
Criteria:	The review of financial statements by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential misstatement in the financial statements or notes.
Cause:	The additional costs associated with hiring staff experienced in preparing year end adjusting, closing, and GASB 34 conversion entries and financial reports, including additional training time outweigh the derived benefits.
Effect:	The financial statements of the City could be misstated and not detected and corrected in a timely manner without our review and proposed adjusting and closing entries.
Recommendation:	We recommend the City continue reviewing the adjusting, closing and GASB 34 conversion entries along with the financial reports prepared by Schenck. While it may not be cost beneficial to hire additional staff to prepare these items, a thorough review of this information by appropriate staff of the City is necessary to obtain an adequate understanding of the City's financial report.
Management Response:	We will continue to approve proposed adjustments and resulting annual financial reports prior to issuance.

Section II - Compliance and Other Matters

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2011.

